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

for the year ended March 2006

**Union Government
Accounts of the Union Government
No.1 of 2007**



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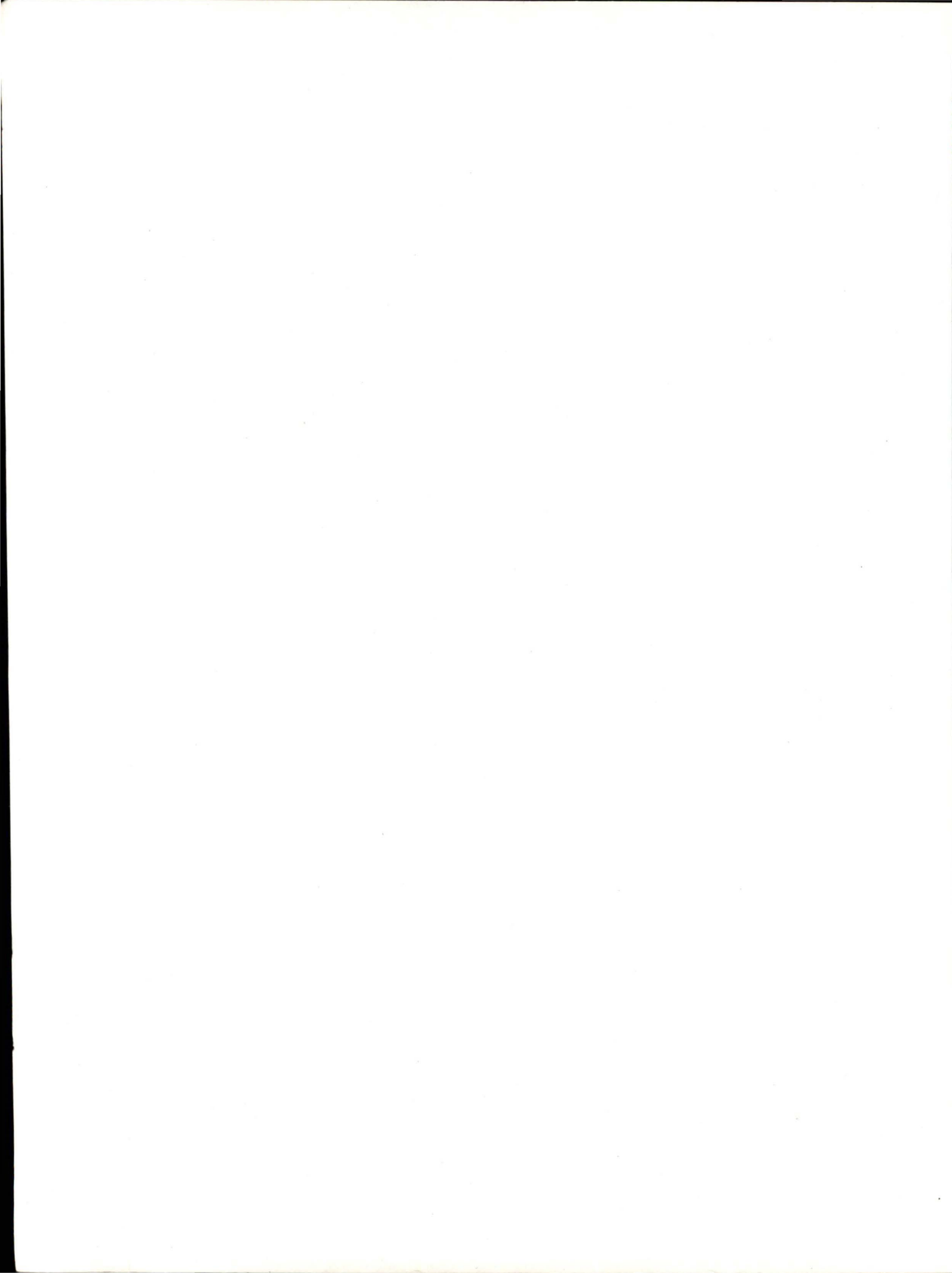
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PREFACE

This Report for the year ended March 2006 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 2006. The observations arising from the audit of various financial transactions of the Ministries have been included separately in Report No. 2.

Separate Reports are also presented to Parliament for Union Government: Autonomous Bodies (No. 3), Defence Services – Army and Ordnance Factories (No. 4), Defence Services-Air Force and Navy (No. 5), Railways (No. 6), Indirect Taxes – Customs, Central Excise and Service Tax (No. 7) and Direct Taxes (No. 8).



UNION GOVERNMENT FINANCES AND ACCOUNTS : 2005-06

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 four years of X Plan (2002-06). It also contains an analysis of the Appropriation Accounts for 2005-06.

- The year 2005-06 ended with a deficit of Rs. 18,224 crore in the Consolidated Fund of India and surplus of Rs. 3,514 crore in the Public Account of India.
- The revenue deficit in 2005-06 was Rs. 109,697 crore while the fiscal deficit amounted to Rs. 1,64,927 crore. The revenue deficit constituted 3.11 *per cent* of the Gross Domestic Product (GDP) while the fiscal deficit was 4.67 *per cent* of GDP.
- The resources of the Union Government in 2005-06 amounted to Rs. 2292,037 crore. The non-debt receipts constituted around 24 *per cent* of the total receipts. The balance came from borrowings and Public Account receipts.
- Tax revenue during 2005-06, after assigning States' and UTs' share, was Rs.271,766 crore, registering an increase of over 20 *per cent* over the previous year. Tax revenue was buoyant as a result of higher collection from corporation and service tax, which grew by 22.49 and 62.36 *per cent* respectively over the previous year. Total non-tax revenue in 2005-06 amounted to Rs. 159,174 crore, which constituted 37 *per cent* of the net revenue of the Union Government.
- The total disbursement of the Union Government increased from an average of Rs. 433,716 crore during the VIII Plan (1992-1997) to Rs. 2226,099 crore in 2005-06. The average annual trend of growth of disbursement during 1985-2006 at 12.34 *per cent* was, however, lower than the rate of growth of GDP, which in the same period averaged 13.72 *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 88.74 *per cent* in 2005-06. Relative share of the capital expenditure and loans and advances declined from an average of 21.12 *per cent* during VIII Plan to 11.26 *per cent* in 2005-06.

- While the long-term average of share of plan expenditure in total expenditure was 23.14 *per cent* during 1985-2006, its share moderately declined to 23.08 *per cent* in 2005-06.
- 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. 31,115 crore in 2004-05 and to Rs. 39,160 crore in 2005-06. The long-term trend rate of growth in expenditure on social services was 15.48 *per cent* (1987-2006).
- 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 59.08 *per cent* during the IX Plan (1997-2002). In the recent four years, while this ratio increased to 62.69 *per cent* in 2002-03, it decelerated to 58.71 *per cent* in 2004-05 and to 55.75 *per cent* in 2005-06.
- The ratio of fiscal liabilities to revenue and non-debt receipts had a positive shift rate during 1985-2006. Average ratio of fiscal liabilities to non-debt receipts increased from 446 *per cent* during the VIII Plan (1992-97) to 453 *per cent* in 2002-03. It, however, declined to 443 *per cent* in 2005-06.
- The total suspense balances under various minor heads have increased from Rs. 3299.09 crore (Debit) at the end of March 2002 to Rs. 8560.40 crore (Debit) as on 31 March 2006.

Chapter 1

UNION GOVERNMENT FINANCES – AN OVERVIEW

An overview of the finances of the Union Government for the year 2005-06 revealed a deficit in the Consolidated Fund of India as compared to the surplus in previous year and a decline in the surplus in Public Account. This deterioration was mainly on account of an increase in total expenditure accompanied with a decline in non-debt receipts; a reduction in loan recovery receipts of Union and a significant reduction in interest bearing deposits over the previous year. An increase in non-tax revenue receipts over and above the budget estimates compensated the marginal shortfall in tax collections and resulted in overall better realization of revenue receipts during the year. While impact of prudent fiscal policy was evident on revenue receipts but the increased spending on social sectors also resulted in increased revenue expenditure. Capital expenditure witnessed significant volatility but after attaining a significant acceleration in its growth during 2003-04 and 2004-05, showed a deceleration during the current year. Fiscal imbalances not only continued to be persistent but also remained significant in volume. The revenue deficit and fiscal deficit as per cent to GDP at 3.11 and 4.67 respectively during 2005-06 were higher by 0.58 and 1.33 percentage points than their levels in 2004-05. In the wake of higher fiscal devolution to States as recommended by TFC and higher spending on social sectors, these trends indicated a slowdown of the Union Government in its fiscal correction in terms of targets prescribed under the FRBM Rules, 2004. The negative spread in the growth of resource availability and assets formation resulted in progressive decline in assets base of the Union government relative to its liabilities. The increasing trend was observed in outstanding suspense balances under various minor heads of the Union Government reflecting lack of coordination between the RBI and the Government as well as within various Ministries/Departments of the Government. If these amounts remain uncleared, and the balance under the Suspense Heads keeps on accumulating, the resultant position would not reflect a correct appreciation of the state of Government Accounts.

1.1 This chapter provides a broad perspective of the finances of the Union Government during 2005-06 and analyses critical changes in the major fiscal aggregates during the period 1985-2006.

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 (2005-06).

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Union Government Accounts 2005-06

Table 1.1 Summary of the current year's operation

(Rupees in crore)

Receipts		Derived parameters	Disbursements	
Consolidated Fund of India (CFI)				
Revenue Receipt	430940	Revenue Deficit 109697	Revenue Expenditure	540637
Misc. Capital Receipts	1581		Capital Expenditure	56119
Recovery of Loans	11801		Loans and Advances	12493
Total Non-Debt Receipts	444322	Fiscal Deficit 164927	Total Expenditure	609249
Public Debt	1262363		Public Debt	1115210
			Appropriation to Contingency Fund	450
Total CFI	1706685	Deficit in CFI 18224	Total CFI	1724909
Contingency Fund				
Receipts	450		-	-
Public Accounts				
Small savings	291276		Small savings	278943
Reserves & Sinking Fund	36715		Reserves & Sinking Fund	31822
Deposits	48825		Deposits	37246
Advances	26672		Advances	26626
Suspense account	6552		Suspense account	32085
Remittances	729		Remittances	533
Total Public Account	410769	Surplus in Public Account 3514	Total Public Account	407255
Opening Cash	79748	Decrease in Cash 14260	Closing Cash	65488
Public Account Surplus (Demand)		3514	Deficit in CFI - Decrease in Cash - Appropriation to Contingency Fund	
Incremental Liabilities (Supply)		175958	Surplus of (Debt+ Small Savings+ RF+ Deposits)	
Incremental Liabilities (Demand)		175958	FD - Decrease in Cash +Net Disbursement of (Advances+ Suspense+ Remittances)	

1.3 The year 2005-06 ended with a deficit of Rs. 18224 crore in the Consolidated Fund of India as compared to the surplus of Rs. 45222 crore in previous year. While the Public Account maintained a surplus during 2005-06, it declined from Rs. 27119 crore in 2004-05 to Rs. 3514 crore during the year. These fiscal developments in Union Finances took place during the year were mainly on account of (a) an increase in total expenditure by Rs. 59916 crore accompanied with a decline in non-debt receipts by Rs. 1213 crore, (b) a reduction of Rs. 52439 crore in loan recovery receipts of Union over the previous year essentially due to swapping of high cost loans taken by States from the central government with fresh securities bearing lower interest rates till 2004-05 and further consolidation and rescheduling of central loans to

states contracted till March 2004 for a fresh term of 20 years under the award of Twelfth Finance Commission, (c) a decline of Rs. 1867 crore in the surplus position in Public Debt Account in 2005-06 over the previous year and (d) a decline of Rs. 16738 crore in receipts under Public Account mainly due to a significant reduction of Rs. 25540 crore in interest bearing deposits over the previous year. The fiscal deficit at Rs. 164927 crore during 2005-06 is more by Rs. 61129 crore over the previous year. Fresh liabilities, which are accommodative flows for meeting this resource gap, however, exceeded the fiscal deficit by Rs. 11,031 crore because of a build up in 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 The 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 The 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. How close the actuals are to the budget estimates indicates the extent to which fiscal discipline was enforced during the year. Several reasons may account for the deviation of the actual realisation from the 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 internal and others external. Table 1.2 provides a summary of budget estimates and actuals for some important fiscal parameters.

Table 1.2: Union Government Finances 2005-06 - budget and actuals

(Rupees in crore)

	Budget Estimates	2004-05 Actuals	2005-06		Deviation from Budget	Deviation* Per cent
			Actuals	Budget Estimates		
1	Total Receipts of the Union	1578331	2117454	1553637	563817	36.29
2	Revenue Receipts	376871	430940	427426	3514	0.82

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(Rupees in crore)

Budget Estimates	2004-05 Actuals	2005-06		Deviation from Budget	Deviation* Per cent
		Actuals	Budget Estimates		
Tax revenue	226363	271766	275066	-3300	-1.20
Non-tax revenue	150508	159174	152360	6814	4.47
3 Miscellaneous Capital receipts	4424	1581	0	1581	-
4 Recovery of Loans and Advances	64240	11801	13525	-1724	-12.75
5 Public Debt receipt	705289	1262363	747035	515328	68.98
6 Public Account Receipts	427507	410769	365650	45119	12.34
7 Total Disbursement of the Union	1505990	2132164	1542207	589957	38.25
8 Revenue Expenditure	455571	540637	522740	17897	3.42
9 Capital Expenditure	53654	56119	62537	-6418	-10.26
10 Loans and Advances	40108	12493	7177	5316	74.07
11 Repayment of Public Debt	556269	1115210	601477	513733	85.41
12 Public Account Disbursement	400388	407255	347377	59878	17.24
13 Revenue Deficit	78700	109697	95314	14383	15.09
14 Fiscal Deficit	103798	164927	151144	13783	9.12

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

1.5 Revenue receipts exceeded the budget estimates marginally by 0.82 per cent mainly due to an increase in non-tax revenue receipts by 4.47 per cent which compensated the marginal shortfall in tax collections and resulted in overall better realization of revenue receipts during the year. However, an increase of 3.42 per cent in revenue expenditure relative to the budget estimates led to an increase in revenue deficit by 15 per cent over the budgeted level envisaged for 2005-06. Fiscal deficit, which represents overall resource gap of the government, however, also exceeded budgeted figures by over 9 per cent. A substantial decline in recovery of loans and advances and sale proceeds of Government equity in Public Sector Companies led to an increase in fiscal deficit both from the level of previous year as well as the budget estimates for 2005-06. With respect to public debt, though both receipts and disbursements (repayments) significantly exceeded the budgeted figures, the net impact of these in terms of increase in liabilities was only Rs. 1595 crore, marginally higher than the budget estimates. On the whole, the impact of prudent fiscal policy was evident on revenue receipts but the emphasis on increased spending on social sectors also resulted in increased revenue expenditure. Besides, deviations in other parameters relative to the budget estimates were also quite significant.

Union Government Finances 1985-2006 - Some Key Parameters

Box 1.2 : Managing Funds : Constitutional Provisions

Article 266 (3) of the constitution of India provide 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**, culminate 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.

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

	<i>(Rupees in crore)</i>				
	2001-02	2002-03	2003-04	2004-05	2005-06
Deficits as per Finance Accounts					
Revenue Deficit	110303	109765	100986	78700	109697
Fiscal Deficit	155833	134588	80937	103798	164927
Deficit as per Budget at a Glance					
Revenue Deficit	100162	107880	98262	78338	92299
Fiscal Deficit	140955	145072	123272	125202	146435
Difference in the two Figures					
Revenue Deficit	10141	1885	2724	362	17398
Fiscal Deficit	14878	(-) 10484	(-)42335	(-) 21404	18492
Factors Explaining the Differences					
Securities Issued to RBI/UTI/IDBI/Others (Revenue Account)	10141	1885	2724	362	-
Securities Issued to IIBI/IFCI/RBI/NB (Capital Expenditure)	4737	384	(-)110	(-) 88	500
Securities issued to IMF	-	1011	1262	415	595
Redemption of Securities issued to NSSF	-	(-) 13765	(-) 46211	(-) 32675	-
Securities issued to Asset Management Trust	-	-	-	9000	-
Special securities issued to RBI	-	-	-	350	-

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(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Conversion of interest receivable into equity	-	-	-	640	-
Investment in Nuclear Power Corporation	-	-	-	592	-
Securities issued to Oil Companies	-	-	-	-	17263
Realisation of stressed assets of IDBI	-	-	-	-	134
Combined Effect	14878	(-) 10485*	(-)42335	(-) 21404	18492

* Difference due to rounding Summary of balances

1.7 As per receipt and expenditure figures appearing in Annual Financial Statement, the revenue and fiscal deficits worked out to be Rs. 109,697 crore and Rs. 164,927 crore respectively. The figures of Annual Financial Statement agree with the Union Government Finance Accounts figures. However, Budget at a Glance reported the deficits at Rs. 92,299 crore and Rs. 146,435 crore respectively.

1.8 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

1.9 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 2005-06, 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	2006			1986	2006	
Capital Outlay	62064	543047	11.46	Internal Debt	71039	1389758	16.03
Loans & Advances	61766	231035	6.82	External Debt	18153	94243	8.58
Resource use in terms of functions				Small Savings	36859	275380	10.58
Social Services	3032	22581	10.56	Other Obligations	11433	109462	11.96
Agriculture & Allied	5596	8787	2.28	Fiscal Liabilities	137484	1868843	13.94
Irrigation and Energy	9122	60856	9.95	Cash Balances	-107	-65488	37.83
Industry & Minerals	32931	83161	4.74	Suspense Balances	-1260	-17557	14.08
Transport & Communication	19198	122270	9.70	Remittances	-1273	-2172	2.71
Other Economic Services	3012	72974	17.28	Advances	-511	-3302	9.78

Union Government Finances - An Overview

Total Economic Services	69859	348048	8.36	Contingency Fund	50	500	12.20
General Services & Others	12219	245429	16.18	Availability of Funds	134383	1780824	13.79
Loans to States	38720	158024	7.29	Resource Gap	-10553	-1006742	25.60
Total Assets	123830	774082	9.60	Resource Use	123830	774082	9.60

(*Cumulative Annual Rate of Growth)

1.10 While the net availability of funds of the Union government increased at an annual rate of 13.79 *per cent*, assets of the government comprising the capital expenditure and loans and advances increased at an average rate of 9.60 *per cent* only. This negative spread in the growth of resource availability and assets formation resulted in progressive decline in assets base of the Union government relative to its liabilities. Within the assets, capital expenditure, or the capital formation by the government directly witnessed a relatively higher growth during 1985-2006. "Loans and advances", which is akin to capital formation through its parastatals increased at an average rate of 6.82 *per cent*. Investment or assets formation in agriculture and allied activities and industry and minerals recorded a much lower growth as compared to other sectors during this period. Investment in social services grew at 10.56 *per cent*. Expenditure on other economic services, which included investment/accommodation to financial institutions, witnessed relatively 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 around 56.53 *per cent* as on 31 March 2006.

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 has been used. The GDP estimates for the current year are as given by CSO in their Press Note released on 31st May 2006.

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 1985-2006 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 rates have also been indicated for the first four years of the X Plan (2002-07)

For most series, ratios with respect to GDP have also been indicated. As in case of growth rates, average ratios have been used for the period 1985-2006 and separately for the VIII and IX Plan periods. Annual ratios for the first four years of the X Plan (2002-07) have also been indicated.

Revenue Receipts

1.11 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 1985-2006, the VIII and IX Plans (1992-1997 and 1997-2002 respectively) and the four years of the Tenth Five Year Plan (2002-07).

Table 1.5: Key parameters of the Union Government revenue receipts

Period	Gross Tax Revenue		Non-Tax Revenue		Total Net Revenue of the Union		GDP Growth
	A	B	A	B	A	B	
	1985-2006	12.81	9.35	12.84	5.62	12.95	
VIII Plan (1992-97)	15.89	9.32	14.66	5.94	15.61	12.71	16.54
IX Plan (1997-02)	9.00	8.68	8.00	6.06	8.12	12.40	10.43
X Plan (2002-07)							
2002-03	15.61	8.76	6.58	5.66	13.02	12.14	8.21
2003-04	17.61	9.22	7.76	5.45	13.10	12.29	11.76
2004-05	19.90	9.82	-0.01	4.85	11.14	12.14	12.52
2005-06	20.07	10.37	5.76	4.51	14.35	12.20	13.72

A: - Rate of growth

B: - Relative share as percentage to GDP

1.12 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 during the period 1985-2006. For over a decade from 1992 to 2002 encompassing the period of Eighth and Ninth Five Year Plans, the rate of growth of revenue receipts and its two components remained lower than the rate of growth of GDP. The rate of growth of non-tax receipts not only remained sluggish during the first two years of Tenth Plan partly due to corporatization of telecom services and setting up of Prasar Bharati but it turned into negative during 2004-05 mainly due to significant reduction in the interest receipts of the Union during the year as a result of the debt swap scheme enabling pre-payment of high cost Central Government loans. However, a comparison of budget estimates and actual receipts of non-tax revenue during the last three years from 2003-2004 to 2005-06 reveals that the actual receipts of non-tax revenue exceeded the budget estimates mainly due to increased collection *vis-à-vis* budget estimates under 'Economic Services' and 'Income from dividends'. It is pertinent to mention that during 2005-06, receipts from social services increased by more than three times from Rs. 451 crore in 2004-05 to Rs. 1643 crore in 2005-06 essentially on account of increased collections under the head 'Information and Publicity'. The increased collections from social services together with an increase of 12 per cent in receipts from 'Economic Services' led to an increase of 6 per cent in non-tax revenue receipts during 2005-06 over the previous year. The rate of growth in gross tax revenue increased consistently during the first four years of the Tenth Plan resulting in rising tax-GDP ratio. The ratio of tax receipts to GDP which had declined to an average of 8.68 per cent during the IX Plan (1997-2002) continued its rising trend and for the first time crossed 10 per

cent in 2005-06 during the regime of economic reforms. The increasing buoyancy in tax revenue of the Union could, inter-alia, be attributed to the rationalisation of the tax structure and other taxation measures undertaken during the last few years.

1.13 Tax revenue (inclusive of the States' share) of the Union had a buoyancy of 0.933 during 1985-2006 indicating that for each percentage point increase in GDP, increase in tax revenue was only 0.93 *per cent*. While buoyancy of direct taxes together comprising corporate and personal income tax was greater than one, lower buoyancy of indirect taxes (both customs and excise duties) that accounted for nearly 48 *per cent* of the total tax revenue during 2005-06 resulted in overall lower buoyancy for the gross tax receipts. In non-tax receipts, 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.

Expenditure

1.14 The Union Government's total expenditure (Table 1.6) also reflected a similar position. Rate of growth of total expenditure declined consistently from a long-term average of 12.02 *per cent* (1985-2006) to 8.86 *per cent* during the IX Plan (1997-2002) and further to 6.4 *per cent* in 2003-04. Growth in total expenditure picked up in 2004-05 and reached to the level of 10.91 *per cent* in 2005-06. Total expenditure-GDP ratio also declined from a trend average of 19.66 during Eighth Plan (1992-97) to 19.56 during Ninth Plan (1997-2002) and declined in subsequent years to reach to the level of 17.25 in the current year. Capital expenditure witnessed significant volatility, but average annual growth of this component of expenditure remained lower. This component of total expenditure, after attaining a significant acceleration in growth during 2003-04 and 2004-05, again indicated a deceleration trend during the current year. Relative to GDP, its share fluctuated but the trend rate of shift in its relative share was negative. Disbursement of loans and advances also exhibited an overall declining trend since IX plan (1997-2002). Steep decline during 2005-06 was on account of the fact that Union Government discontinued its role as an intermediary in future lending to States from the current year on the recommendations of TFC.

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
1985-2006	13.52	15.88	8.18	1.64	4.43	1.77	12.02	19.29
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
X Plan (2002-07)								
2002-03	9.06	16.59	-2.55	1.23	-6.19	1.47	6.92	19.29

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2003-04	7.45	15.95	16.08	1.28	-13.51	1.14	6.40	18.36
2004-05	3.52	14.67	51.56	1.73	28.02	1.29	8.39	17.69
2005-06	18.67	15.31	4.59	1.59	-68.85	0.35	10.91	17.25

A: - Rate of growth

B: - Relative share as percentage of GDP

Fiscal imbalances

1.15 Fiscal imbalances not only continued to be persistent but also remained significant in volume as reflected in the table below:

Table 1.7: Ratio of Revenue and Fiscal Deficit to GDP

(Per cent)

Period	Revenue Deficit	Fiscal Deficit	Revenue Deficit as percentage to Fiscal Deficit
1985-2006	3.37	5.49	61.47
VIII Plan (1992-1997)	2.80	6.04	46.26
IX Plan (1997-2002)	3.95	6.25	63.26
X Plan (2002-07)			
2002-03	4.44	5.45	81.56
2003-04	3.66	2.93	124.77
2004-05	2.53	3.34	75.82
2005-06	3.11	4.67	66.51

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. The first four years of the Tenth Plan (2002-07) indicated a mixed trend in the behaviour of these parameters. The ratio of revenue deficit to GDP declined from 4.44 *per cent* in 2002-03 to 2.53 *per cent* in 2004-05 (by 1.91 percentage points) but it again increased to 3.11 *per cent* in the current year. The ratio of fiscal deficit to GDP ratio which declined from 5.45 *per cent* in 2002-03 to 2.93 in 2003-04, i.e. by 2.52 percentage points has indicated a tendency to move northwards during the last two years. The low fiscal deficit to GDP ratio especially during 2003-04 and 2004-05 could be attributed to the implementation of debt swap scheme and accelerated recovery of loans and advances earlier given to the States. The revenue deficit and fiscal deficit as *per cent* to GDP at 3.11 and 4.67 respectively during 2005-06 were higher by 0.58 and 1.33 percentage points than their levels in 2004-05. In the wake of higher fiscal devolution to States as recommended by TFC and higher spending on social sectors, these trends indicated a pause by the Union Government in its fiscal correction in terms of targets prescribed under the FRBM Rules, 2004. Given the fact that there was a one-to-one relationship between accelerated recovery and a decline in assets base, this cannot be taken as a sustainable route to achieve the FRBM targets, therefore relatively higher growth of revenue receipts would be needed to sustain the prescribed fiscal correction. The more disturbing trend, however, was a

continuous increase in the ratio of revenue deficit to fiscal deficit. Revenue deficit as a percentage of fiscal deficit increased from an average of 46.26 *per cent* of fiscal deficit during the VIII Plan (1992-1997) to 66.51 *per cent* in 2005-06, of course with inter-year variations.

Fiscal Liabilities

1.16 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	Average Rate of Interest	Ratio of Assets to Liabilities
1985-2006	13.74	59.46	7.93	45.96
VIII Plan (1992-1997)	12.48	60.72	7.91	57.68
IX Plan (1997-2002)	11.85	59.08	9.06	50.90
X Plan (2002-07)				
2002-03	10.62	62.69	8.90	44.78
2003-04	7.20	60.13	8.28	41.48
2004-05	9.86	58.71	7.89	39.36
2005-06	7.98	55.75	7.75	39.32

* *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.*

1.17 During 1985-2006, the average annual aggregate total liabilities of the Union Government remained around 59.46 *per cent* of GDP. The average annual rate of growth in aggregate liabilities which was 12 *per cent* during the decade 1992-2002 encompassing the periods of Eighth and Ninth Five year Plans declined to an average of 8.92 *per cent* during the first four years of the Tenth Plan (2002-07). Despite this decelerating trend, the ratio of liabilities to GDP increased in first year of the Tenth Plan mainly because the GDP growth itself witnessed a deceleration in nominal terms. The ratio, however significantly declined during the last two years due to combined effect of the decline in rate of growth in aggregate liabilities and robust average growth rate of 13 *per cent* in GDP during these years. The average rate of interest on the outstanding liabilities continued to move upwards from an average rate 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 2003-04 and further to 7.75 *per cent* in the current year, which resulted in a decline of 147 basis points in interest rates during the last five years from 2001-02 to 2005-06. Interest rates on fiscal liabilities had remained largely below the rate of growth of GDP which has essentially been providing a cushion in sustaining the higher debt-GDP ratio. Apart from the administered interest rate structure which had prevailed for most part of these

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two decades, low interest rates on external debt, which except in 1991-92 never exceeded 4 *per cent* and other liabilities in the nature of sinking funds and deposits, which continued to attract much lower interest rates, sustained the lower rates during the decade 1992-2002. Besides, soft interest rate regime both due to domestic and international forces has also resulted in lower interest rate structure in recent years. However, the quality of the use of the borrowed funds continued to be a concern. Larger revenue deficits continued to erode the assets back up for the aggregate liabilities of the Union Government, which consistently declined and remained static at 39 *per cent* during 2004-05 and 2005-06.

Outstanding Suspense balances of the Union Government

Introduction

1.18 Government Accounts are kept on cash basis and most of its transactions take place by cheques drawn on accredited Public Sector Banks, which also receive money on behalf of the Government. Reserve Bank of India is the main banker of the Government and other authorised banks function as its agents while handling Government transactions. Transactions through banks have their final impact on government cash balance in the course of time. Transactions of receipts and expenditure, which cannot at once be taken to a final head of account owing to lack of information about the nature of the transaction or for any other reason, are to be booked temporarily under different Suspense Heads. These Suspense Heads are to be cleared by (-) Debit or (-) Credit as the case may be on receipt of the relevant details/information. If these amounts remain uncleared, the balance under the Suspense Heads would go on accumulating and would not reflect a correct appreciation of the state of Government Accounts. The position of Suspense balances under some of the important suspense heads for the last five years are given below:

Table 1.9: Outstanding balances under major suspense heads

(Rupees in crore)

Heads of account	Net Balance as on 31 March									
	2002		2003		2004		2005		2006	
Suspense (PAO Suspense)	Dr.	565.12	Dr.	1145.03	Dr.	1170.86	Dr.	1565.50	Dr.	599.22
Suspense Accounts (Civil)	Dr.	289.94	Dr.	650.41	Dr.	682.75	Dr.	698.75	Dr.	705.78
Suspense Accounts (Postal)	Cr.	7.47	Dr.	172.12	Dr.	509.10	Dr.	1086.65	Dr.	692.80
Suspense Accounts (Defence)	Cr.	643.73	Cr.	360.24	Dr.	304.40	Dr.	289.62	Dr.	1795.00
Suspense Accounts (Railways)	Dr.	568.02	Dr.	565.96	Dr.	857.58	Dr.	1046.74	Dr.	860.48
Suspense Accounts (Telecom)	Dr.	658.92	Dr.	660.30	Dr.	680.91	Dr.	630.30	Dr.	642.34
Public Sector Bank Suspense	Cr.	51.91	Dr.	537.48	Dr.	2524.20	Dr.	1044.58	Dr.	962.72
Suspense Account for purchases abroad	Dr.	697.45	Dr.	501.07	Dr.	473.31	Dr.	1082.73	Dr.	1008.98
Reserve Bank Suspense (HQ)	Cr.	172.26	Cr.	173.20	Dr.	72.69	Dr.	73.90	Dr.	65.81
Reserve Bank Suspense (CAO)	Cr.	8.69	Cr.	20.75	Cr.	246.06	Cr.	248.64	Cr.	239.33
Cash settlement Suspense	Dr.	206.97	Dr.	228.80	Dr.	233.20	Dr.	237.20	Dr.	302.18
Others	Dr.	1196.73	Dr.	1182.14	Dr.	1174.62	Dr.	1195.01	Dr.	1164.42
Total	Dr.	3299.09	Dr.	5089.12	Dr.	8437.56	Dr.	8702.42	Dr.	8560.40

From the above table it would be seen that suspense balances under various suspense heads have been gradually increasing and total suspense balances have increased from Rs. 3299.09 crore (Dr) at the end of March 2002 to Rs. 8560.40 crore (Dr.) on 31st March 2006. A review of the operation of Suspense Accounts and the position of outstanding balances in some of the regularly operated minor heads of Suspense Accounts was **carried out by audit** and its findings are summarised below:

1.19 PAO Suspense

This minor head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAO under the Union Government; PAO of the Union Territories and Accountants General. Transactions under this minor head represent either recoveries effected or payments made by an Account Officer on behalf of another Accounts Officer against whom the minor head "PAO Suspense" has been operated. Credit under the head is cleared by 'minus credit' when cheque is issued by the Accounts Officer in whose books initial recovery was accounted for. Debit under 'PAO Suspense' is cleared by 'minus debit' on receipt and realisation of cheque/demand from the Accounts Officer on whose behalf payment was made.

In March 1999 the outstanding balances under PAO suspense amounted to Rs. 10.11 crore (Dr.) which had increased to Rs. 599.22 crore (Dr.) in March 2006. The outstanding balances on 31st March 2006 were mainly in respect of Ministry of Supply: Rs. 903.12 crore (Dr.); CBDT (Revenue): Rs. 146.14 crore (Dr.) and Ministry of External Affairs: Rs. 229.56 crore (Dr.) and Ministry of Finance (Deptt. of Expenditure): Rs. 567.26 (Cr.) indicating the payments made/received by these departments on behalf of other PAOs which are yet to be recovered/paid by them. However, in the Department of Economic Affairs it was observed that during the financial year 2005-06 clearance of Rs. 58.34 crore (Dr.) was made by one PAO against another for 'nil' outstanding debit balance resulting in creation of adverse balance. The heavy and continuous growth in the PAO suspense and the presence of adverse balances indicate lack of proper communication between different PAOs for clearing these balances.

1.20 Suspense Account (Civil)

This transitory minor head is operated for the accounting of transactions, which for the want of certain information/documents viz. vouchers, challans etc. cannot be taken to the final head of expenditure or receipt. This minor head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/documents etc, the minor head is cleared by minus debit or minus credit by per contra debit or credit to the concerned major/sub-major/minor heads of accounts.

Although in the last three years, the net balances in the Union Government Finance Accounts under this minor head - 'Suspense Account (Civil)' has

remained between Rs. 650 to Rs. 700 crore (Dr.) the real magnitude of the outstanding balance on 31st March 2006 was Rs. 1021.06 crore (Dr.) and Rs. 315.28 crore (Cr.) indicating that Receipts and Expenditures of Rs. 1336.34 crore which are required to be handled individually for settlement have not been booked to their final head of accounts.

1.21 Public Sector Bank Suspense

In the Government accounting system, the Public Sector Banks conduct Government business on behalf of the Reserve Bank of India which is the official banker of the Union Government. When a cheque is issued in payment of a bill, the amount is normally debited to the final head of account. Whenever a cheque is encashed by a Public Sector Bank, it initially pays the amount from its own cash balance and then claims reimbursement from the Central Accounts Section (CAS), RBI Nagpur which maintains the account of each Ministry/Department. Similarly, when Government receipts are paid into a Public Sector Bank, it passes on the proceeds to the Central Accounts Section, RBI Nagpur. As there is a time lag in booking of a Government transaction carried out by the bank, in Government cash balances, the minor head 'Public Sector Bank Suspense' is operated in Government books to account for the transactions awaiting settlement. On receipt of accounts from RBI (CAS), Nagpur the original booking under PSB Suspense is cleared by (-) credit/(-) debit, as the case may be.

The net outstanding PSB Suspense balance for the year ending 31st March 2006 amounted to Rs. 962.72 crore (Dr.) and the major departments against whom these balances were outstanding were CBEC: Rs. 908.87 crore (Dr.) and Central Pension Accounting Office (CPAO): Rs. 296.04 crore (Dr.). In respect of the CPAO under Ministry of Finance it was observed that the net outstanding PSB suspense balances shown was actually adverse balances of Rs. (-) 1.63 crore (Dr.) and Rs. (-) 297.25 crore (Cr). The CPAO attributed reasons for non-clearance of these adverse balances to the failure of the designated banks, which made pension payments to Central Civil Pensioners, Freedom Fighters and claimed reimbursements from RBI CAS Nagpur, not sending the pension payment scrolls in time or sending partial or incomplete scrolls to CPAO. This indicated poor coordination between the CPAO and the designated bank branches and inadequate monitoring of timely receipt of Bank Scrolls.

1.22 Reserve Bank Suspense, Central Accounts Office

This minor head is operated in the books of Union Government for payments of loans, grants-in-aid, share of income tax, share of Union excise duty to the State Governments. When the payment is authorised, the respective expenditure head is debited and credit is afforded to this head. On receipts of monthly statements of accounts from RBI adjusting the account of Union Government, the minor head is minus credited by crediting 8675-Deposits with RBI-101-Central Civil. At the time of repayment of loan and payment of interest thereon by the State Government, this head is debited by crediting the

loans/interest head. On receipt of monthly statement of accounts from RBI (CAS) Nagpur the head is minus debited per contra debit to 8675-101 Deposits with RBI-101-Central Civil. The outstanding RBI (CAO) suspense balances were outstanding mainly against the Department of Economic Affairs, Ministry of Finance which had a suspense balance of Rs. 253.29 crore (Cr.) for the year ending 31st March 2006. The balance was outstanding in the accounts since 2003-04. This balance is the net effect of debit and credit transactions of Rs. 61817.95 crore and Rs. 62071.24 crore in the suspense heads RBI (HQ) and RBI (CAO) respectively during the year. The department did not furnish any reply about the nature, details, period and the efforts made by it to clear these balances.

1.23 Suspense Accounts for purchase abroad

The minor head suspense accounts for purchases abroad is operated in the books of Controller of Aid Accounts and Audit (CAA&A), Ministry of Finance (Deptt. of Economic Affairs). The government makes direct payment for imports financed out of foreign loans and credit and an equal amount is kept under the suspense head till the payment is received from the importers. The debit balance under this head indicates the amount, which is yet to be recovered from the importers, although the Government has already made the payment for these imports.

In 2005-06 the suspense account balance for purchases abroad was Rs. 1008.98 crore. Major debtors for the year ending 31st March 2006¹ were Pyrites, Phosphates & Chemicals Ltd. (Rs. 24.95 crore); Pawan Hans Ltd. (Rs. 57.44 crore); Delhi Metro Rail Corporation (Rs. 23.91 crore); Coal India Ltd. (Rs. 21.08 crore); Helicopter Corporation of India Ltd. (Rs. 67.24 crore) and three Government Ministries (Rs. 155.49 crore). It was also observed that Rs. 206 crore was outstanding from different organisations since 1997. A list showing the details of amounts outstanding since 1997 in respect of major importers is given at Appendix-I-A. It is noticed from the information made available by the Department that purchases have been made on behalf of various importers when the payments for the purchase of earlier years were still due from them. Concrete steps need to be taken up by CAA&A for recovery of the outstanding amounts.

1.24 Impact of Suspense balances in Government accounts

In the Finance Accounts of the Union Government netted figures of debits and credits appear as opening and closing balances under the various minor heads. The real magnitude of the outstanding under a particular minor head can only be gauged by going through the outstanding balances lying under the debit and credit side which ultimately are required to be handled individually for settlement. For the year ending 31st March 2006, the actual outstanding position under some of the suspense heads was as below:

¹ Position as on 9th August 2006.

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Table 1.10: Impact of Suspense balances in Government accounts

(Rupees in crore)

Minor head	Debit	Credit	Net balance shown in the Finance Accounts as on 31 st March 2006		Actual suspense balance outstanding
PAO Suspense	1720.37	1121.15	Dr.	599.22	2841.52
Suspense Accounts (Civil)	1021.06	315.28	Dr.	705.78	1336.34
Public Sector Bank Suspense	1812.38	849.66	Dr.	962.72	2662.04
Reserve Bank Suspense (Hq)	261.29	195.48	Dr.	65.81	456.77
Reserve Bank Suspense (CAO)	73.22	312.55	Cr.	239.33	385.77

As a result of this netting, the magnitude of outstanding suspense balances under these minor heads are weighted by the net balances they reflect in the Finance Accounts of that particular year. Netting the figures, divert the attention from the enormity of the situation that the Suspense Accounts actually reflect.

Suspense balances particularly those under the heads, which await final classification due to one reason or other, indicate those amounts, which are yet to be accounted for under the appropriate functional heads. Therefore, to the extent these exist in accounts, the Appropriation and Finance Accounts are incomplete and affect functional expenditure under various service heads quantitatively. In turn, the savings and excesses with reference to the approved provisions are also affected.

Conclusion

All balances under suspense heads ought to be reviewed at short intervals in consultation with the respective PAOs, PSBs and RBI so that it is ensured that no item remains unadjusted longer than reasonably necessary to bring about its clearance in accordance with the rules applicable to each case. There is, therefore, an urgent need to clear these outstanding balances expeditiously and classify them in the appropriate heads of accounts.

Chapter 2

RESOURCES: TRENDS AND COMPOSITION

The overall resources of the Union Government comprise of revenue and capital (debt and non-debt receipts as well as accruals in public account) receipts. Notwithstanding the inter year variations in the growth of various components over a longer term (1985-2006), the ratio between the debt receipts inclusive of accruals in public account and non-debt receipts (revenue receipts and other non-debt receipts) was almost stable at two thirds and one third till 2004-05 but it has tilted during 2005-06 in favour of debt receipts and this ratio becomes three-fourth and one-fourth during the current year.

Revenue receipts with its broad components of tax and non-tax receipts are the most important source of revenue. The gross tax collections witnessed acceleration in the rate of growth from its very first year of Tenth Plan (2002-07) and reached the peak level of 20.07 per cent in 2005-06. In the years following the economic reforms particularly during the Tenth Plan period (2002-07), there were significant changes in the structure of taxes from commodity-based taxation to income based taxation. The share of direct taxes, indirect taxes and service tax in gross tax collections stood at 43, 48 and 6 per cents during 2005-06 as compared to their corresponding shares of 27, 70 and 0.48 per cent in early 1990s. The trends reveal that over the year gains to the exchequer improved in the form of higher corporate tax collections while the share of excise and custom duties in gross tax revenue has been declining on an average every year since 2002-03. In the wake of the tariff reductions associated with trade liberalization, trends in custom duties indicate their diluted role as a revenue-generating device. The share of service tax although increased consistently since its inception in 1994-95. The overall tax buoyancy has improved significantly during 2002-03 to 2005-06 mainly on account of the revival of growth momentum especially in industrial sector of the economy on which the tax collections of the government critically depend and widening of base of the service tax. In the current year, except in case of corporation tax and service tax, buoyancy of other taxes being less than one implies their growth rates had been lower than the growth of GDP. The tax-GDP ratio indicated an upturn especially since 2002-03 and exceeded 10 per cent in the current year.

Non-tax revenue which constituted on an average 48 per cent of the net revenue of the Union Government during the decade 1992-2002 has consistently declined during the X Plan period and reached an average of 37 per cent during 2005-06. Trends in growth of its various components indicate that while the share of dividend and profits increased but the share of interest receipts consistently declined during X Plan (2002-07) from 32 per cent in 2002-03 to 19.35 per cent in 2005-06. Moderation in interest rates on loans advanced and debt swap have contributed to this deceleration during the last three years. Non-tax receipts from the social and economic services and from the sovereign and other general functions of the government had a negative shift rate during 1985-2006.

The share of non-debt capital receipts which primarily consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances remained insignificant throughout but it further reduced to less than one per cent in 2005-06.

Resources of the Union Government: 2005-06

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

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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 the total resources of the Union Government, which amounted to Rs. 22,92,037 crore for the year 2005-06. Non-debt receipts at Rs. 5,38,707 crore constituted around 24 *per cent* of the total receipts. The balance was either to be assigned to the states or was 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	5,25,325
II	Capital receipts	12,75,745
	a. Miscellaneous Receipts	1,581
	b. Recovery of Loans and Advances	11,801
	c. Debt receipts	12,62,363
III	Public Account Receipts	4,10,769
IV	Contingency Fund	450
Total Receipts		22,12,289
Opening Cash Balances		79,748
Total Availability of Resources		22,92,037

Revenue receipts include Rs. 94,385 crore being the share of taxes and duties assigned to the States and reflected in the Union Government's Finance Accounts as minus entry in the respective receipt heads.

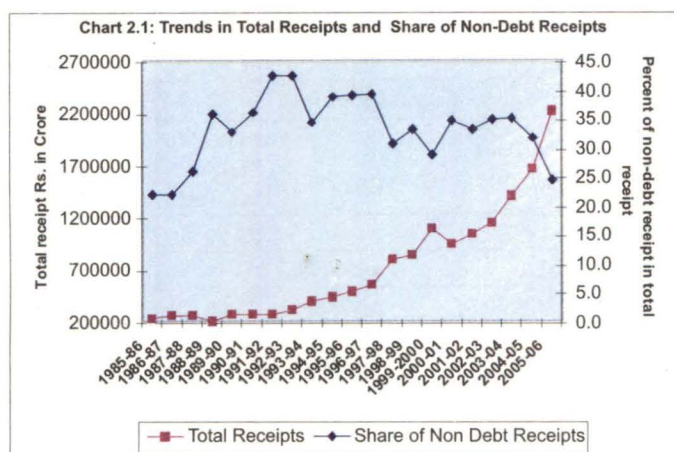
Revenue Receipts include receipts from Railways, Posts and Departmental Undertakings.

Trends in Resources

2.2 Overall resources of the Union Government increased at a trend rate of 12.39 *per cent* during 1985-2006. Notwithstanding the variation in the growth rate during different plan periods, the 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), the annual trend growth decelerated to 7.02 *per cent*. There was a reversal of the trend during first four years of the Tenth Plan (2002-07), viz. 2002-03 to 2005-06 as growth of total receipts outstripped the GDP growth.

Resources: Trends and Composition

2.3 Inter year variations in the growth of various components of gross receipts were significant. While the trend growth (1985-2006) was lowest for debt receipts, a significant acceleration was seen during the last three years and reached the peak level during the current year. The growth in non-debt capital receipts which was on a very high base was negative in 2004-05 and 2005-06. In absolute terms, non-debt capital receipts in 2003-04 and 2004-05 were maintained at



substantially higher levels compared to their long-term trend, largely because of debt swap scheme. Revenue receipts were buoyant particularly in recent years and with reference to the growth rates observed during IX plan period, average acceleration was close to 5.0 percentage points.

Table 2.2: Components of receipts: Trends

(Rupees in crore)

	Revenue Receipts#	Capital Receipts			Total Receipts	Gross Domestic product
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account		
1985-2006	211575	18344	321711	163074	714703	1413723
VIII Plan (1992-1997)	157991	9373	164326	102117	433807	1035315
IX Plan (1997-2002)	282019	17430	427187	210498	937134	1914401
X Plan (2002-07)						
2002-03	355948	41896	435371	307235	1140450	2469564
2003-04	404866	86780	538492	369133	1399271	2760025
2004-05	455466	68664	705289	427507	1656926	3105512
2005-06	525325	13382	1262363	410769	2211839*	3531451
Average Annual Rate of Growth (per cent)						
1985-2006	12.85	12.84	11.51	14.37	12.39	13.72
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
X Plan (2002-07)						
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	11.76
2004-05	12.50	-20.88	30.97	15.81	18.41	12.52
2005-06	15.34	-80.51	78.99	-3.92	33.49	13.72

Includes figures of taxes and duties assigned to States. * Total Receipts during 2005-06 are exclusive of receipts of Rs 450 crore as a recoupment to Contingency Fund of India.

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2.4 Table 2.3 below depicts the relative share of various components of resources. Over a longer term (1985-2006), except for the debt receipts, the other three components had a positive shift in their relative shares.

Table 2.3: Relative shares of different components of total receipts

(Per cent)

	Revenue Receipts	Capital Receipts			Total Receipts
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account	
1985-2006	29.60	2.57	45.01	22.82	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
X Plan (2002-07)					
2002-03	31.21	3.67	38.18	26.94	100
2003-04	28.93	6.20	38.48	26.38	100
2004-05	27.49	4.14	42.57	25.80	100
2005-06	23.75	0.61	57.07	18.57	100
Average Annual Rate of Shift in the shares					
1985-2006	0.41	0.40	-0.79	1.76	

However, while the relative share of revenue receipts peaked during the VIII Plan, share of debt receipts peaked during the current year. The non-debt receipts and accruals in public account peaked respectively during 2003-04 and 2002-03 and indicated a decline in subsequent years. Relative share of revenue receipts after reaching its peak during the 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 an average of 27.85 *per cent* during the first four years of the Tenth Plan (2002-07). Except in case of accruals in Public Account, the positive shifts in revenue receipts and non-debt receipts were marginal while debt receipts witnessed a negative shift in their relative share during the period 1985-2006. Despite these shifts in the relative shares of the four components of the gross resources of the Union Government, the ratio between the debt receipts inclusive of accruals in public account and non-debt receipts (revenue receipts and other non-debt receipts) was almost stable at two thirds and one third till 2004-05 but it has tilted during 2005-06 in favour of debt receipts and this ratio becomes three-fourth and one-fourth during the current year.

Access to resources relative to GDP

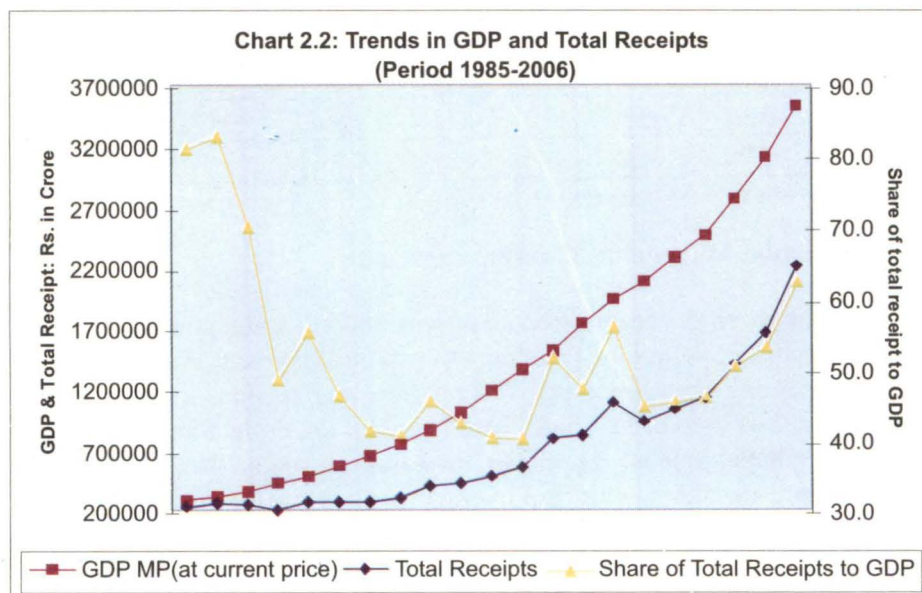
2.5 Increase in the access to resources as income increases is natural because the base itself has enlarged. More important, however, is the increase relative to GDP. While the long-term trend average of the ratio of overall resources to GDP was 50.57 *per cent* (1985-2006); this declined to an average of 41.90 *per cent* during the VIII Plan (1992-1997). Total receipts to GDP ratio increased to an average of 48.95 *per cent* during the IX Plan (1997-2002) and further to an average of 53.22 *per cent* during the first four years of the Tenth Plan (2002-07). This ratio continuously improved in recent years and

Resources: Trends and Composition

reached the peak level of 62.63 *per cent* in 2005-06. However, notwithstanding the improvement in recent years, overall receipts to GDP ratio and three of its four components had a negative shift rate (Table 2.4). Even the positive shift in accruals in Public Account was marginal and remained static at 0.57 during the last two years. If the total receipts and GDP were set to 100 in 1985-86, total receipts in 2005-06 would be only 857 as against a value of 1270 for GDP. **Chart 2.2** depicts the graphical presentation of the interrelationships between GDP, total receipts and the share of total receipts in GDP during the period 1985-2006.

Table 2.4: Receipts as percentage to GDP

	Revenue Receipts	Capital Receipts			Total Receipts
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account	
1985-2006	14.97	0.95	22.76	11.54	50.57
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
X Plan (2002-07)					
2002-03	14.41	1.70	17.63	12.44	46.18
2003-04	14.67	3.14	19.51	13.37	50.70
2004-05	14.67	2.21	22.71	13.77	53.35
2005-06	14.88	0.38	35.75	11.63	62.63
Average annual rate of shift in the shares					
1985-2006	-0.77	-0.78	-1.95	0.57	-1.17



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)

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and 14-day Treasury Bills are, by their very nature, short-term measures and provide a cover for temporary mismatches. 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 the 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 the total receipts, and the ratio of total receipts to GDP for the last eight years. Net draft of the Union Government declines by 36 percentage points from 62.63 *per cent* to 26.51 *per cent* of total receipts in 2005-06 consequent upon such neutralisation.

Table 2.5: Revised Receipts and its share in 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	27.82
2004-05	455466	68664	326960	0	7354	27119	885563	28.52
2005-06	525325	13382	369247	0	24733	3514	936201	26.51

*Includes figures of taxes and duties assigned to States

Revenue Receipts: Movement of major aggregates

2.7 Revenue receipts 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 12.95 *per cent* during 1985-2006. 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). During the first four years of the Tenth Plan (2002-07), except in the year 2004-05, annual growth rate of total receipts was higher than the long-term trend despite a sluggish growth in non-tax receipt. The 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 as reflected in the table below:

Table- 2.6: Composition and 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	
1985-2006	132143	34814	97329	79431	176760	44.94	12.51	
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	
X Plan (2002-07)								
2002-03	216266	56122	160144	139682	299826	46.59	12.14	
2003-04	254348	65766	188582	150518	339100	44.39	12.29	
2004-05	304958	78595	226363	150508	376871	39.94	12.14	
2005-06	366151	94385	271766	159174	430940	36.94	12.20	
Average Annual Rate of Growth (per cent)								
1985-2006	12.81	12.94	12.61	12.84	12.95	0.02	-0.79	
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			
X Plan (2002-07)								
2002-03	15.61	6.21	19.32	6.58	13.02			
2003-04	17.61	17.18	17.76	7.76	13.10			
2004-05	19.90	19.51	20.03	-0.01	11.14			
2005-06	20.07	20.09	20.06	5.76	14.35			

Note: Includes receipts from Railways, Posts and Departmental Undertakings.

2.8 Non-tax revenue constituted on an average 48 per cent of the net revenue of the Union Government during the decade 1992-2002 encompassing the Eighth and Ninth Five Year Plans. During the Tenth Plan period so far, it has consistently declined due to the combined effect of the sluggish growth in aggregate non-tax revenue and relatively much higher increase in net revenue receipts of Union owing to the robust growth in tax revenue during these years. Despite a consistent deceleration in share of non-tax revenue in net revenue receipts of the Union, its shift rate at 0.02 remained positive during 1985-2006. The rate however declined significantly from 0.33 over the period 1985-2005 to 0.02 percent over 1985-2006.

2.9 Tenth Plan from its very first year witnessed acceleration in the rate of growth of gross tax collections and also sustained this momentum in that part of the collections which was retained by the Union. Growth in gross tax collections reached the peak level of 20.07 per cent in 2005-06 and marginally increased by 0.17 percentage points from 19.90 per cent in 2004-05. Due to increase in percentage share under Twelfth Finance Commission (TFC) award as well as increase in absolute amount of gross tax revenue vis-à-vis the TFC projection, the States share in central taxes has gone up by a little more than 20 per cent from Rs. 78,595 crore in 2004-05 to Rs. 94,385 crore in 2005-06.

Major Taxes: Relative performance

2.10 The relative performance of different taxes changed significantly over the years (Table 2.7) with corporation tax recording highest trend growth of 19.44 *per cent* during 1985-2006.

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
1985-2006	132143	25755	19194	33146	48115	3009	2924
VIII Plan (1992-1997)	96533	13567	12575	30273	37014	465	2638
IX Plan (1997-2002)	166087	29508	25353	43418	60838	2317	4652
X Plan (2002-07)							
2002-03	216266	46172	36866	44852	82310	4122	1944
2003-04	254348	63562	41387	48629	90774	7891	2105
2004-05	304958	82680	49268	57611	99125	14200	2074
2005-06	366151	101277	55985	65067	111226	23055	9541
Average Annual Rate of Growth (per cent)							
1985-2006	12.81	19.44	17.18	9.03	11.07	*	7.00
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
X Plan (2002-07)							
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
2004-05	19.90	30.08	19.04	18.47	9.20	79.95	-1.47
2005-06	20.07	22.49	13.63	12.94	12.21	62.36	360.03

* Service Tax was introduced in 1994-95

Includes figures of taxes/duties assigned to States/UTs.

2.11 In the years following the economic reforms, there were significant changes in the 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 1985-2006. Accelerated growth in income tax, 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 and excise 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 3535 for corporation tax, 2229 for income tax, 858 for excise duties and only 683 for customs duties in 2005-06. Acceleration in the collections particularly of the corporate and income tax came in the post reform period.

2.12 In 2005-06, tax receipts were particularly buoyant from corporation and service tax, which grew by 22.49 and 62.36 *per cent* respectively against an increase of 20 *per cent* for the gross collections. Increase in service tax was both due to change in the rates as also the increase in the coverage of services. A comprehensive rationalisation of direct tax structure was undertaken in 2005-06 in the form of downward adjustment of tax slabs and lowering of rates and these adjustments were complemented by appropriate base enhancing measures which included introduction of new taxes, reduction of depreciation rates and removal of certain tax concessions. Indirect tax reforms focused on moving towards ASEAN levels for custom tariffs and CENVAT rate for excise duties. Further, a number of initiatives were also taken during the year to strengthen the effectiveness of the tax administration along with rationalisation of the tax structure. As a result of these measures, collections under income tax, customs and excise duties recorded absolute increases during 2005-06 over the previous year but deceleration in their rates of growth were observed partly on account of rationalisation of their rate structure and partly due to their relatively higher bases in the previous year. A significant increase under the head 'others' is mainly on account of the fact that collections under newly introduced fringe benefit tax, securities transaction tax and banking cash transaction tax which form part of the direct taxes in the budget estimates, have been reflected under the head 'other taxes'.

2.13 Apart from the differential performance in terms of collections under various taxes, their relative share in the gross tax revenue of Union has also changed significantly particularly during the Tenth Plan period (2002-07) (Table 2.8). As the economic reforms began in early 90s, the share of corporate tax revenues in the total gross tax revenues stood at 14 *per cent*, while that of the excise duties was 38.34 *per cent*. However, over the years, gains trickled down to the exchequer in the form of higher corporate tax collections. While corporate tax increased from Rs. 46,172 crore in 2002-03 to Rs. 101,277 crore in 2005-06, excise duties increased from Rs. 82,310 crore in 2002-03 to Rs. 111,226 crore in 2005-06. Since 2002-03 the share of excise duties in gross tax revenue has been declining on an average every year by two percentage points on the other hand the share of corporate tax has been increasing by about 1.6 percentage points every year. The share of indirect taxes comprising of excise and custom duties in gross tax revenue has declined at an annual average rate of 2.7 percentage points during the first four years of Tenth Plan. The share of personal income tax however indicated a gradual decline but at relatively slower rate of 0.4 percentage points during these four years. The share of service tax since its inception in 1994-95 has been

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consistently increasing and during the last four years it has increased on an average by one percentage points every year.

Table 2.8: Relative Share of Components of Tax Revenue (Gross)

(per cent)

Period	Total Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Others
1985-2006	100.00	19.49	14.53	25.08	36.41	2.28	2.21
VIII Plan (1992-1997)	100.00	14.05	13.03	31.36	38.34	0.48	2.73
IX Plan (1997-2002)	100.00	17.77	15.26	26.14	36.63	1.40	2.80
X Plan (2002-07)							
2002-03	100.00	21.35	17.05	20.74	38.06	1.91	0.90
2003-04	100.00	24.99	16.27	19.12	35.69	3.10	0.83
2004-05	100.00	27.11	16.16	18.89	32.50	4.66	0.68
2005-06	100.00	27.66	15.29	17.77	30.38	6.30	2.61

Tax buoyancy

2.14 The tax collections are normally affected by three main factors, viz 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 Tax revenue is perceived to be the reflection of the overall health of the economy. Tax buoyancy not only depends upon tax policy and administration but also on general performance of the economy. Assuming that GDP is a good indicator of the performance of the economy, 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 2.9 indicates the buoyancy of major taxes during 1985-2006 and also during the VIII and IX Plan periods together with the first four years of the Tenth Five Year plan.

Table 2.9: Buoyancy of major taxes

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
1985-2006	0.933	1.417	1.252	0.658	0.806	0.000
VIII Plan (1992-1997)	0.961	1.313	1.495	1.088	0.632	0.075
IX Plan (1997-2002)	0.863	1.644	1.781	0.154	1.094	1.840
X Plan (2002-07)						
2002-03	1.901	3.181	1.850	1.386	1.637	3.024
2003-04	1.497	3.202	1.043	0.716	0.874	7.776
2004-05	1.589	2.403	1.521	1.475	0.735	6.386
2005-06	1.463	1.639	0.993	0.943	0.890	4.545

2.16 The trends in the buoyancy coefficients reveal that they have fluctuated across the taxes and over plans. The buoyancy of gross tax collections during the Eighth and Ninth Plans and over the longer period 1985-2006, however remained lower than unity. The overall tax buoyancy has improved significantly during 2002-03 to 2005-06 mainly on account of the revival of growth momentum especially in industrial sector of the economy on which the tax collections of the government critically depend. The other important factor behind the high tax buoyancy is the widening of the service tax base by inclusion of new services into the tax net. The buoyancy in gross tax collection would fall if we exclude service tax from it. However, a very low contribution of service tax in total tax collections indicates the fact that despite recent attempts at widening tax base, excessive reliance of the Government on the industrial sector still continues for the revenue requirements. Gross Tax revenue budgeted to grow by 20.91 *per cent* in 2005-06 relies heavily on the performance of corporate and income taxes and the budget estimates envisaged for corporate and income taxes were respectively at 33.2 *per cent* and 30.1 *per cent* for the year. The overall realisation of growth in revenue receipts (net to the Centre), receipts from corporate and income tax are observed to be respectively at 20.07, 22.49 and 13.63 *per cent* over the previous year.

2.17 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 during the period 1985-2006. Excise and custom duties have exhibited fluctuations during VIII and IX plan periods and also during the subsequent years. In the current year, except for the excise duties where buoyancy in 2004-05 was even lower than its trend ratio, other three major taxes recorded a decline in their buoyancies mainly on account of lower rates of growth in their collections while the GDP has increased by 1.2 percentage points in 2005-06 over the previous year. Further, except in case of corporation tax and service tax, buoyancy of other taxes being less than one implies their growth rates had been lower than the growth of GDP. The relatively poor performance on the customs duties front was observed even in a situation of high and rising level of oil prices and buoyant non-oil imports because of the rise in GDP which in

fact should have helped in mobilizing additional revenues from these taxes. Despite these developments, inability of keeping pace of collections from customs duties with GDP indicates towards their diluted role as a revenue-generating device in the wake of the tariff reductions associated with trade liberalization.

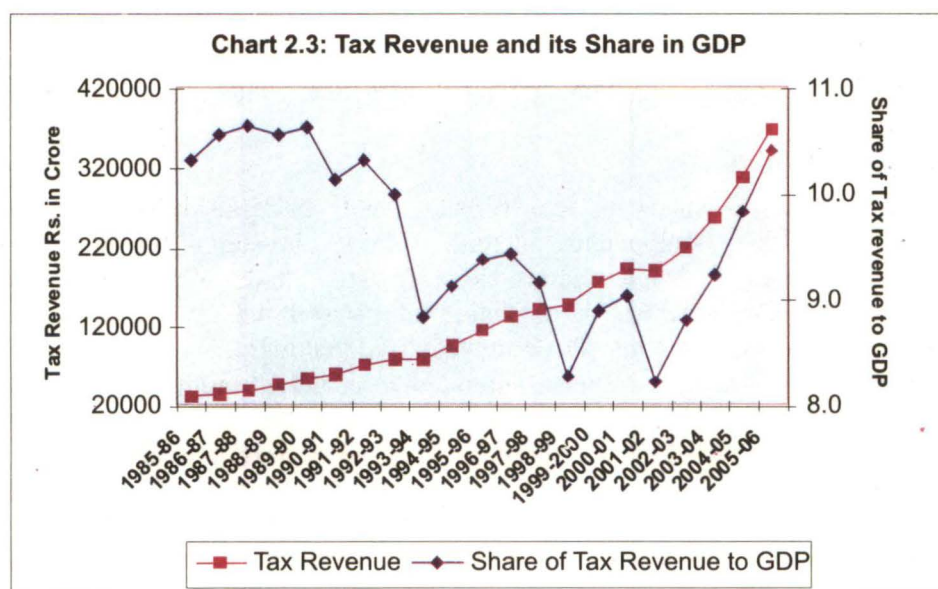
Tax-GDP ratio

2.18 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 to GDP ratio. Table 2.10 and Chart 2.3 presents the trends of this ratio over the Eighth and Ninth Plans and on an annual basis for the four years of the Tenth Plan (2002-07). The average annual rate of shift in tax-GDP ratio at (-) 0.80 *per cent* for the period 1985-2006 indicates that growth in gross tax revenue did not keep pace with the rate of growth in GDP during this period. The tax-GDP ratio which was 9.35 *per cent* for the period 1985-2006 declined consistently during VIII and IX Plan periods and reached to a low of 8.15 *per cent* in 2001-02 when the gross tax revenue collections declined in absolute terms by Rs. 1543 crore over the previous year. The ratio indicated an upturn in subsequent years and exceeded 10 *per cent* in the current year 2005-06 for the first time during the economic reforms regime which began effectively from 1992-93. However tax-GDP ratio of 10.37 *per cent* during 2005-06 fell short of the estimated increase of 11.1 *per cent* as per Medium Term Fiscal Policy Statement of the Union Government. This target was subsequently lowered down to 10.6 in the budget estimates for 2005-06 and the actual realization was marginally less than the revised estimate.

Table 2.10: Tax/GDP Ratio of Major Taxes

Period	(Per cent)					
	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
1985-2006	9.35	1.82	1.36	2.34	3.40	0.21
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
X Plan (2002-07)						
2002-03	8.76	1.87	1.49	1.82	3.33	0.17
2003-04	9.22	2.30	1.50	1.76	3.29	0.29
2004-05	9.82	2.66	1.59	1.86	3.19	0.46
2005-06	10.37	2.87	1.59	1.84	3.15	0.65
Average Annual Rate of Shift in the shares						
1985-2006	-0.80	5.02	3.04	-4.13	-2.34	*

- Annual Rate of Shift not worked out as Service Tax was introduced in 1994-95.



2.19 Even the phase of recovery and high economic growth resulting in increasing corporate profits and buoyancies in salaries together with widening of the tax net through various means could not improve the tax to GDP ratio significantly largely due to the tax exemptions/concessions provided during the economic reforms regime. Besides, marginal tax rates have come down sharply during this period, viz. in 1985-86, the marginal rate of taxes on personal income was brought down from 62 to 50 *per cent* and the corporate tax rate from around 60 to 50 *per cent*. In the budget of the early 1990s, especially those of 1992-93 and 1994-95, the marginal rates were further reduced to 40 *per cent* and at present they stand at around 33 *per cent*. The tax to GDP ratios were at their lowest in 2001-02, when they stood at 8.15 *per cent* in the case of the centre's gross tax revenue and 5.9 *per cent* in the case of net tax revenue as compared to 10.6 and 7.9 *per cent* respectively in 1989-90. This decline has occurred despite some improvement in the collection of corporation, income and service taxes (relative to GDP) which could not cover the loss suffered in collections from customs and excise duties as a result of trade liberalization and the "rationalisation" of excise duties. A decline in the ratio of customs and excise duty collections to GDP contributed to the overall decline in tax to 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 1.84 and 3.15 *per cent* respectively in 2005-06. A negative shift in their share relative to GDP largely contributed to an overall negative shift in gross tax collections. Corporation and income tax collections relative to GDP witnessed improvement and had a positive shift rate. It is indeed true that subsequently buoyant corporate profits, a widened tax base and improved collection of dues and arrears, helped raise the tax GDP ratio. But despite high growth, improved profitability and signs of increased inequality (which should improve tax collection) the increase has just been adequate to put the tax GDP ratio back to its immediate pre liberalization

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levels. This is because while corporation, income and service tax revenues (particularly the first) contributed to the increase, their effect was inadequate to raise the level about that which prevailed in the late 1980s.

Non-Tax Revenue

2.20 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 dividends or user charges such as Railways, Posts and Departmental Undertakings. 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 seignorage (seignorage is non-inflationary increase in money stock) 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 44.94 per cent of the average current revenue of the Union during the period 1985-2006. Aggregated non-tax revenue on gross basis grew at an average rate of 12.84 per cent during 1985-2006 (Table 2.11).

Table 2.11: Non Tax Revenue- Trends

(Rupees in crore)

Period	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
1985-2006	79431	22097	8571	534	40969	7260
VIII Plan (1992-1997)	61459	16791	4969	606	33100	5993
IX Plan (1997-2002)	115933	34526	11555	572	60257	9023
X Plan (2002-07)						
2002-03	139682	44705	21230	424	60663	12660
2003-04	150518	46645	21160	449	68156	14108
2004-05	150508	36412	22939	451	75588	15118
2005-06	159174	30799	25451	1643	84893	16388
Average Annual Rate of Growth						
1985-2006	12.84	12.86	24.32	4.47	11.74	11.15
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
X Plan (2002-07)						
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
2004-05	-0.01	-21.94	8.41	0.45	10.90	7.16
2005-06	5.76	-15.42	10.95	264.30	12.31	8.40

2.21 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 24.32 *per cent* during 1985-2006. However, the revenue from this source virtually declined in 2003-04 but picked up gradually in subsequent years. The fall in 2003-04 from this source was largely due to a 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 and further to Rs. 5400 crore in 2004-05. During the current year, although surplus transferred from the Reserve Bank of India remained static at the 2004-05 level but increase in the dividends from CPSUs and share of profit in nationalised banks and insurance corporations led to an increase in share of component of dividends and profits in 2005-06. Tenth Plan (2002-07) witnessed a decline in growth of interest receipts during the first two years but during the subsequent two years of the Plan, the contribution from this source has virtually declined in absolute terms mainly on account of implementation of the debt swap scheme that resulted in a reduced corpus of outstanding loans with lower interest rates.

2.22 The aggregate receipts from the social services like education, health, water supply, sanitation and social security etc during Eighth Plan (1992-97) and Ninth Plan (1997-2002) were higher relative to annual average receipts during 1985-2006. The receipts from social services were however much below the annual average receipts during the first three years of the Tenth Plan (2002-07) and remained virtually static during 2003-04 and 2004-05. During 2005-06, receipts from social services increased by more than three times from Rs. 451 crore in 2004-05 to Rs. 1643 crore in 2005-06 essentially on account of increased collections under the head 'Information and Publicity' amounting to Rs. 1139 crore during the year over the previous year. The aggregate receipts from economic services increased from Rs. 9253 crore in 1985-86 to Rs. 84893 crore in 2005-06 at an annual average rate of growth of 12 *per cent* during the period. The trends in receipts from economic services also reveal that except during the Eighth Plan (1992-97), aggregate receipts were higher than average annual receipts during 1985-2006. A detailed analysis of receipts from economic services during the period 2000-06 indicates that the receipts from Railways constituted bulk of the total receipts from 'Economic Services' during 2000-06 and ranged from 61 *per cent* in 2000-01 to 66 *per cent* in 2005-06 after reaching the peak level of 70.46 *per cent* in 2002-03. The Communication Services including telecommunications contributed another 20 *per cent* of total receipts from 'Economic Services' in 2000-01 which subsequently declined to 12 *per cent* in 2005-06 mainly on account of corporatization of the Telecom services in India. Although telecom receipts to Union declined since 2000-01 but receipts from other communication services including Wireless Planning and Coordination Organization and telecom licence fee/universal access levy have increased from Rs. 1614 crore in 2000-01 to 10064 crore in 2005-06. Railways together with communications, power and petroleum contributed 86 *per cent* of total receipts from economic services during 2005-06. An increase of 12.31 *per cent* and 10.95 *per cent* in receipts from economic services and dividends and profits along with an exceptionally high increase in receipts from social services resulted in an increase of 5.76

per cent in non-tax receipts in 2005-06 despite a decline in interest receipts during the year.

2.23 Relative shares of the various components of non-tax revenue witnessed significant changes during 1985-2006 (Table 2.12). Notwithstanding inter year variations and a moderate growth in the last two years, the share of dividend and profits increased from an average of 8 *per cent* during the VIII plan (1992-1997) to around 16 *per cent* during 2005-06 and had a positive average annual shift rate of 10.17 *per cent* during 1985-2006. Interest receipts still maintained a positive shift rate, though its share has consistently declined during Tenth Plan (2002-07) from 32 *per cent* in 2002-03 to 19.35 *per cent* in 2005-06. Moderation in interest rates on loans advanced and debt swap have contributed to this deceleration during the last three years. Non-tax receipts from the social and economic services and from the sovereign and other general functions of the government had a negative shift rate during 1985-2006. For economic services, a 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. Overall contribution of the social services in non-tax revenue was not only insignificant but remained virtually static during the first three years of Tenth Plan (2002-07) although it indicated a steep increase in 2005-06 essentially on account of increased collections under the head 'information and publicity'.

Table 2.12: Relative share of the components of non-tax revenue

(Per cent)

	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
1985-2006	100.00	27.82	10.79	0.67	51.58	9.14
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
X Plan (2002-07)						
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
2004-05	100.00	24.19	15.24	0.30	50.22	10.04
2005-06	100.00	19.35	15.99	1.03	53.33	10.30
Average Annual Rate of Shift in the shares						
1985-2006		0.01	10.17	-7.42	-0.98	-1.50

Non-Debt capital receipts

2.24 Non-debt capital receipts consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances. Table 2.13 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.

Table 2.13: Realisation from disinvestment and recovery of loans

	Disinvestment			Recovery of Loans		
	Budget Estimates	Actual Realisation	Per cent Realisation	Budget Estimates	Actual Realisation	Per cent Realisation
	(Rupees in crore)			(Rupees in crore)		
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
2004-05	4000	4363	109.10	29625	64240	216.84
2005-06	--	1570	--	13525	11801	87.25

2.25 During 2005-06 'nil' proceeds from the disinvestment of equity holdings in Public Sector Enterprises were assumed at the BE stage. The actual realisation of the sale proceeds from the disinvestment of Government equity in Public Sector Companies and premium received on disinvestment of Government equity holdings were Rs. 1570 crore in 2005-06. However, with the decision to set up the National Investment Fund (NIF) to credit the disinvestment proceeds, such receipts in the current year were to be matched by transfer to NIF. The recovery of loans not only significantly declined from the previous year but fell short of the meagre budget target of Rs. 13525 crore during 2005-06. With the prepayment of high cost loans by States as well as by some public sector undertakings under the debt swap scheme in 2003-04 and 2004-05 to take advantage of the soft-interest regime, the receipts under recovery of loans showed a predictable decline during 2005-06. 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

Total disbursements of the Union Government increased at an average annual trend growth rate of 12.34 per cent during 1985-2006. Aggregate disbursement of Union Government has four major components: actual expenditure inclusive of the grants in aid to the States; mandatory transfer of the proceeds from Union taxes to the States; repayment of debt and disbursements from public accounts. The relative share of the four components of aggregate disbursement showed wide fluctuation both on year-to-year basis and over Plan periods. The share of actual expenditure has gradually declined while the shares of other three components exhibited a mixed trend over the period 1985-2006.

Revenue expenditure continued to be the dominant component of the total expenditure and its share increased consistently from an average of 78.88 per cent during the VIII Plan to an average of 86.19 per cent during the first four years of X Plan (2002-07) after reaching the peak level of 88.74 per cent during the current year. A significant part of revenue expenditure is mostly committed, i.e. that part of the expenditure over which the Government has very little discretion. Interest payments, pensions, salary & wages and most of the grants-in-aid to States/Union Territories fall in this category. Explicit subsidies is another component of revenue expenditure which have consistently increased from an average of Rs. 13,469 crore during the VIII Plan (1992-1997) to an average of Rs. 44596 crore during the first four years of X Plan (2002-07). The subsidies on food and fertilizers together constituted more than 92 per cent of total expenditure on subsidies during the current year. The total subsidy expenditure during the current year at Rs. 45068 crore is above the level of Rs. 38,530 crore recommended by the TFC for the year.

Against these trends in revenue expenditure, relative share of capital expenditure and loans and advances declined from an average of 21.12 per cent during the VIII Plan to an average of 13.81 per cent during the first four years of X Plan (2002-07) with lowest share at 11.26 per cent during the current year. The steep decline in the Loans and Advances during 2005-06 is on account of acceptance of TFC recommendation regarding disintermediation of Central Government in borrowings by State Governments to finance their State Plans. Further analysis of trends in government expenditure reveal that non plan expenditure far outweighs the plan expenditure and revenue expenditure completely overshadows capital expenditure. Buoyancy of capital expenditure with GDP and revenue receipt has been round 0.6 during 1985-2006 as against the buoyancy of close to one 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.

In terms of activities, overall expenditure of the Government is composed of general services, social services and economic services. The overall expenditure on social and economic services has increased at the long term rate of growth of 15.48 and 11.25 per cent respectively during 1987-2006. Expenditure on social and economic services was buoyant particularly during the X Plan (2002-07) period. The trends in pattern of Union Government's expenditure during the X Plan period reveal increased spending on areas such as rural employment, education, health and drinking water supply and sanitation. Besides, expenditure on infrastructure facilities like rural roads, housing and rural electrification have also gone up during the last few years.

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. 2292,037 crore that it mobilised during 2005-06 to disbursements as shown in Table 3.1.

Table 3.1: Application of Resources

			<i>(Rupees in crore)</i>
I	Resources available		2292,037
II	Application of Resources		2226,549
	a.	Repayment of Debt	1115,210
		Internal Debt	1108,212
		External Debt	6,998
	b.	Discharge of liabilities on Public Account	407,255
		Small Savings and Provident Fund	278,943
		Reserve Fund	31,822
		Deposits and Advances	63,872
		Others	32,618
	c.	Actual Expenditure	609249
		Revenue Expenditure	540,637
		Capital Expenditure	56,119
		Loans and Advances	12,493
	d.	Share of the States in taxes	94,385
	3	Appropriation to Contingency Fund	450
III	Closing Cash Balances		65488

3.2 The repayments of debt and discharge of public account liabilities (Rs. 1522,465 crore), interest payments (Rs. 141,375 crore), assignment of mandated portion of its gross tax receipts to States (Rs. 94,385 crore), grants in aid to states (Rs. 72,367 crore) and closing cash balances (Rs. 65,488 crore) took away nearly 83 *per cent* of its total resources. Government was, therefore, left with only about 17 *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 inclusive of the grants in aid to the States; 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.

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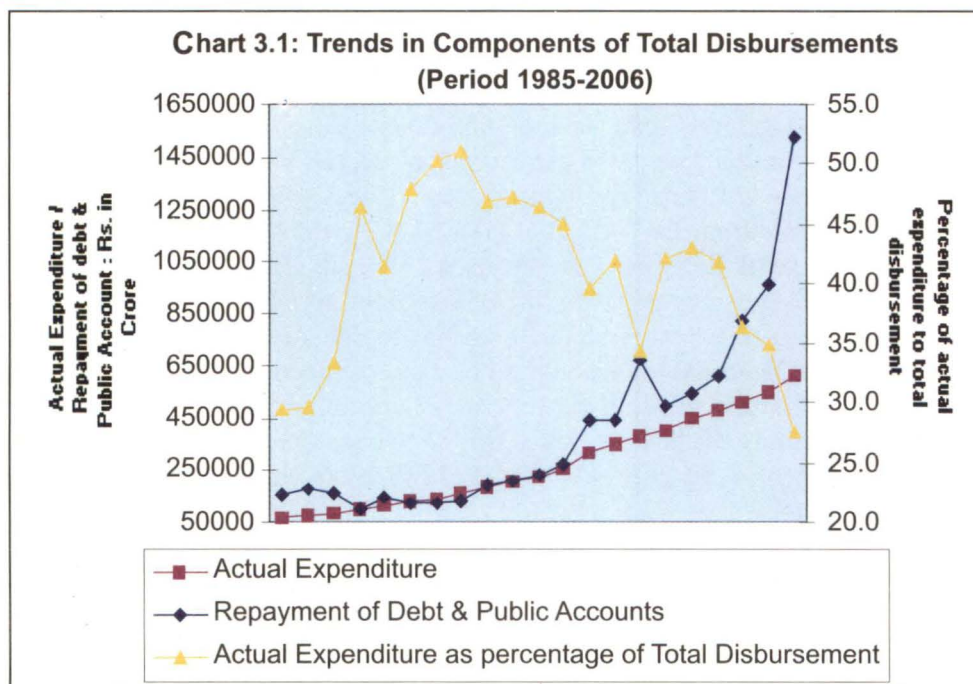
Table 3.2: Components of Total Disbursement

(Rupees in crore)

Period	Actual Expenditure	States' share in taxes	Repayment of Debt	Disbursement in Public Account	Total Disbursement	GDP (Market Price)
1985-2006	272721	34814	254626	149447	711608	1413723
VIII Plan (1992-1997)	203539	26391	126525	77261	433716	1035315
IX Plan (1997-2002)	374502	44622	310011	207404	936539	1914401
X Plan (2002-07)						
2002-03	476310	56122	339677	270224	1142333	2469564
2003-04	506817	65766	430963	391783	1395329	2760025
2004-05	549333	78595	556269	400388	1584585	3105512
2005-06	609249	94385	1115210	407255	2226099	3531451
Average Annual Rate of Growth (in per cent)						
1985-2006	12.02	12.99	11.01	16.95	12.34	13.72
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
X Plan (2002-07)						
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	11.76
2004-05	8.39	19.51	29.08	2.20	13.56	12.52
2005-06	10.91	20.09	100.48	1.71	40.48	13.72

3.4 Total disbursements of the Union Government consistently increased from an average of Rs. 433,716 crore during the VIII Plan (1992-1997) to Rs. 2226,099 crore in the current year. The average annual trend growth during 1985-2006 at 12.34 per cent was lower than the rate of growth of GDP, which in the same period averaged 13.72 per cent. Average annual growth rates of expenditure during the VIII and IX Plans were also lower than GDP growth rates. Tenth Plan (2002-07) so far has witnessed reversal of this trend and rate of growth of total disbursements exceeded the GDP growth. The average annual growth rate of actual expenditure has always remained lower than the GDP growth rates while in case of disbursements from Public Account it was higher with an exception during VIII Plan and last two years of X Plan when this component indicated a marginal growth at an average rate of about 2 per cent only. The growth rates in other two components vis-à-vis GDP growth rate indicated the mixed trends during the period. Except in case of disbursements from the Public Account, growth rates in other components of total disbursements indicated an upsurge during the last two years of the Tenth Plan, acceleration being relatively higher during the current year. 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 836 as against a value of 2256 for disbursements from public account. The other two components, actual expenditure and States' share in Taxes would have a value of 921 and 1263 respectively. Chart 3.1 presents the graphical presentation of

trends in various components of total disbursement during the period 1985-2006.



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 as detailed in the table below:

Table 3.3: Disbursement Components: Relative Share

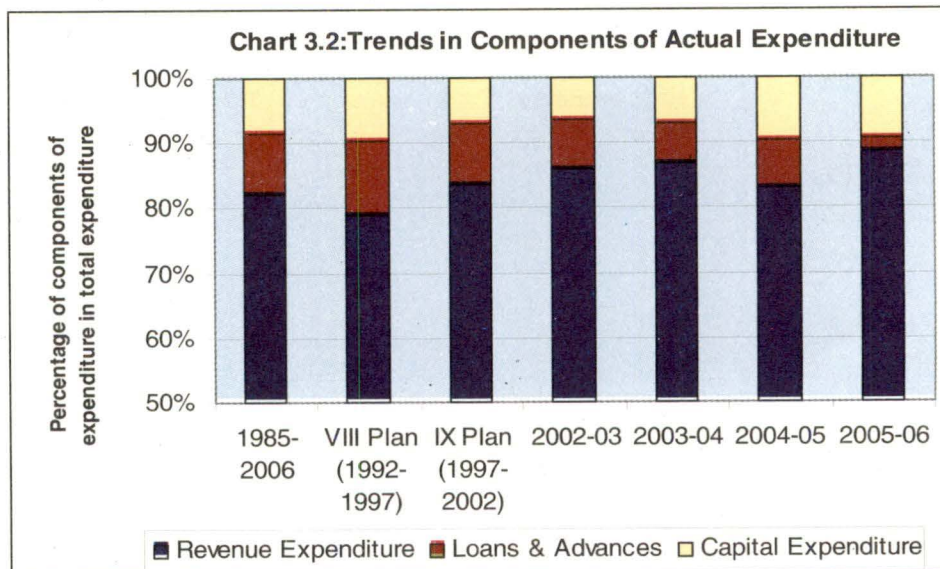
Period	(Per cent)			
	Actual Expenditure	States' Share in Taxes	Repayment of Debt	Disbursement from Public Account
1985-2006	38.32	4.89	35.78	21.00
VIII Plan (1992-1997)	46.94	6.08	29.17	17.81
IX Plan (1997-2002)	39.99	4.76	33.10	22.15
X Plan (2002-07)				
2002-03	41.70	4.91	29.74	23.66
2003-04	36.32	4.71	30.89	28.08
2004-05	34.67	4.96	35.11	25.27
2005-06	27.37	4.24	50.10	18.29
Average Annual Rate of Shift in their Relative Shares				
(1985-2006)	-0.29	0.58	-1.19	4.10

3.6 The share of actual expenditure (indicating the expenditure on current operations covering revenue and capital expenditure and loans and advances) witnessed a decelerating trend during the IX Plan (1997-02) from its peak level of 46.94 per cent during the VIII Plan (1992-1997). During X Plan (2002-07), first year (2002-03) indicated a slight increase in the relative share of actual expenditure but thereafter deceleration trend continued and its share

declined to 27.37 per cent in the current year. The deceleration trend after the VIII Plan is also reflected in its negative shift rate during 1985-2006. The relative share of expenditure on debt repayment exhibited the mixed trends during the periods covering VIII Plan (1992-97), IX Plan (1997-2002) and X Plan (2002-07) which finally converged into a negative annual average rate of shift in its long term trend during 1985-2006. Disbursements from public account indicated a long-term trend share of 21 per cent during 1985-2006. Relative share of this component was 17.81 per cent of aggregate disbursements during the VIII Plan (1992-1997) which later increased to an annual average of 22.15 per cent during the IX Plan (1997-2002) reaching its peak of 33.76 per cent in 1999-2000 consequent upon the creation of NSSF and conversion of balances of small savings to dated securities. The share of disbursement from public account since then declined to 25.27 per cent in 2004-05 and further to 18.29 per cent in the current year. Despite the decline in its share during the last two years, this component had a significant positive rate of shift of 4.10 per cent during 1985-2006 although it indicated a declining trend.

Expenditure: Main Aggregates

3.7 Table 3.4 and Chart 3.2 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 of its various components over the Plan periods.



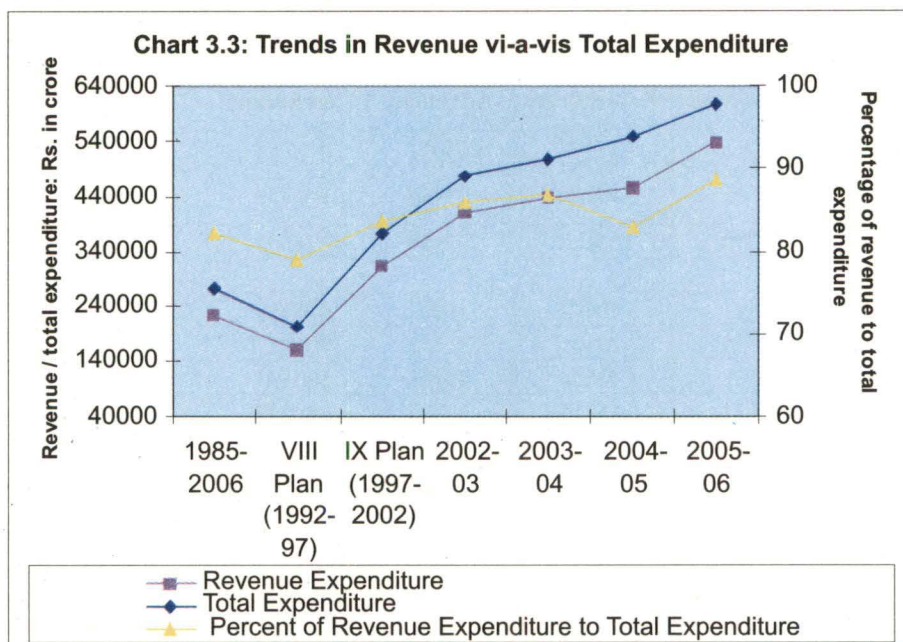
Application of Resources: Expenditure

Table 3.4: Expenditure Components

(Rupees in crore)

Period	Revenue Expenditure	Capital Expenditure	Loans & Advances	Total Expenditure	Revenue Expenditure/ Total Exp	Others/ Total Expenditure		
1985-2006	224472	23192	25057	272721	82.31	17.69		
VIII Plan (1992-1997)	160541	19550	23447	203539	78.88	21.12		
IX Plan (1997-2002)	313109	26234	35159	374502	83.61	16.39		
X Plan (2002-07)								
2002-03	409591	30497	36222	476310	85.99	14.01		
2003-04	440086	35401	31330	506817	86.83	13.17		
2004-05	455571	53654	40108	549333	82.93	17.07		
2005-06	540637	56119	12493	609249	88.74	11.26		
Average Annual Rate of Growth								
1985-2006	13.52	8.18	4.43	12.02	1.34	-4.83		
VIII Plan (1992-1997)	14.64	-8.44	11.91	11.87	Average Annual Rate of Shift (per cent)			
IX Plan (1997-2002)	10.40	9.22	-3.42	8.86				
X Plan (2002-07)								
2002-03	9.06	-2.55	-6.19	6.92				
2003-04	7.45	16.08	-13.51	6.40				
2004-05	3.52	51.56	28.02	8.39				
2005-06	18.67	4.59	-68.85	10.91				

3.8 Appendix-III-A presents the figures of actual expenditure and its three sub-components during the period from 1985-86 to 2005-06. Revenue expenditure continued to be the dominant component of the total expenditure (Chart 3.3) and its share increased from an average of 78.88 per cent during the VIII Plan to 83.61 per cent in IX Plan (1997-2002) and further to an average of 86.12 per cent during the first four years of X Plan (2002-07) after reaching the peak level of 88.74 per cent during the current year. An increase of 18.67 per cent in revenue expenditure amounting to Rs. 85,066 crore during 2005-06 over the previous year was reported largely on account of enhanced expenditure on economic services by Rs. 39894 crore (27.12 per cent), grants in aid to State and UT Governments by Rs. 19804 crore (36.76 per cent) and on general services by Rs. 17064 crore (7.66 per cent). The revenue expenditure during 2005-06 was 3.42 per cent higher than budget estimates which itself was 35.40 per cent more than the normative assessment made by TFC for Central Government for the year after incorporating the debt relief recommended for the States. Its relative share had a positive shift rate of 1.34 per cent per annum during 1985-2006.



3.9 Against these trends in revenue expenditure, relative share of capital expenditure and loans and advances declined from an average of 21.12 per cent during the VIII Plan to 16.39 per cent in IX Plan (1997-2002) and further to an average of 13.88 per cent during the first four years of X Plan (2002-07) with lowest share at 11.26 per cent during the current year. The capital expenditure during the current year was less than its budget estimates of Rs. 62537 crore which itself was fixed at much below the level projected by TFC for 2005-06 to move ahead to attain the targeted level of 3.5 per cent of GDP by the terminal year (2009-10) of its award period. Revenue expenditure of the Union Government (net of the States' share in taxes) increased at an average annual rate of 13.52 per cent during 1985-2006. Capital expenditure and loans and advances, however, grew at a lower rate of 8.18 and 4.43 per cent respectively during this period. The average annual trend growth of the actual expenditure, which included all these three components, was 12.02 per cent during the period 1985-2006.

3.10 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). The first year of the X Plan (2002-07) however again witnessed a contraction in capital expenditure but there was a substantial step up during the next two years and the large base built up during 2004-05 resulted in a decline in growth rate in the current year. Loans and advances, however, depicted a different picture with the rate of growth turning negative during the IX Plan and indicating further negative trend during the X Plan (2002-07) period so far. The steep decline in the Loans and Advances during 2005-06 is on account of acceptance of TFC recommendation regarding disintermediation of Central

Government in borrowings by State Governments to finance their State Plans. The States therefore raised the loan component of central plan assistance directly from the market without budgetary intermediation of the Central Government. This mechanism has been put in place from the year 2005-06 on the basis of recommendations of TFC.

Revenue Expenditure: Trend and Components

3.11 Table 3.5 below gives the expenditure incurred on various components of revenue expenditure in terms of its major object-wise classification.

Table 3.5: Revenue Expenditure and its Components

<i>(Rupees in crore)</i>						
Period	Revenue Expenditure	Pay & Allowances**	Interest Payments	Pensions*	Grants to States	Others
1985-2006	224472	25888	62384	10215	26216	99769
VIII Plan (1992-1997)	160541	21620	44280	5661	20630	68351
IX Plan (1997-2002)	313109	42783	91102	15852	32423	130949
X Plan (2002-07)						
2002-03	409591	33317	124573	19085	42136	190480
2003-04	440086	34554	128114	20702	47320	209396
2004-05	455571	38653	130958	24085	52686	209189
2005-06	540637	37870	141375	24750	72367	264275
Average Annual Rate of Growth (per cent)						
1985-2006	13.52	8.58	16.89	16.68	11.22	13.23
VIII Plan (1992-1997)	14.64	12.10	17.44	15.65	5.60	16.55
IX Plan (1997-2002)	10.40	-2.09	14.90	17.07	11.06	8.34
X Plan (2002-07)						
2002-03	9.06	6.15	9.11	0.80	1.55	12.32
2003-04	7.45	3.71	2.84	8.47	12.30	9.93
2004-05	3.52	11.86	2.22	16.34	11.34	-0.10
2005-06	18.67	-2.03	7.95	2.76	37.36	26.33

* includes Miscellaneous General Service

**Notes:

- 1) The expenditure on pay and allowances up to 2001-02 as per Brochure published by Pay Research Unit of the Department of Expenditure for the Central Government Civilian Employees including the employees of the Union Territories and non-civilian employees of Defence Department. From 2002-03 figures do not include expenditures of pay and allowances of non-civilian employees of Defence.
- 2) Expenditure on Pay and Allowances do not include travelling allowance, productivity-linked bonus, ad-hoc bonus, encashment of earned leaves and honorarium.
- 3) For the years 2002-03, 2003-04 and 2004-05, actual figures as per Brochure published by Pay Research Unit for Central Govt. Civilian Employees. Expenditure on pay and allowances for 2005-06 are revised estimates as actual figures are still awaited.

3.12 All the components of revenue expenditure except pay and allowances had a double-digit trend growth during 1985-2006. Average annual rate of growth of these components, except grants to States and pensions, was

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relatively higher during the VIII Plan (1992-1997). Deceleration in growth rates during the IX Plan (1997-2002) was particularly pronounced for pay and allowances which have witnessed contraction and residual components of revenue expenditure grouped under 'Others'. Rate of growth of interest payments also witnessed moderate deceleration during IX Plan. During the X Plan (2002-07) so far, rate of growth of interest payments declined further to an average of 5.53 *per cent*, largely due to a general decline in interest rates for the internal loans. Despite a soft interest rate regime prevailing during the X Plan period, interest payments have continued to rise mainly due to spiralling outstanding debt during the period. Curtailing interest payments requires a reduction in current deficits so that interest payments reduce in the future. Technically, only if the government is able to generate primary surpluses can there be a reduction in debt and future interest payments. However, due to continued prevalence of primary deficits, the debt levels continued to increase resulting in increasing interest payments during the period. Expenditure on pay and allowances of Central Government employees, including civil 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 in subsequent years and on average registered a decline during IX Plan period. 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.

3.13 A significant part of revenue expenditure is mostly committed, i.e. that part of the expenditure over which the Government has very little discretion. Interest payments, pensions, salary & wages and most of the grants-in-aid to States/Union Territories fall in this category. 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, revenue receipts and non-debt receipts (Table 3.6). Committed expenditure in Table 3.6 is classified in two groups, viz. 'interest payments' and 'Others'. The residual category 'Others' comprise of expenditure on pay and allowances and pensions including expenditure on Miscellaneous General Services.

**Table 3.6 Share of committed Revenue Expenditure to total Revenue Expenditure,
Revenue Receipts and Non-Debt Receipts**

(Per cent)

Period	Revenue Expenditure			Revenue Receipts			Non-Debt Receipts		
	Interest Payments	Others	Total	Interest Payments	Others	Total	Interest Payments	Others	Total
1985-2006	27.79	16.08	43.87	35.29	20.42	55.71	31.97	18.50	50.47
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
X Plan (2002-07)									
2002-03	30.41	12.79	43.20	41.55	17.48	59.03	36.45	15.33	51.78
2003-04	29.11	12.56	41.67	37.78	16.29	54.07	30.08	12.97	43.05
2004-05	28.75	13.77	42.52	34.75	16.65	51.40	29.39	14.08	43.47

Application of Resources: Expenditure

(Per cent)

Period	Revenue Expenditure			Revenue Receipts			Non-Debt Receipts		
	Interest Payments	Others	Total	Interest Payments	Others	Total	Interest Payments	Others	Total
2005-06	26.15	11.58	37.73	32.81	14.53	47.34	31.82	14.09	45.91
Average Annual Rate of Shift in Shares									
1985-2006	2.43	-2.57	0.38	3.06	-1.97	1.00	2.92	-2.11	0.86

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

Expenditure: Plan and Non-Plan

3.14 The Finance Accounts provide a further disaggregation of expenditure into plan and non-plan. Plan expenditure normally relates to incremental developmental 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, 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 3.7 presents the growth and composition of Plan and non-Plan expenditure of the Union government while the trends in the relative share of plan and non-plan expenditure in total expenditure are given in Table 3.8.

Table 3.7: Components of Expenditure - Plan & Non plan

(Rupees in crore)

Period	Plan				Non Plan			
	Total	Revenue	Capital	Loans	Total	Revenue	Capital	Loans & Advances
1985-2006	63107	37863	10005	15239	209614	186609	13187	9818
VIII Plan (1992-1997)	48190	26749	8380	13061	155348	133792	11170	10386
IX Plan (1997-2002)	78595	47090	10132	21373	295907	266019	16102	13786
X Plan (2002-07)								
2002-03	111471	71570	14643	25258	364839	338021	15854	10964
2003-04	122281	78638	16913	26730	384536	361448	18488	4600
2004-05	132932	87494	19372	26066	416401	368077	34282	14042
2005-06	140637	111858	19457	9322	468612	428779	36662	3171
Average Annual Rate of Growth (per cent)								
1985-2006	10.48	14.27	5.37	6.31	12.56	13.36	11.39	0.64
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
X Plan (2002-07)								
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
2004-05	8.71	11.26	14.54	-2.48	8.29	1.83	85.43	205.26
2005-06	5.80	27.85	0.44	-64.24	12.54	16.49	6.94	-77.42

* The Capital expenditure in Finance Accounts does not include the redemption of securities issued to NSSF. This also results in variation in fiscal deficits, which is explained in Table 1.3.

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Table 3.8: Plan and Non-plan Expenditure: Relative Share

Period	PE/TE	NPE/TE	PRE/PE	NPPE/NPE
1985-2006	23.14	76.86	60.00	89.02
VIII Plan (1992-1997)	23.68	76.32	55.51	86.12
IX Plan (1997-2002)	20.99	79.01	59.91	89.90
X Plan (2002-07)				
2002-03	23.40	76.60	64.20	92.65
2003-04	24.13	75.87	64.31	94.00
2004-05	24.20	75.80	65.82	88.39
2005-06	23.08	76.92	79.54	91.50

Note: PE = Plan Expenditure, NPE = Non-plan Expenditure, PRE = Plan Revenue Expenditure, NPPE = Non-plan Revenue Expenditure and TE = Total Expenditure

3.15 The share of plan expenditure in total expenditure remained nearly stagnant during 1985-2006. As against an average of 23.68 *per cent* of total expenditure during VIII Plan (1992-97), its share only moderately improved to 24.20 *per cent* in 2004-05 but it declined by 1.12 percentage points in the current year reaching even below the trend average for the period 1985-2006. This seemingly stable share, however, conceals the inter year and inter plan variations at aggregate plan and at its sub component levels.

3.16 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 at 13.24 *per cent* during VIII Plan (1992-97), a significant deceleration by almost 6 percentage points in its rate of growth was observed during the IX Plan. During the first four years of the X Plan (2002-06), the growth rates, particularly at the level of sub components fluctuated widely. Overall trend growth of both plan and non-plan expenditure was, however, less than the growth of GDP and revenue receipt. Buoyancy of plan expenditure with GDP and revenue receipt during 1985-2006 was 0.763 and 0.815 respectively. In case of non-plan expenditure, the buoyancy coefficients were significantly higher at 0.915 and 0.977 respectively (Table 3.9), but remained less than one reflecting the fact that their average growth rates were still lower than the growth rates of GDP and revenue receipts during the period, although marginally.

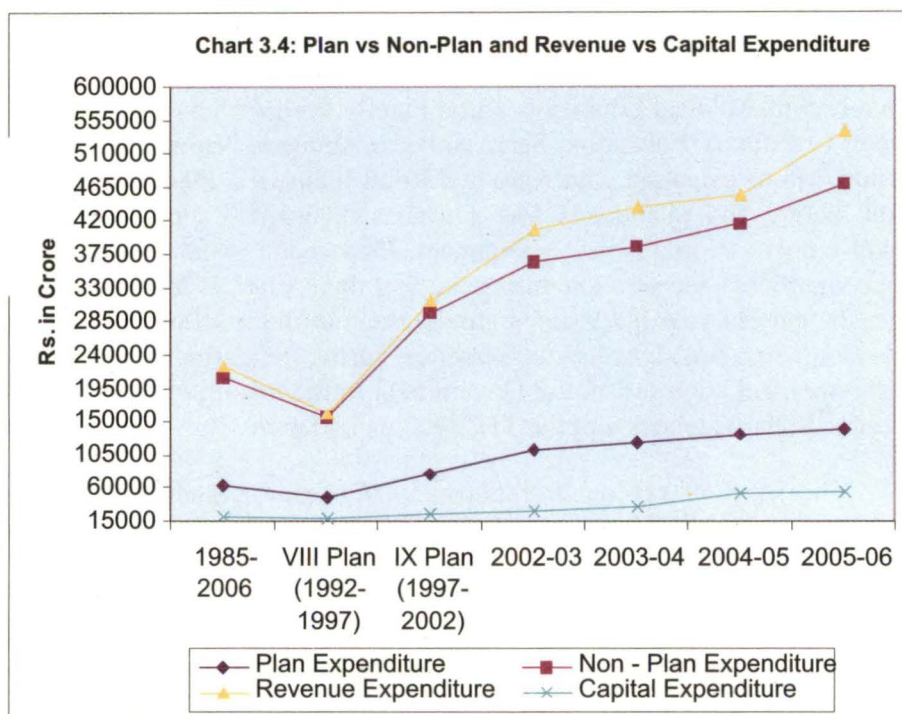
3.17 Both for plan and non-plan expenditure, the revenue component remained not only the most predominant, but it was also relatively the most buoyant throughout 1985-2006. The share of revenue component in plan expenditure, which averaged 55.51 *per cent* during VIII Plan gradually increased to 65.82 *per cent* in 2004-05 and further climbed to 79.54 *per cent* during the current year. Although plan expenditure increased at moderate rate of 5.80 *per cent* during 2005-06 but its revenue component increased by 27.85

per cent. The step up in revenue component of plan expenditure was largely due to increase in plan grants to States and also to meet the expenditure commitments under social sectors. In terms of sectors/programmes, major increases were in Rural Employment, Rural Roads, Rural Water Supply, Integrated Child Development Services, Reproductive and Child Health, Immunisation, Medical Education, Rural Family Welfare Services, Nutritional Support to Primary Education, Sarva Shiksha Abhiyan, National Horticulture Mission, Micro Irrigation, and Agro and Rural Industries. Plan expenditure of capital nature and plan loans and advances recorded a much lower trend growth relative to its revenue component. Plan capital expenditure although gained significant acceleration during the first three years of X Plan (2002-07) but in the current year it remained almost static at the level of 2004-05. Plan loans also witnessed significant contraction during the current year reflecting the dis-intermediation of Central Government in the raising of State domestic loans due to the acceptance of the TFC recommendation.

3.18 The share of revenue component in non-plan expenditure increased from an average of 86.12 *per cent* during VIII Plan (1992-97) to 89.9 *per cent* during IX Plan (1997-2002) and further to an average of 91.64 *per cent* during the first four years of X Plan (2002-07) after reaching the peak level of 94 *per cent* in 2003-04. Interest payments, defence revenue expenditure, subsidies and pensions form the major component of the non plan revenue expenditure of the Central Government. Of the total increase of Rs. 60702 crore in non plan revenue expenditure during 2005-06, interest payments, defence revenue expenditure, subsidies and pensions together contributed Rs. 16495 crore (27.17 *per cent*) followed by Rs. 15692 crore (25.85 *per cent*) in the form of non plan grants in aid to States and UT Governments. Besides, increase in non plan revenue expenditure on social and economic services by Rs. 27723 crore over the previous year also resulted in buoyancy in overall non plan revenue expenditure during 2005-06. The expenditure on interest payments, defence revenue expenditure, subsidies and pensions were not only higher than their respective budgetary estimates but also significantly exceeded the normative projections made by TFC for 2005-06 respectively by Rs. 5556 crore, Rs. 4695 crore, Rs. 6538 crore and Rs. 8183 crore during the year. Non plan capital outlay which mainly consists of capital expenditure under defence services registered a significant decline in its growth rate during 2005-06 over the previous year largely on account of slow pace of defence capital expenditure during the course of the year.

3.19 The trends in the composition of Union Government expenditure over the period 1985-2006, which has been increasing over the years (Chart 3.4), reveal that non plan expenditure far outweighs the plan expenditure and revenue expenditure completely overshadows capital expenditure. The predominance of plan revenue expenditure has been mainly on account of the fact that central support to the states development activities whether through central assistance or centrally sponsored schemes are classified as revenue

expenditure regardless of the purpose for which they are used by the States and other implementing agencies.



Buoyancy of Expenditure

3.20 More important than the growth in nominal expenditure or its absolute volume is the buoyancy of its various components relative to the base. Table 3.9 below provides the average buoyancy ratios of various components of expenditure relative to revenue receipts and GDP separately for 1985-2006, VIII and IX Plan periods as well as for the first four years of the X Plan.

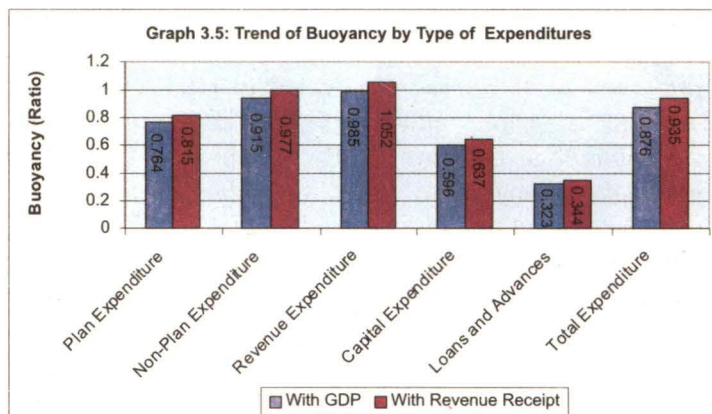
Table 3.9: Trends in Buoyancy of Expenditure with reference to GDP and Revenue Receipts

Type of expenditure	1985-2006		VIII Plan (1992-97)		IX Plan (1997-2002)		X Plan (2002 -07) (Four Years)	
	GDP	Revenue Receipts	GDP	Revenue Receipts	GDP	Revenue Receipts	GDP	Revenue Receipts
Plan Expenditure	0.764	0.815	0.455	0.489	1.294	1.572	0.662	0.592
Non-Plan Exp	0.915	0.977	0.800	0.859	0.732	0.889	0.721	0.646
Revenue Expenditure	0.985	1.052	0.885	0.950	0.997	1.211	0.837	0.750
Capital Expenditure	0.596	0.637	-0.510	-0.548	0.884	1.074	1.508	1.350
Loans and Advances	0.323	0.344	0.720	0.773	-0.328	-0.399	-1.310	-1.173
Total Expenditure	0.876	0.935	0.718	0.770	0.850	1.032	0.706	0.632

3.21 Relatively higher buoyancy ratios during the IX Plan period were essentially on account of lower growth rates in GDP and revenue receipts. The relatively higher 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. During 1985-2006, buoyancy of capital expenditure with GDP and revenue receipt has been between 0.5 and 0.6 as against the buoyancy of close to one 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.

3.22 Buoyancy ratios by type of expenditure with reference to GDP and revenue receipts for the period 1985-2006 are also depicted in the Chart 3.5.



Management of Subsidies

3.23 In any welfare state, it is not uncommon to provide subsidies/subventions and transfer payments to disadvantaged sections of the society and also in the form of making provision of merit goods¹ at subsidized prices. 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 3.10 presents a picture of the subsidies, which the government provided explicitly during the VIII and IX Plans and during the first four years of the X Plan on major items.

Table 3.10: Explicit Subsidies in the Union Government Budget

(Rupees in crore)

Period	Food	Fertilizers@	Fertilizers#	Petroleum Subsidy	Others*	Total subsidies	Subsidies (A)	Subsidies (B)
Average Annual Values								
VIII Plan (1992-97)	4976	6088	-	-	2405	13469	1.30	8.39
IX Plan (1997-2002)	11199	11376	-	-	3516	26091	1.36	8.33
2002-03	24176	7790	3225	5225	3592	44008	1.78	10.74
2003-04	25160	8521	3326	6292	1669	44968	1.63	10.22
2004-05	23280	10985	5142	2956	1976	44339	1.43	9.73
2005-06	23077	11863	6596	2683	849	45068	1.28	8.34

@ Indicates the subsidies given on indigenous and imported fertilisers (Urea)

Indicates the subsidies given as concession to farmers on the sale of decontrolled fertilisers.

* Others include Interest subsidy, grants given to NAFED and compensation for exchange loss etc

(A) As a percentage of GDP

(B) As a percentage of Revenue Expenditure

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

3.24 In absolute terms, explicit subsidies consistently increased from an average of Rs. 13,469 crore during the VIII Plan (1992-1997) to Rs. 26091 crore during the IX Plan (1997-2002) and further to an average of Rs. 44596 crore during the first four years of X Plan (2002-07). Relative to GDP, subsidies marginally increased from 1.30 *per cent* during VIII Plan (1992-97) to an average of 1.36 *per cent* during the IX Plan (1997-2002). This ratio further increased to 1.78 in the first year of X Plan due to the combined impact of substantial increase in expenditure on subsidies and relatively poor performance of economy reflected in GDP growth rate during the year. In subsequent years, although expenditure on subsidies indicated minor variations but buoyant GDP growth rates pushed the ratio southwards gradually during these years. Subsidies shared about 8 *per cent* of total revenue expenditure during the decade of 1992-2002 coinciding the periods of VIII and IX Plans which increased to about 10 *per cent* during the X Plan (2002-07) so far mainly because of petroleum subsidy being paid despite the decision to dismantle the APM in the petroleum sector.

3.25 It is evident that food subsidy constitutes the dominant share varying from an average of 37 *per cent* during the VIII Plan to 56 *per cent* in 2003-04 in total expenditure on subsidies. This component of subsidies also constituted 4.27 *per cent* of Central government's revenue expenditure during the current year. Although food subsidy during the current year was kept almost at last year's level but it exceeded the level of Rs. 22000 crore per year recommended by TFC. The subsidies on food and fertilizers together constituted more than 92 *per cent* of total expenditure on subsidies during the current year. The total subsidy expenditure during the current year at Rs. 45,068 crore is much above the level of Rs. 38,530 crore recommended by the TFC for the year. As the medium term outlook does not appear to favour a severe compression in expenditure on subsidies, efforts need to be made for better targeting of all the subsidies.

3.26 Subsidies are dispensed not only explicitly, i.e. through the budget but also in a covert form by providing subsidised public services to the people. These kinds of subsidies are generally termed as 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 3.11 below gives the return on investment and outstanding advances and user charges as percentage to revenue expenditure for social and economic services.

Table 3.11: Return on Investment and Advances and Recovery of User Charges (as a percentage of revenue expenditure for Social and Economic Services)

(Per cent)

Period	Loans & Advances	Investment	Social Services	Economic Services
1985-2006	11.96	5.21	6.68	52.34
VIII Plan (1992-1997)	11.23	2.35	9.57	57.22
IX Plan (1997-2002)	14.15	5.30	3.59	55.80
X Plan (2002-07)				
2002-03	15.11	8.83	2.03	43.07
2003-04	15.91	9.84	1.91	45.27
2004-05	14.30	13.29	1.49	51.37
2005-06	13.36	18.78	4.28	45.39
Average Annual Rate of change in returns				
1985-2006	3.93	14.24	-10.46	-1.14

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

3.27 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 5.30 *per cent* during IX Plan (1997-2002) and to an annual average of 12.69 during the first four years of X Plan (2002-07) with peak level of 18.78 *per cent* during the current year. This return is, however, based on book value of investment and not the net worth or market capitalisation. The average rate of interest on its loans and advances (opening balances) also increased from 11.23 *per cent* to 14.15 *per cent* during IX Plan (1997-2002) and to an annual average of 14.67 during the first four years of X Plan (2002-07) with peak level of 15.91 *per cent* during 2003-04. Though there was no implicit subsidy on government's financial intermediation as the average rate of interest received exceeded the interest cost on its borrowings, the trend rate of return on government's investment at 5.21 *per cent* fell significantly short of the rate of interest (7.93 *per cent*) on government's borrowings. However, the rate of return on investment witnessed a significant acceleration and had a positive shift rate of 14.24 *per cent* during 1985-2006. At the current levels, the return on investments significantly exceeded the cost of raising resources (7.75 *per cent*).

3.28 In social and economic services, recovery rates (revenue receipt/revenue expenditure) witnessed a decelerating trend. In both the social and economic services, revenue receipts fell short of the revenue expenditure, which is akin to the operating expenses. The public expenditure incurred in creation and strengthening of social infrastructure especially in expansion of educational and health care facilities has increased manifold during recent years with only nominal user charges made applicable. As a result, the ratio of revenue receipts from social services to revenue expenditure incurred on providing these services consistently declined from 9.57 *per cent* during the VIII Plan (1992-97) to 1.49 *per cent* in 2004-05. A significant increase in this ratio was observed during 2005-06 essentially on account of seemingly one

time increased collections under the head 'Information and Publicity' amounting to Rs. 1139 crore during the current year over the previous year. The overall ratio of revenue receipts to revenue expenditure from economic services declined from 57.22 *per cent* during the VIII Plan (1992-97) to 45.39 *per cent* in 2005-06 and thus exhibited a negative shift rate during the period 1985-2006. The recovery rate was, however 100 *per cent* of the revenue expenditure for Railways (as the surplus from the operations of railways was transferred to Railway Development Reserve Fund, revenue exactly matched the expenditure). The recovery also exceeded 100 *per cent* in Telecommunication sector because consequent upon the corporatization of MTNL and BSNL, the revenue from Telecommunication sector consisted of license fees and there was no requirement as earlier to incur any expenditure on operation and maintenance of services.

Expenditure on Social and Economic Services

3.29 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 3.12 below indicates the trends in expenditure on social services and its various components.

Table 3.12: Expenditure (Revenue and Capital) on Social services - Trends and Composition

(Rupees in crore)

Period	Social Services	Education	Health	Water Supply	I&B	Labour Welfare	Others
1987-2006	13138	5532	1924	2264	847	594	1978
VIII Plan (1992-1997)	6903	2696	901	887	986	465	968
IX Plan (1997-2002)	15998	6457	2227	3217	568	768	2761
X Plan (2002-07)							
2002-03	21810	9846	3164	4044	1170	764	2822
2003-04	24593	10965	3907	4669	1219	823	3010
2004-05	31115	13997	4465	5997	1237	994	4425
2005-06	39160	16841	6847	6101	1344	1233	6794
Average Annual Growth Rate (per cent)							
1987-2006	15.48	15.82	16.48	22.80	0.00	9.88	18.94
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
X Plan (2002-07)							
2002-03	33.94	30.10	7.04	1.46	0.00	-9.37	-30.23
2003-04	12.76	11.37	23.48	15.45	4.19	7.72	6.66
2004-05	26.52	27.65	14.28	28.44	1.48	20.78	47.01
2005-06	25.86	20.32	53.35	1.73	8.65	24.04	53.54

Application of Resources: Expenditure

3.30 The overall expenditure of the Union Government on social services has consistently increased from an annual average of Rs. 6903 crore during the VIII Plan (1992-1997) to Rs. 15998 crore during IX Plan (1997-2002) and further to an annual average Rs. 29170 crore during the first four years of X Plan (2002-07) with the peak level of Rs. 39160 crore during the current year. The long-term trend rate of growth in expenditure on social services was 15.48 per cent (1987-2006) higher than GDP, revenue receipt and revenue expenditure. However, there 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). Expenditure on social services was particularly buoyant during the X Plan (2002-07). Within social services, expenditure on rural employment, education, health and water supply and sanitation (including housing and urban development) were relatively buoyant. In the current year also, expenditure on Education and health showed higher buoyancy.

3.31 The expenditure on components of economic services is indicated in Table 3.13 below.

Table 3.13: Expenditure (Revenue and Capital) on Economic Services - Trends and Composition

(Rupees in crore)

Period	Economic Services	Agriculture & Allied	Rural Development	Energy	Industry and Minerals	Transport	Posts	Telecom	Others
1987-2006	96495	16324	5000	7540	10243	36514	2961	7260	10653
VIII Plan (1992-97)	69161	9665	3263	3061	7229	24246	1598	8417	11682
IX Plan (1997-2002)	121107	20048	5146	10158	12294	44714	3937	13554	11256
X Plan (2002-07)									
2002-03	154041	31101	11737	12118	13965	60415	5416	3486	15803
2003-04	166058	32911	12174	13664	16761	64379	5681	3102	17387
2004-05	165885	36366	9478	9897	17664	69578	5940	3579	13383
2005-06	207331	37622	15660	25978	19857	83325	6503	2827	15559
Average Annual Growth Rate (Per cent)									
1987-2006	11.25	15.32	23.41	11.90	7.93	11.75	13.60	2.71	6.82
VIII Plan (1992-97)	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
X Plan (2002-07)									
2002-03	8.98	9.92	89.64	-28.90	4.40	5.69	4.82	-6.77	52.21
2003-04	7.80	5.82	3.72	12.76	20.02	6.56	4.89	-11.02	10.02
2004-05	-0.10	10.50	-22.15	-27.57	5.39	8.08	4.56	15.38	-23.03
2005-06	24.98	3.45	65.22	162.48	12.42	19.76	9.48	-21.01	16.26

3.32 The overall expenditure on economic services increased significantly from an average Rs. 69161 crore during the VIII Plan (1992-1997) to Rs. 121107 crore during IX Plan (1997-2002) and further to an annual average

Rs. 173329 crore during the first four years of X Plan (2002-07) reaching the peak level of Rs. 207331 crore during the current year. The annual trend rate of growth of expenditure on economic services was 11.25 *per cent* during 1987-2006. As in the case of social services, the average annual growth rates witnessed deceleration during the IX Plan (1997-2002). This deceleration of three percentage points was relatively moderate for economic services. Growth rates further turned negative in 2004-05, largely because of a decline in expenditure on rural development and energy sectors. However, a turnaround in these two sectors during the current year has resulted in buoyancy in total expenditure on 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) were relatively buoyant during VIII and IX Plans period but the rate of growth declined significantly during X Plan period with mixed trend. However, in case of rural development, the 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) which further jumped to 65.22 *per cent* in the current year with wild fluctuation during X Plan period. Expenditure on energy was growing only at moderate rate during VIII Plan and further dipped in IX Plan and exhibited large gyrations during first four years of X Plan. During the current year, steep increase was recorded largely on account of increased current expenditure of the order of Rs. 16989 crore in petroleum sector essentially towards the settlement of the claims of oil companies under administrative pricing. The 'industry and minerals' with low growth rate during VIII Plan increased to 12.42 *per cent* in the current year with inter year variations. The expenditure on transport sector indicated buoyancy in IX Plan over the VIII Plan period but thereafter increased at moderate rate during the first three years of the X Plan. A substantial increase by 19.76 *per cent* during the current year was mainly on account of transfer of resources to Reserve Fund under 'Roads and Bridges'. The trends in pattern of Union Government's expenditure during the last few years especially during the X Plan period reveal that the fiscal policy has laid emphasis on increased spending on social and economic sectors with focus on the areas such as rural employment, education and health. Besides, to make the growth process all inclusive expenditure on infrastructure facilities like rural roads, housing and rural electrification have also been stepped up during the last few years.

3.33 It is more important to look at the expenditure on social and economic services relative to GDP which 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 together averaged 7.755 *per cent* of GDP during 1987-2006. With 7.347 *per cent* of GDP being spent on social and economic services during the VIII Plan (1992-1997) declined to 7.162 *per cent* during IX Plan (1997-2002) and further to an annual average of 6.84 *per cent* during the first four years of X Plan (2002-07). Expenditures on selected social and economic services relative to GDP are indicated in Table 3.14 and 3.15 respectively.

Application of Resources: Expenditure

Table 3.14: Expenditure on Social Services (Revenue and Capital) Relative to GDP
(Per cent)

Period	Social Services	Education	Health & FW	WSS*	I&B**	Others
1987-2006	0.929	0.391	0.136	0.160	0.060	0.182
VIII Plan (1992-1997)	0.667	0.260	0.087	0.086	0.095	0.138
IX Plan (1997-2002)	0.836	0.337	0.116	0.168	0.030	0.184
X Plan (2002-07)						
2002-03	0.883	0.399	0.128	0.164	0.047	0.145
2003-04	0.891	0.397	0.142	0.169	0.044	0.139
2004-05	1.002	0.451	0.144	0.193	0.040	0.174
2005-06	1.109	0.477	0.194	0.173	0.038	0.227
Average Annual Rate of Shift in their Relative Shares						
1987-2006	1.825	2.121	2.706	8.277	0.00	4.872

*Water Supply and Sanitation ** Information & Broadcasting

3.34 Expenditure on social services (excluding loans and advances in this sector) had a positive shift rate in their share relative to GDP during 1987-2006. A significant positive shift rate in case of water supply and sanitation sector indicates that of late making provision of drinking water supply to all the habitations and adequate sanitation facilities both in rural and urban areas has assumed significance in schematic allocations and expenditures of the Government. Positive shift rate was also observed for two most important social services - education and health. However, the positive shift rates, overall allocation to social sectors has been less than one *per cent* of GDP in the past and it has merely crossed this limit during the last two years. Efforts towards reprioritization of the outlays need to be continued for the expansion and strengthening of social services.

Table 3.15: Expenditure on Economic Services (Revenue and Capital) Relative to GDP
(Per cent)

Period	Economic Services	Agri-culture	Rural Devt	Energy	Industry and minerals	Transport	Post	Telecom	Others
1987-2006	6.826	1.155	0.354	0.533	0.725	2.583	0.209	0.514	0.754
VIII Plan (1992-97)	6.680	0.934	0.315	0.296	0.698	2.342	0.154	0.813	1.128
IX Plan (1997-02)	6.326	1.047	0.269	0.531	0.642	2.336	0.206	0.708	0.588
X Plan (2002-07)									
2002-03	6.238	1.259	0.475	0.491	0.565	2.446	0.219	0.141	0.640
2003-04	6.017	1.192	0.441	0.495	0.607	2.333	0.206	0.112	0.630
2004-05	5.342	1.171	0.305	0.319	0.569	2.240	0.191	0.115	0.431
2005-06	5.871	1.065	0.443	0.736	0.562	2.360	0.184	0.080	0.441
Average Annual Rate of Shift in their Relative Shares									
1987-2006	-1.908	1.678	8.814	-1.336	-4.845	-1.469	0.168	-9.438	-5.570

3.35 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) marginally to 6.326 *per cent* during IX Plan (1997-2002) and further to an annual average of 5.867 *per cent* during the first four years of X Plan (2002-07). Within economic services, transport, industry and

energy along with residual economic services classified under 'Others' indicated a negative rate of shift in their relative shares during 1987-2006. The expenditure on agriculture and allied activities including irrigation and flood control has sustained the expenditure amounting to nearly one *per cent* of GDP throughout the period largely on account of increasing expenditure incurred for irrigation projects. A significant positive shift in rural development reflects the Government overwhelming priorities for the sector particularly in the context of generating employment opportunities in rural areas.

Chapter 4

DEFICITS: MANAGEMENT OF FISCAL IMBALANCES

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the Union or State Government during a specified period. The revenue deficit of the Union Government which exhibited a declining trend during the first three years of the X Plan (2002-07) has increased by 39.39 per cent during 2005-06 over the previous year. In relation to GDP, revenue deficit increased from the level of 2.53 per cent in 2004-05 to 3.11 per cent during the year. Similarly, the fiscal deficit also increased by 58.89 per cent over the previous year and reached the level of Rs 164,927 crore (4.67 per cent of GDP) during the current year. Revenue deficit continued to be the dominant component of fiscal deficit, accounting for 61.47 per cent of it during 1985-2006. 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 an average 87 per cent during the first four years of X Plan (2002-07) reaching the peak level during 2003-04. Increasing share of revenue deficit in fiscal deficit over the period 1985-2006 pushed down the average share of net capital expenditure resulting in a negative shift rate of 2.24 per cent.

Primary deficit, which represents the current imbalances net of interest payments, averaged Rs. 18,285 crore during VIII Plan (1992-97) increased to Rs. 28,573 crore during IX Plan (1997-2002). The primary account of the Union Government had shown large fluctuations during the four years of X Plan indicating a peak level surplus of Rs. 47,177 crore in 2003-04. The peak level surplus however witnessed a decelerating trend in the next year and culminated once again into a deficit of Rs. 23552 crore in the current year. 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 and 2004-05 but in the current year trend is reversed again and primary deficit relative to GDP increased to 0.67 per cent. Improvement in primary deficit was largely due to increase in recovery of loans with the prepayment of high cost loans under the debt swap scheme in 2003-04 and 2004-05. As a result, contraction in non-debt receipts along with an increase in government expenditure led to the deterioration in fiscal deficit which in turn also worsened the primary deficit situation in 2005-06.

The increase in revenue and fiscal deficits during 2005-06 reflects a slippage in meeting the targets prescribed under FRBM Rules. High levels of fiscal deficits relative to GDP normally tend to cause sharp increases in debt-GDP ratio. Adhering to the FRBM targets in respect of revenue and fiscal deficits is therefore considered to be critical for macroeconomic, financial, external sector and budgetary sustainability.

4.1 Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the Union or State Government during a specified period. The Union Budget also presents every year the trends - actual estimates of the previous year, revised estimates of the current year and the budget estimates of the ensuing year - for these fiscal parameters. This chapter presents trends, nature, magnitude 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

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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. This Chapter also presents the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act and Rules for the financial year 2005-06.

Revenue Deficit

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. Revenue deficit leads to increase in borrowings without corresponding capital/asset formation. Borrowings resorted to meet revenue deficit, therefore, do not have any asset back up and create an asset liability mismatch. Because of these properties, revenue deficit is considered generally less desirable. Trends in revenue deficit and some of its key parameters are indicated in Table 4.1.

Table 4.1: Revenue Deficit and its parameters

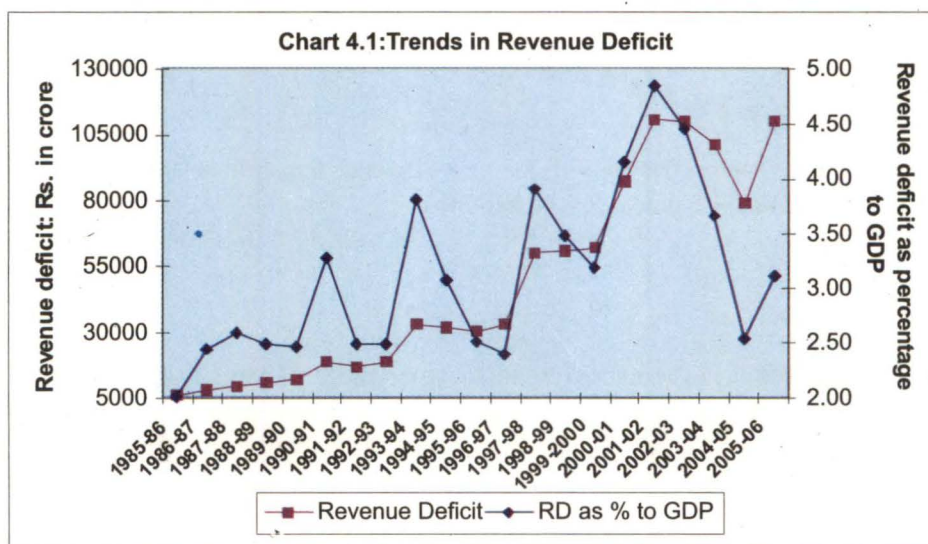
(Rupees in crore)

Period	Revenue Receipt	Revenue Expenditure	Revenue Deficit	Revenue Deficit as per cent of		
				GDP	Revenue Receipt	Revenue Expenditure
1985-2006	176760	224472	47712	3.37	26.99	21.25
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
X Plan (2002-07)						
2002-03	299826	409591	109765	4.44	36.61	26.80
2003-04	339100	440086	100986	3.66	29.78	22.95
2004-05	376871	455571	78700	2.53	20.88	17.28
2005-06	430940	540637	109697	3.11	25.46	20.29
Average Annual Rate of Growth (Per cent)						
1985-2006	12.95	13.52	16.51	2.45	3.27	2.64
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			
X Plan (2002-07)						
2002-03	13.02	9.06	-0.49			
2003-04	13.10	7.45	-8.00			
2004-05	11.14	3.52	-22.07			
2005-06	14.35	18.67	39.39			

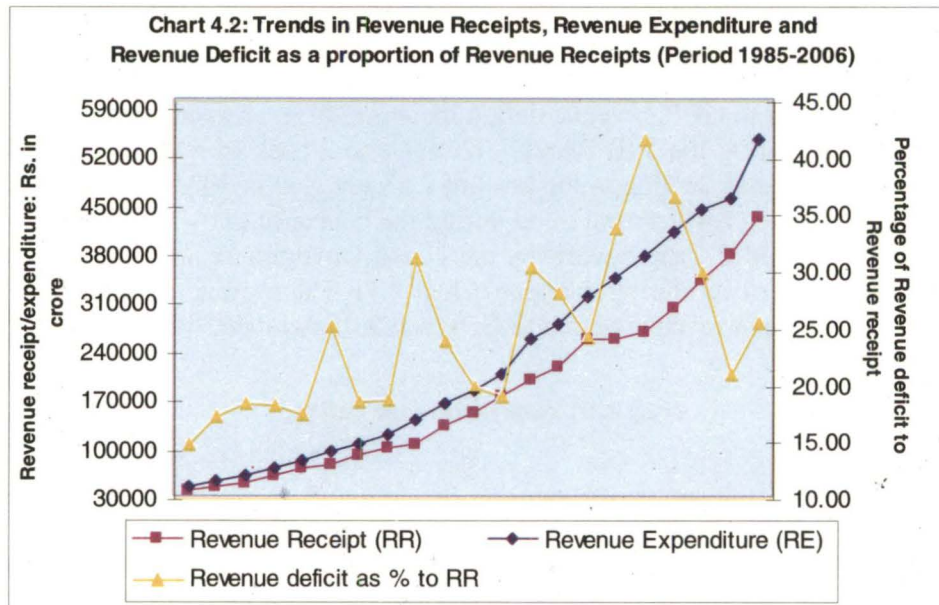
4.3 Overall revenue deficit of the Union Government increased from an average of Rs. 28,941 crore during the VIII Plan (1992-1997) to Rs. 75,711 during the IX Plan (2002-07). The revenue deficit at Rs. 110,303 crore in 2001-02, last year of the IX Plan, exhibited a declining trend during the subsequent three years and reduced to the level of Rs. 78,700 crore in 2004-05. During the current year, revenue deficit however increased by 39.39 per cent over the previous year and reached almost to the level of 2002-03. The average annual rate of growth of revenue deficit during the period 1985-2006 was 16.51 per cent. A negative spread between the trend growth of revenue

receipts and revenue expenditure contributed to the surge in revenue deficit. The rate of growth of revenue expenditure was lower than that of revenue receipt during the first three years of X Plan (2002-07) leading to a negative growth of revenue deficit. These three years witnessed a positive spread of four to seven *per cent* between revenue receipt and revenue expenditure due to relatively buoyant revenue receipt and moderately growing revenue expenditure. As a result, the revenue deficit indicated a declining trend since 2002-03 but the decline was substantial and remarkable of the order of 22.07 *per cent* in the year 2004-05. The rate of growth in revenue expenditure however exceeded again to that of revenue receipts by 4.32 percentage points resulting in an upsurge of Rs. 30997 crore in revenue deficit during the current year which seems to have put a pause to its declining trend exhibited during the preceding three years.

4.4 In relation to GDP, revenue deficit increased from an average of 2.8 *per cent* of GDP during the VIII Plan (1992-1997) to a peak of 4.80 *per cent* in 2001-02 before decelerating to the level of 2.53 *per cent* in 2004-05. The ratio however indicated accelerating trend during the course of the year 2005-06 as reflected in the Mid-Year Review by the Union Government and reached the level of 3.11 *per cent* during the year (Chart 4.1). The average annual rate of shift in the share of revenue deficit to GDP was 2.45 *per cent*.



4.5 The ratio of revenue deficit to revenue receipts was more or less in tandem with its ratio with GDP during the period 1985-2006 (Chart 4.2). As a proportion of revenue receipt, the level of revenue deficit in 2005-06 exceeded the lowest ever level attained during 2004-05 by 4.58 percentage points and was close to long term average of the period 1985-2006 indicating that on an average, revenue receipts fell short of revenue expenditure by around a quarter. As a proportion of revenue expenditure, revenue deficit was 20.29 per cent during the current year which was also close to the long term average and indicates the proportion of revenue expenditure that was debt financed (Table 4.1).



Fiscal Deficit

4.6 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.

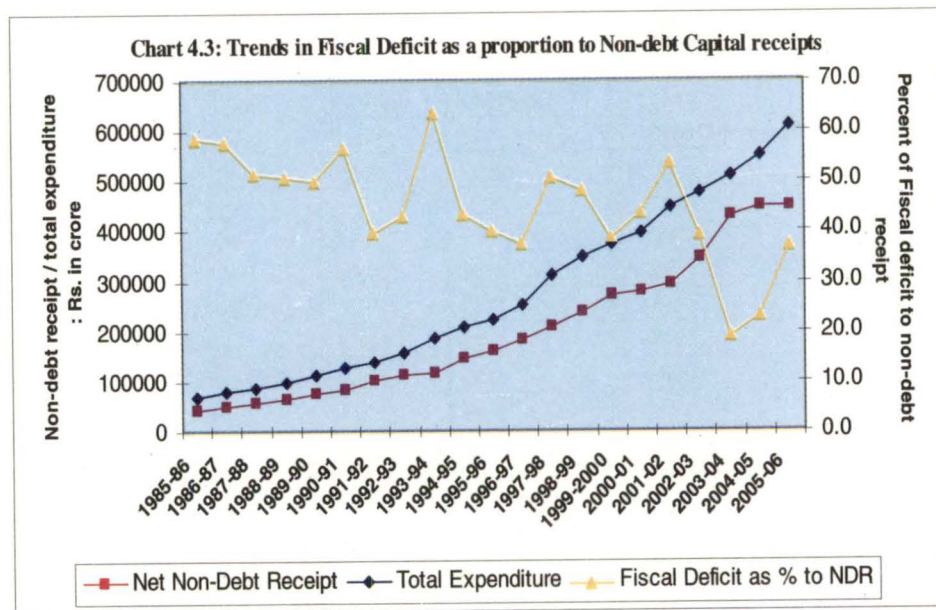
Table 4.2: Fiscal Deficit and its Parameters

(Rupees in crore)

Period	Non-Debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as per cent to					
				GDP	Non-Debt Receipts	Total Exp.			
1985-2006	195105	272721	77616	5.49	39.78	28.46			
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			
X Plan (2002-07)									
2002-03	341722	476310	134588	5.45	39.39	28.26			
2003-04	425880	506817	80937	2.93	19.00	15.97			
2004-05	445535	549333	103798	3.34	23.30	18.90			
2005-06	444322	609249	164927	4.67	37.12	27.07			
Average Annual Rate of Growth									
1985-2006	12.98	12.02	9.55	-3.67	-3.03	-2.20			
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						
X Plan (2002-07)									
2002-03	17.97	6.92	-13.63						
2003-04	24.63	6.40	-39.86						
2004-05	4.62	8.39	28.25						
2005-06	-0.27	10.91	58.89						

4.7 Overall fiscal deficit increased from an average of Rs. 62565 crore during the VIII Plan (1992-97) to Rs. 119675 crore during the IX Plan (1997-2002) and further to an average of Rs. 121,063 crore during the first four years of the X Plan (2002-07). The fiscal deficit reached the peak level of Rs. 164,927 crore during the current year after surpassing the previous peak of Rs. 155,833 crore during 2000-01. The trend rate of growth of fiscal deficit was 9.55 per cent during 1985-2006. The substantial decline in fiscal deficit during the first two years of X Plan was surpassed by the steep increases during the subsequent two years as a result of which an average rate of growth during the first four years of X plan (2002-07) at 8.41 per cent remained almost close to the trend growth rate as well as the average rate of growth of IX Plan period. A steep hike in fiscal deficit during the current year was mainly on account of a contraction in non-debt receipts by Rs. 1213 crore from level of previous year due to a decline in the receipts under recovery of loans and an increase of Rs. 59916 crore in the total expenditure on account of enhanced spending especially on social and economic services and grants in aid to State and UT Governments.

4.8 Relative to GDP, fiscal deficit increased from 6.04 per cent during the VIII Plan (1992-97) to 6.25 per cent during the IX Plan with large inter year variations ranging from 6.90 in 1997-98 to 5.79 per cent in 2000-01. The first two years of X Plan (2002-07) witnessed a decline in ratio of fiscal deficit to GDP but during the last two years it has exhibited an increasing trend. The average annual rate of shift in its share was (-) 3.67 per cent during 1985-2006. As a proportion to non-debt receipts, fiscal deficit witnessed large gyrations varying from 63.6 per cent in 1993-94 to 19 per cent during 2003-04 (Chart 4.3) with negative shift rate of 3.03 per cent during 1985-2006. The shift rate of fiscal deficit to total expenditure was also negative but relatively at slow pace during the period.

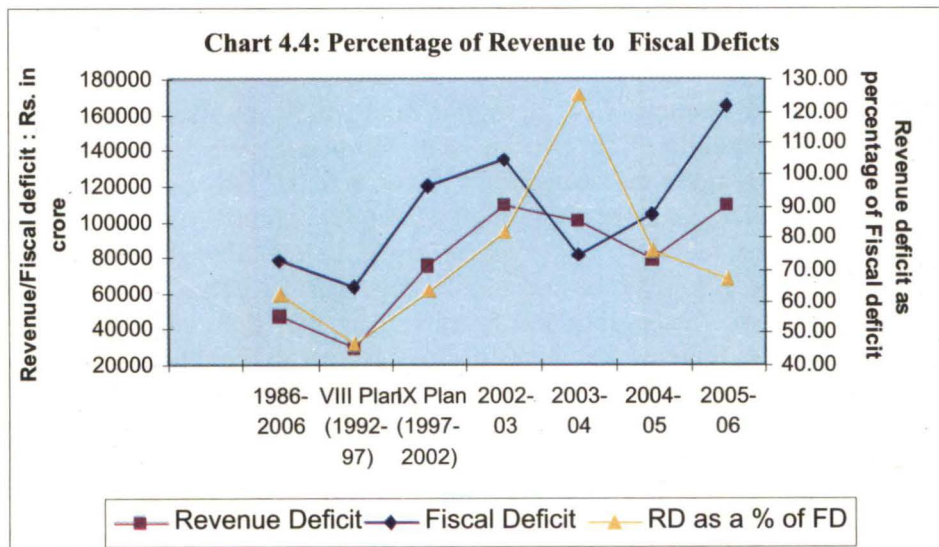


4.9 It is not uncommon for governments to run fiscal deficit and borrow funds for capital/asset formation or for creation of economic and social infrastructure. The assets created through such borrowings could pay for themselves by generating an income stream. Capital formation may also increase the 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 deficit over the VIII and IX Plan periods including for the first four years of the X Plan (2002-07).

Table 4.3: Components of Fiscal Deficit

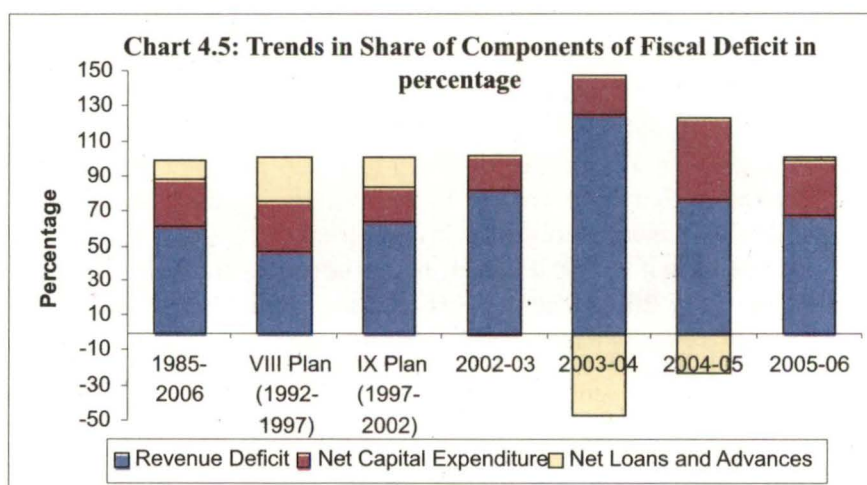
Period	(Per cent)		
	Revenue Deficit	Net Capital Expenditure	Net Loans and Advances
1985-2006	61.47	26.28	11.89
VIII Plan (1992-1997)	46.26	28.25	25.49
IX Plan (1997-2002)	63.26	19.53	17.21
X Plan (2002-07)			
2002-03	81.56	20.32	-1.88
2003-04	124.77	22.79	-47.56
2004-05	75.82	47.43	-23.25
2005-06	66.51	33.07	0.42
Average Annual Rate of Change			
1985-2006	6.35	-2.24	

4.10 Revenue deficit continued to be the dominant component of fiscal deficit, accounting for 61.47 per cent of it during 1985-2006. 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 63.26 per cent during IX Plan (1997-2002) and further to an average 87 per cent during the first four years of X Plan (2002-07) reaching the peak level during 2003-04 (Chart 4.4). The ratio of revenue deficit to fiscal deficit had a large positive shift rate of 6.35 per cent during 1985-2006. The increase in fiscal deficit being around 20 per cent more than the increase recorded in revenue deficit during the current year resulted in a decline in the ratio of revenue deficit to fiscal deficit over the previous year.



4.11 Net capital expenditure (capital expenditure- capital receipts) accounted for little over a quarter of fiscal deficit during 1985-2006. Increasing share of revenue deficit in fiscal deficit over the period 1985-2006 pushed down the average share of net capital expenditure resulting in its negative shift rate of

2.24 per cent. The trends reveal that as interest payments (along with the other components of committed expenditure) increases relative to current revenues of the government, a process of adjustment start in government expenditure which is normally unfavorable to capital expenditure of the Government. Trends in the co-movements of interest payments, capital expenditure and revenue receipts indicated that while increase in interest payments affected negatively the government capital expenditure, the increase in revenue receipts had a positive impact. Fiscal deficit financed around 12 per cent of net loans and advances. During the X Plan so far, the recovery of loans and advances almost exceeded the issue of fresh loans and the surplus actually financed part of the fiscal deficit (Chart 4.5). Continuous use of borrowed funds for meeting current expenditure not only indicated erosion in asset back up, it made capital expenditure (inclusive of loans and advances) as variable of adjustment.



4.12 The fiscal policy has a significant role in maintaining the macroeconomic stability. The efficacy and effectiveness of the fiscal tools, however, depends upon the structure of fiscal deficit. The fiscal deficit to GDP ratio has three components: primary structural deficit, structural interest payments relative to GDP, and cyclical fiscal deficit. Trends reveal that structural interest payments account for a large part of actual fiscal deficit during most of the years since the beginning of VIII Plan (1992-97). The impact of structural interest payments has been larger in the nineties and also more persistent. Defining the structural 'primary gap' as the difference between actual structural primary deficit and the debt-stabilizing primary deficit, data shows that the primary deficit has been higher than the 'debt-stabilizing' primary deficit, in most of the years in the decade of nineties and thereafter. There are long stretches towards the end of the eighties and the latter part of the nineties that the structural primary deficit has been much higher than the debt-stabilizing primary deficit. Together, structural primary deficit and structural interest payments have caused structural fiscal deficits to be large. In view of the large structural fiscal deficit, the role that cyclical

deficit can play has become extremely limited during the periods of fluctuations.

4.13 The large fiscal deficit having major component of structural nature also has implications for growth performance of an economy. Trends in the rates of growth of GDP and fiscal deficits indicated an inverse correlation between the fiscal deficit and the growth performance of the Indian economy during the periods encompassing VIII Plan (1992-97), IX Plan (1997-2002) as well as the recent years of the X Plan (2002-07). Strong growth of 6.7 per cent was exhibited in the Eighth Plan (1992-97) when the deficit was shrinking; some deceleration was noted in the Ninth Plan (1997-2002) when the deficit was widening; and resurgent growth in the X Plan (2002-07) with the fiscal deficit again reducing.

Primary Deficit

4.14 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 need to be separated and deducted from the total imbalances. Primary deficit, which represents the current imbalances net of interest payments, averaged Rs. 18,285 crore during VIII Plan (1992-97) increased to Rs. 28,573 crore during IX Plan (1997-2002). It however exhibited an average annual surplus of Rs. 10193 crore during the first four years of X Plan (2002-07). The primary account of the Union Government had shown large fluctuations during the four years of X Plan indicating a peak level surplus of Rs. 47,177 crore in 2003-04 as interest payments exceeded the fiscal deficit during the year which was the lowest level of fiscal deficit since 1997-98. The peak level surplus however witnessed a decelerating trend in the next year and culminated once again into a deficit of Rs. 23552 crore in the current year. In fact incremental fiscal deficit of Rs. 61129 crore net of increments in interest payments provides the deficit of Rs. 50712 crore in primary account during the current year. However, due to the opening balance of primary surplus of Rs. 27160 crore resulted in a relatively lower primary deficit during the current year.

Table 4.4: Primary Deficit and its Parameters

(Rupees in crore)

Period	Revenue Deficit	Fiscal Deficit	Interest Payments	Primary Deficit*	Primary Deficit as per cent of GDP
1985-2006	47712	77616	62384	15232	1.08
VIII Plan (1992-1997)	28941	62565	44280	18285	1.77
IX Plan (1997-2002)	75711	119675	91102	28573	1.49
X Plan (2002-07)					
2002-03	109765	134588	124573	10015	0.41
2003-04	100986	80937	128114	-47177	-1.70

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(Rupees in crore)

Period	Revenue Deficit	Fiscal Deficit	Interest Payments	Primary Deficit*	Primary Deficit as per cent of GDP
2004-05	78700	103798	130958	-27160	-0.87
2005-06	109697	164927	141375	23552	0.67
Average annual trend rate of growth (per cent)					
1985-2006	16.51	9.55	16.89	Average Annual Rate of Change.	
VIII Plan (1992-1997)	10.88	6.42	17.44		
IX Plan (1997-2002)	17.29	9.00	14.90		
X Plan (2002-07)					
2002-03	-0.49	-13.63	9.11		
2003-04	-8.00	-39.86	2.84		
2004-05	-22.07	28.25	2.22		
2005-06	39.39	58.89	7.95		

* A negative figure indicates existence of primary surplus

4.15 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 and 2004-05 but in the current year trend is reversed again and primary deficit relative to GDP increased to 0.67 per cent. Improvement in primary deficit from an average of 1.77 per cent of GDP to (-) 0.87 per cent of GDP in 2004-05 clearly indicates that in 2003-04 and 2004-05 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 with the prepayment of high cost loans by States as well as by some public sector undertakings under the debt swap scheme in 2003-04 and 2004-05 to take advantage of the soft-interest regime. As a result, contraction in non-debt receipts along with an increase in government expenditure at relatively higher pace led to the deterioration in fiscal deficit which in turn also worsened the primary deficit situation in 2005-06. Recovery of loans or accruals of miscellaneous capital receipts however indicate a decline in assets base of the government and at best could be viewed as a limited and a temporary option.

Actual Deficits vis-à-vis Targets/Requirements of FRBM Act/Rules

4.16 The FRBM Act 2003 came into effect from July 2004 following the issue of Government notification and formulation of FRBM Rules 2004. Section 4(1) of Fiscal Responsibility and Budget Management (FRBM) Act 2003, as amended, 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. The Act and the Rules, as these presently stand, have provided for the elimination of the revenue deficit by 2008-09, with 0.5 percentage point of GDP as the minimum annual reduction target, and fiscal deficit to be brought to the level of 3 percent of GDP, with 0.3 percentage point of GDP, as the minimum annual reduction target. The FRBM Act has some built-in flexibility in achieving revenue and fiscal deficit reduction targets as there is a provision that the specified limits may be exceeded 'due to

ground or grounds of national security or national calamity or such other exceptional grounds as the Central Government may specify'. The targets/requirements prescribed under FRBM Act/Rules are to ensure, *inter alia*, inter-generational equity in fiscal management and long term macroeconomic stability.

4.17 Along with the Budget, and as required under the FRBM Act, the Central government has been laying from 2004-05, *inter alia* the Medium-term Fiscal Policy Statement (MTFPS), specifying 3-year rolling targets for revenue and fiscal deficits as well as for tax revenue and total outstanding liabilities of the Central Government as percentages of GDP. These have been derived on the basis of assumptions on growth and the policy stance of the government. The targets for revenue and fiscal deficits set for 2005-06 in MTFP Statement for 2004-05, budget estimates for 2005-06 along with their actual levels as brought out in Union Government's Finance accounts for the year are given in Table 4.5

Table 4.5: Outcome vis-à-vis Targets under FRBM Rules (As per cent of GDP)

Fiscal Indicator	Targets set in MTFPS 2004-05	Budget Estimate 2005-06	Revised Estimates 2005-06	Actual Levels (As deduced from Finance Accounts 2005-06)	Deviation with BE
Revenue Deficit	1.8	2.7	2.6	3.11	0.41
Fiscal deficit	4.0	4.28	4.1	4.67	0.39

4.18 The budget estimates of revenue and fiscal deficits presented in Union Budget 2005-06 show a substantial variation over the projections of 2005-06 carried out in MTFPS laid along with the Budget 2004-05. The rolling indicators set in the 2004-05 Budget had targeted the revenue deficit to fall to 1.8 *per cent* of GDP by 2005-06, but the 2005-06 Budget has a more realistic revenue deficit target of 2.7 *per cent*. Similarly, the fiscal deficit for 2005-06 has been targeted at 4.28 *per cent* of GDP in the 2005-06 Budget whereas the target was much lower at 4 *per cent* in the MTFPS presented along with the budget in the preceding year. Budget 2005-06 however clarified that two significant changes in the budgetary practice had taken place from the current year having a bearing on computation of fiscal indicators. First, no credit had been taken in BE 2005-06 for the sale proceeds of Government equity in Public Sector Enterprises (PSEs) because these were no longer to be reckoned as a resource for financing the Fiscal Deficit. Instead, these receipts were to be credited into National 'Investment Fund', the income from which was to be used to finance expenditure of Social Infrastructure and to provide capital to viable PSEs. Second, no provision was made in Budget 2005-06 for Loans to States and the Union Territories with Legislature who were to raise required loans directly from the market without budgetary intermediation of the Central Government. It also mentioned that a provision of Rs. 5000 crore as compensation to States on account of shortfall in revenue that might arise due to implementation of Value Added Tax with effect from 1 April 2005 had also been included in Budget 2005-06; otherwise the budget estimate for revenue

deficit would have been 2.6 instead of 2.7 *per cent*. As this amount was likely to be spent during the year, the revised estimates presented along with Budget 2006-07 for revenue and fiscal deficits indicated downward revisions. The actual levels of revenue and fiscal deficits as per Union Finance Accounts for 2005-06 were significantly higher than their budget estimates respectively by 0.41 and 0.39 percentage points. The increase in revenue and fiscal deficits during 2005-06 from their budgeted levels instead of indicating a decline at least by a minimum annual rate of reduction reflects a slippage in meeting the targets prescribed under FRBM Rules.

4.19 High levels of fiscal deficits relative to GDP normally tend to cause sharp increases in debt-GDP ratio and might adversely affect the savings and investment, consequently growth. Adhering to the FRBM targets in respect to revenue and fiscal deficits is therefore considered to be critical for macroeconomic, financial, external sector and budgetary sustainability. Furthermore, as use of borrowed funds for meeting the current expenditure requirements has resulted in widening of asset-liability mismatches over the years, it is essential to eliminate the revenue deficit and generate sufficient revenue surplus which may be utilized for asset creation without creating liabilities. Any slippage in achieving the FRBM targets now could erode the gains already achieved.

Chapter 5

MANAGEMENT OF FISCAL LIABILITIES

Government incurs the fiscal 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 that may remain uncovered by revenue and non-debt capital receipts. Aggregate fiscal liabilities increased consistently from an average of Rs. 628,608 crore during the VIII Plan (1992-1997) to an average of Rs 1749,972 crore during the first four years of X Plan (2002-07). Average annual trend rate of growth of these liabilities was 13.74 per cent during 1985-2006. 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). During the X Plan (2002-07) so far, the ratio of aggregate liabilities to GDP remained almost at the level of IX Plan (1997-2002) with inter year variations. The long-term tendency of the ratio of fiscal liabilities to GDP therefore exhibited stability but the share of its components varied over time with share of internal debt indicated increasing trend over the period. Internal debt was not only the most predominant component of the aggregate liabilities, accounting for around 70.59 per cent of them in 2005-06, but was also the fastest growing component with its growth averaging 16.57 per cent. Public account liabilities had grown at an average rate of growth 9.91 per cent during 1985-2006. These two components, which in terms of their origin are domestic liabilities, constituted around 90 per cent of the aggregate liabilities in 2005-06 which has increased from an average of 78 per cent during the VIII Plan (1992-1997).

Fiscal liabilities are considered sustainable if the government is able to service the stock of these liabilities over the foreseeable future and the debt-GDP ratio does not grow to unmanageable proportions. Despite the relatively higher levels of debt-GDP ratio, the ratio of incremental total liabilities (including external debt at current exchange rate) at 5.27 per cent and 4.12 per cent of GDP during 2004-05 and 2005-06 respectively was well within the ceiling limit as prescribed under FRBM Rules. The Eleventh and Twelfth Finance Commissions also suggested that debt sustainability could be significantly facilitated if the incremental revenue receipts could meet the incremental interest burden and the incremental primary expenditure. It would be observed that during 1985-2006, incremental revenue receipts fell short by 20.94 per cent in meeting the incremental revenue expenditure. This gap increased to over 45.47 per cent during the IX Plan (1997-2002). During the first three years of X Plan (2002-07) due to a moderate growth in expenditure and moderation in interest rates, incremental revenue receipts exceeded incremental revenue expenditure resulting in a positive gap, which continuously increased during the three years 2002-05. In 2005-06, the trend was reversed and there was a resource gap of 36.44 per cent. Another issue in debt sustainability is the ratio of the debt redemption to total debt receipts. This ratio was as high as 94.70 per cent during IX Plan which further deteriorated to 99.61 per cent during the first four years of X Plan indicating the extent to which debt receipts were used in debt redemption.

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 by Reserve Bank of India and National Small Savings Fund, compensation and other

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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 or a trustee rather than a borrower and include employees' provident funds, reserve funds and sinking funds (created by charging expenditure while actual expenditure/disbursement is yet to be made) and deposits. These borrowings or accruals are not secured under CFI and are shown as part of the Public Account. All these liabilities, however, are obligations of the government either in terms of their repayment or specified expenditure.

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 that 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 1985-2006. 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)
1985-2006	490567	47602	219492	757660	130580	840638
VIII Plan (1992-1997)	272725	49206	218152	540082	137732	628608
IX Plan (1997-2002)	655942	61703	292049	1009694	183073	1131064
X Plan (2002-07)						
2002-03	1020689	59612	331419	1411720	196068	1548176
2003-04	1141706	46125	333725	1521556	184203	1659634
2004-05	1275971	60877	356037	1692885	191271	1823279
2005-06	1389758	94243	384842	1868843	194199	1968799
Average annual Rate of Growth (per cent)						
1985-2006	16.57	6.72	9.91	13.79	10.33	13.74
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
X Plan (2002-07)						
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
2004-05	11.76	31.98	6.69	11.26	3.84	9.86
2005-06	8.92	54.81	8.09	10.39	1.53	7.98

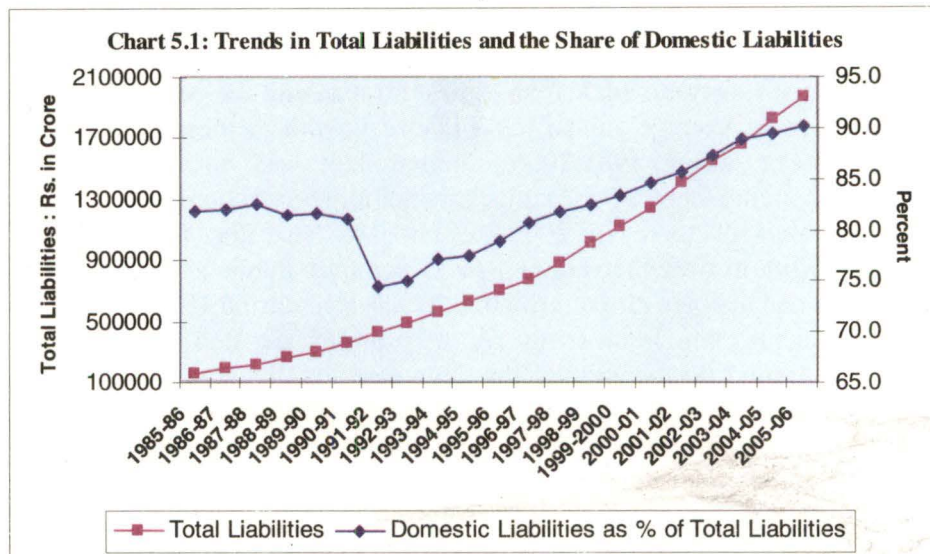
* Public Account liabilities since 1999-2000 exclude the liabilities on account of small savings to the extent invested in Special State Government Securities.

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.

5.4 Aggregate fiscal liabilities increased consistently from an average of Rs. 628,608 crore during the VIII Plan (1992-1997) to Rs. 1131,064 crore during IX Plan (1997-2002) and further to an average of Rs. 1749,972 crore during the first four years of X Plan (2002-07) reaching the peak level during the current year. Average annual trend rate of growth of these liabilities was 13.74 *per cent* during 1985-2006. Internal debt was not only the most predominant component of the aggregate liabilities, accounting for around 70.59 *per cent* of them in 2005-06, but was also the fastest growing component with its growth averaging 16.57 *per cent*. Public account liabilities had grown at an average rate of growth 9.91 *per cent* during 1985-2006. These two components, which in terms of their origin are domestic liabilities, constituted around 90 *per cent* of the aggregate liabilities in 2005-06 which has increased from an average of 78 *per cent* during the VIII Plan (1992-1997). External liabilities at the current exchange rate constituted around 10 *per cent* of the aggregate liabilities in 2005-06. The rate of growth of aggregate liabilities declined from 12.48 *per cent* during VIII Plan to 11.85 *per cent* during IX Plan and also exhibited deceleration trend during the first four years of X Plan. The growth of external liabilities at historic rate was lower. However, this is only of accounting interest as repayment obligations of this debt are to be met at the current rate of exchange only. Chart 5.1 depicts the trends in total liabilities and the share of domestic liabilities over the period 1985-2006.

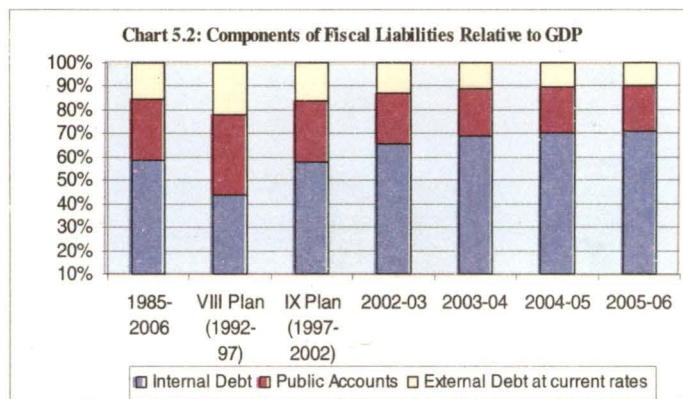
5.5 FRBM Act and Rules made thereunder prescribed that the Central Government shall not assume additional liabilities (including external debt at current exchange rate) in excess of 9 *per cent* of GDP for the financial year 2004-05 and in each subsequent year, the limit of 9 *per cent* shall be progressively reduced by at least one percentage point of GDP. The ratio of incremental total liabilities (including external debt at current exchange rate) at 5.27 *per cent* and 4.12 *per cent* of GDP during 2004-05 and 2005-06 respectively was well within the ceiling limit prescribed under FRBM Rules.





Fiscal Liabilities relative to GDP

5.6 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 per cent during the VIII Plan (1992-1997) and further to an average of 59.08 per cent during the IX Plan (1997-2002). During the X Plan (2002-07) so far, the ratio of aggregate liabilities to GDP remained almost at the level of IX Plan (1997-2002) with inter year variations. During the last two years it decelerated to a level lower than the long-term trend level. The long-term tendency of the ratio of fiscal liabilities to GDP therefore exhibited stability with an average annual rate of shift of only 0.02 per cent during 1985-2006. Although the fiscal liabilities relative to GDP remained almost stable during the period 1985-2006 but the share of its components varied over time with share of internal debt indicated increasing trend over the period (Chart 5.2). While the average annual



rate of shift in the ratio of internal debt-GDP was 2.50 per cent, a negative shift rate for the other two components more or less squared it to sustain debt-GDP ratio at the trend level.

Management of Fiscal Liabilities

Table 5.2: Fiscal Liabilities Relative to GDP

(Per cent)

Period	Internal Debt	External Debt at historic rates	Public Accounts	Total liabilities	External Debt at current rates	Total liabilities
1985-2006	34.70	3.37	15.53	53.59	9.24	59.46
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
X Plan (2002-07)						
2002-03	41.33	2.41	13.42	57.16	7.94	62.69
2003-04	41.37	1.67	12.09	55.13	6.67	60.13
2004-05	41.09	1.96	11.46	54.51	6.16	58.71
2005-06	39.35	2.67	10.90	52.92	5.50	55.75
Average Annual Rate of Shift in Relative Shares						
1985-2006	2.50	-6.16	-3.35	0.06	-2.98	0.02

5.7 If various components of the fiscal liabilities in 1985-86 are set to 100, the index value of internal debt, external debt and total liabilities in 2005-06 would be 1956, 729 and 1349 respectively as against the index of GDP at 1270 indicating buoyancy of greater than one for internal and total debt component of the liabilities. Buoyancy of internal debt and total liabilities (with external debt being reckoned at the current exchange rate) with reference to GDP was 1.21 and 1.0 respectively during 1985-2006.

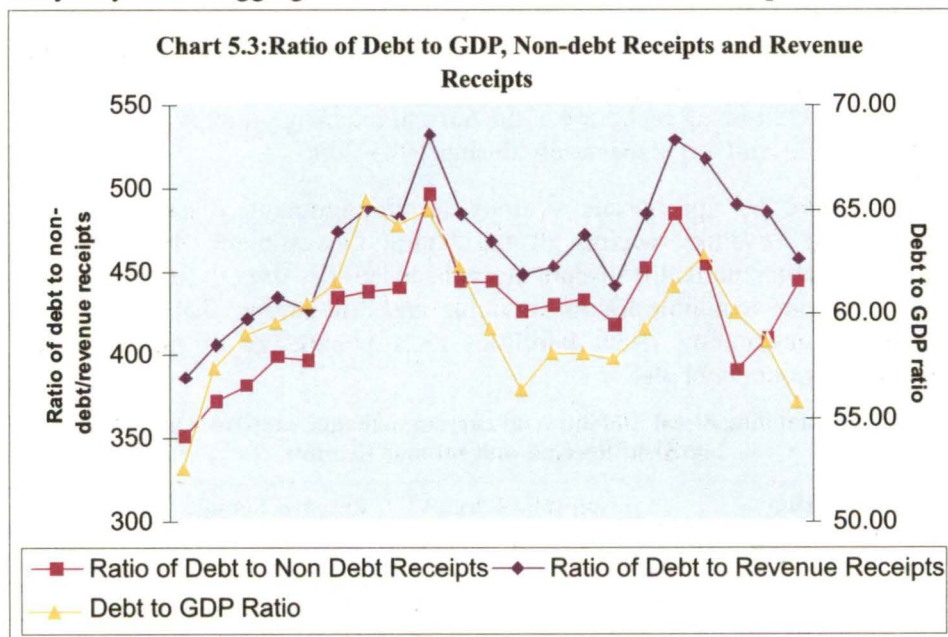
5.8 It would be appropriate to look at the aggregate fiscal liabilities relative to the revenue receipts of the Union Government. This ratio is considered a better indicator of debt stock because it is directly related to the resources that are available for its servicing and redemption. Table 5.3 gives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

Table 5.3: Outstanding Fiscal Liabilities (at current exchange rates) as a percentage of Non-Debt Receipts and revenue Receipts

Period	Non-Debt Receipt	Revenue Receipt
1985-2006	431	476
VIII Plan (1992-1997)	446	478
IX Plan (1997-2002)	444	476
X Plan (2002-07)		
2002-03	453	516
2003-04	390	489
2004-05	409	484
2005-06	443	457
Annual Rate of Shift in Relative Share		
1985-2006	0.68	0.82
Average Annual Rate of Growth of the Parameter		
1985-2006	12.98	12.85

Note:- Non-Debt Receipts are Revenue Receipts (net of the States' share in taxes) and non-debt capital receipts.

5.9 The ratio of fiscal liabilities to revenue receipts and non-debt receipts had a positive shift rate during 1985-2006. The trend rate of growth of fiscal liabilities exceeded the rate of growth of the above two parameters. Average ratio of fiscal liabilities to non-debt receipts increased from 446 per cent during the VIII plan (1992-97) to a peak of 483 in 2001-02 before decelerating to the level of 409 in 2004-05. This deceleration was due to a moderate growth of fiscal liabilities relative to non-debt receipts in the last three years. A decline in non-debt receipts by 0.27 per cent during the current year along with an increase of around 8 per cent in total fiscal liabilities resulted in increase in their ratio to non-debt receipts to 443 in 2005-06 from the level of 409 in the previous year. The ratio of aggregate fiscal liabilities to revenue receipts remained almost stable at the average level of 477 during VIII and IX Plan periods but it increased by 10 percentage points to an average of 487 during the first four years of X Plan (2002-07) after reaching the peak level in 2002-03. During the current year this ratio declined to 457 from the level of 484 in the previous year mainly due to an increase of 14.35 per cent in revenue receipts relative to 8 per cent in total liabilities over the previous year. Buoyancy of the aggregate fiscal liabilities to non-debt receipts and revenue



receipts during 1985-2006 was 1.06 and 1.07 respectively. Internal debt and domestic debt (internal debt and public account surpluses combined), however, had greater buoyancy as lower growth of external debt liabilities had a moderating impact. The ratio of fiscal liabilities to the three parameters of GDP, non-debt receipts and revenue receipts is depicted in Chart 5.3.

Debt Sustainability

5.10 Fiscal liabilities are considered sustainable if the government is able to service the stock of these liabilities over the foreseeable future and the debt-GDP ratio does not grow to unmanageable 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 the 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 the present value of surplus do not necessarily imply that the debt is ultimately re-paid or even that it is ultimately constant. All it implies is that the 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.

5.11 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 1985-2006. 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 on an average it was positive 3.35 *per cent* during the first four years of the X Plan (2002-07) with maximum positive spread being at 5.97 *per cent* during the current year.

5.12 Average interest rates on fiscal liabilities, however, moved in a narrow range. Average annual rate of interest on external debt was 2.82 *per cent* during 1985-2006. It decelerated from an average of 3.07 *per cent* during the VIII Plan (1992-1997) to 2.51 *per cent* during the IX Plan (1997-2002) and further to an average of 1.73 *per cent* during the first four years of the X Plan (2002-07). 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 an average of 9.11 *per cent* during the first four years of the X Plan exhibiting the declining trend. The deceleration in the average rate of interest on domestic liabilities started after reaching the peak rate 10.79 *per cent* in 1999-2000 and since then it has witnessed a decline of 232 basis points during the current year.

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Table 5.4: Average interest rate on fiscal liabilities at current exchange rates

(Per cent)

Period	Internal liabilities	External debt	Aggregate liabilities	Rate of growth of GDP	Interest spread
1985-2006	9.76	2.82	7.93	13.72	5.79
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
X Plan (2002-07)					
2002-03	10.03	2.13	8.90	8.21	-0.69
2003-04	9.24	1.60	8.28	11.76	3.48
2004-05	8.69	1.52	7.89	12.52	4.63
2005-06	8.47	1.65	7.75	13.72	5.97
Average Annual Rate of growth					
1985-2006	1.51	-3.76	1.56		

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

5.13 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 the government is not done to create a kind of a balance sheet, accounts do capture and provide the assets created out of the 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 a surrogate measure of quality of its application of borrowed funds.

Table 5.5: 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
1985-2006	840638	386356	45.96	13.74	10.00	0.73
VIII Plan (1992-1997)	628608	362555	57.68	12.48	10.31	0.83
IX Plan (1997-2002)	1131064	575689	50.90	11.85	8.28	0.70
X Plan (2002-07)						
2002-03	1548176	693286	44.78	10.62	4.20	0.40
2003-04	1659634	688434	41.48	7.20	-0.70	-0.10
2004-05	1823279	717675	39.36	9.86	4.25	0.43
2005-06	1968799	774082	39.32	7.98	7.86	0.98

5.14 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 50.90 per cent during the IX Plan (1997-2002) and further to an average of 41.24 per cent during the first four years of the X Plan (2002-07) with the lowest ratio at 39.32 per cent during the current year. Average annual rate of shift in this

ratio was (-) 3.56 per cent during 1985-2006. By 2005-06, over 60 per cent of the union government liabilities had ceased to have any asset 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 the liabilities also declined from 0.83 during the VIII Plan (1992-1997) to 0.70 during the IX Plan (1997-2002) and further to an average 0.43 per cent during the first four years of the X Plan (2002-07) (Table 5.5). In 2003-04, aggregate assets actually declined due to the accelerated recovery of the loans and advances, while liabilities continued to grow. It has however indicated an increasing trend after attaining the negative value during 2003-04 and reached the peak level of 0.98 during the current year.

5.15 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 5.6 gives the ratio of debt redemption to debt receipts during 1985-2006 and VIII and IX Plan periods along with the information for the first four years of X Plan (2002-07)

Table 5.6 Ratio of Debt Redemption to Debt Receipts

Period	Debt Receipts*	Debt Repayment		Principal Debt Repayment (1)/Debt Receipts	Total Debt Repayment (2)/Debt Receipts
		Principal* (1)	Principal +Interest (2)		
			<i>(Rs. In crore) (Annual Average)</i>		<i>(Per cent)</i>
1985-2006	445951	365239	427623	81.90	95.89
VIII Plan (1992-1997)	266443	203787	248066	76.48	93.10
IX Plan (1997-2002)	530341	411106	502208	77.52	94.70
X Plan (2002-07)					
2002-03	623645	485764	610337	77.89	97.87
2003-04	811010	726131	854245	89.53	105.33
2004-05	1070716	894577	1025535	83.55	95.78
2005-06	1671997	1521331	1662706	90.99	99.44

*Debt receipt and repayments include debt figures in CFI net of ways and means advances plus receipt and repayments in Public Account.

5.16 The debt sustainability issues have also been discussed by the successive 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. The Twelfth Finance Commission while endorsing the approach suggested by the Eleventh Finance Commission felt that the pre-requisite to this is the achievement of revenue

balance by instituting measures for augmenting revenue receipts and compressing expenditure.

5.17 Table 5.7 indicates the resource gap as defined above for the VIII and IX Plans and for the first four years of the X Plan (2002-07). It would be observed that during 1985-2006, incremental revenue receipts fell short by 20.94 *per cent* in meeting the incremental revenue expenditure. This gap increased to over 45.47 *per cent* during the IX Plan (1997-2002). During the first three years of X Plan (2002-07) due to a moderate growth in expenditure and moderation in interest rates, incremental revenue receipts exceeded incremental revenue expenditure resulting in a positive gap, which continuously increased during the three years 2002-05. In the current year while the incremental revenue receipts increased by 43 *per cent*, the corresponding increases in non-interest revenue expenditure and interest payments were reported to be 5.91 and 3.66 times respectively. The wide differences in the rates of increases led to huge negative gap of Rs. 30997 crore which was the maximum divergence recorded between incremental revenue receipts and revenue expenditure in a year and in fact indicates the absolute increase in revenue deficit during 2005-06 over the previous year.

Table 5.7: Shortfall of incremental revenue receipts to meet incremental revenue expenditure and interest payments

(Rupees in crore)

Period	Incremental				Resource Gap
	Receipts	Non-interest Revenue Expenditure	Interest Expenditure	Total Revenue Expenditure	
1985-2006	19655	18168	6693	24862	-5207
VIII Plan (1992-1997)	16887	13589	6576	20166	-3279
IX Plan (1997-2002)	18621	23212	10939	34151	-15530
X Plan (2002-07)					
2002-03	34547	23609	10400	34009	538
2003-04	39274	26954	3541	30495	8779
2004-05	37771	12641	2844	15485	22286
2005-06	54069	74649	10417	85066	-30997

Fiscal Deficit and Debt Sustainability

5.18 In the context of fiscal sustainability, TFC felt that the issue of debt sustainability also needs to be viewed for combinations of debt and fiscal deficit as debt would become unsustainable, if fiscal deficits follow a course that leads to a self-perpetuating rise in the debt-GDP ratio. A sustainable debt-deficit combination would be stable in terms of debt- GDP ratio and fiscal-deficit GDP ratio consistent with the permissible levels of primary expenditure. The issue therefore involved is one of determining that level of fiscal deficit, which will stabilize the debt-GDP ratio and, at the same time, can promote growth. The FRBM Act enacted by the central government, read with its rules and subsequent amendment, specifies the target for achieving a

fiscal deficit to GDP ratio of 3 percent by the Central Government by 2008-09. Given this fiscal deficit target, for a combination of 12 *per cent* nominal growth rate and 7 *per cent* interest rate, Twelfth Finance Commission in the suggested programme for restructuring public finances has recommended that the primary deficit should be equal to 1.25 *per cent* of GDP. TFC has further estimated that once the adjustment phase is over and the fiscal deficit of the Centre being contained at 3 *per cent*, the debt-GDP ratio of the Union would stabilize at 44 *per cent* of GDP by 2008-09.

5.19 At present the Union's debt-GDP ratio is close to 53 *per cent*, with external debt measured at historical exchange rates, and after excluding NSSF liabilities against which there are assets in the form of state securities and Market Stabilization Scheme (MSS) liabilities against which an equal amount of cash is held with the RBI. The trends in fiscal deficit to GDP ratio during the X Plan period (2002-07) so far revealed that after exhibiting a steep decline in 2003-04 to 2.93 *per cent*, it has indicated an increasing tendency during the last two years. Similarly, revenue deficit to GDP ratio, after reaching the minimum level of 2.53 *per cent* during the previous year, it has increased to 3.11 *per cent* in the current year. The movement in revenue and fiscal deficits relative to GDP do not seem to be on the path anticipated by the TFC to stabilise the debt-GDP ratio at the targeted level by 2008-09.

Cash Management

5.20 With the Union Government entering into an agreement with the Reserve Bank of India in 1994, a system of automatic monetization 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. There were no outstanding WMA balances after the year 2002-03 (Table 5.8).

Table 5.8: Ways and Means Advances

<i>(Rupees in crore)</i>				
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
2004-05	Nil	62080	62080	Nil
2005-06	Nil	1134	1134	Nil

5.21 The limits of WMA to the Central Government for the fiscal year 2005-06 were retained at Rs. 10,000 crore during the first half (April – September) and Rs. 6000 crore for the second half (October – March) of the year. During 2005-06, the centre availed the WMA on two days only during the year (May 3 and June 4) while in the previous year it had availed WMA on

a number of occasions till September 2004. Since then, the Central Government maintained the surplus cash balances in the current account with RBI up to the end March 2006. While the build up of the Centre's surplus during 2004-05 had mainly reflected the cash inflows on account of prepayment of high cost debt by the States under Debt Swap Scheme, the build up during 2005-06 reflected the investment of the State Governments in 14 days Treasury Bills and auction Treasury Bills. The cash balances parked as non-interest bearing deposits of the Central Government with RBI amounted to 48,928 crore as at end-March 2006 as compared with Rs. 26,202 crore in the previous year. Large cash balances had significant impact on the liquidity in the banking system necessitating active management of surplus cash balances. A new regime as envisaged in FRBM Act is already in place with effect from April 1, 2006 whereby the participation of RBI in the primary issuance of Central Government securities have been prohibited and WMA arrangements have been revised under which WMA limits would now be fixed on quarterly basis instead of existing half yearly basis. The transition to the new system would require measures to make the market deeper, broader and more liquid while improving trading/settlement and institutional structure.

Unutilised Committed External Assistance

5.22 As on 31 March 2006, unutilised committed external assistance was of the order of Rs. 56806 crore. The sector-wise details of unutilized external assistance are given in Appendix-V-B and Table 5.9 below shows the year-wise total un-drawn balance of external assistance from various sources. The sector-wise details reveal that little more than one-fourth of unutilized external assistance pertains to road sector during 2005-06 and the un-drawn absolute amount remained near to Rs. 15,000 crore during the first four years of X Plan (2002-07). Within the energy sector, atomic energy indicated for the first time the unutilized assistance amounting to Rs. 8054 crore during 2005-06. The sectors such as environment and forestry, power, urban development and water resources have been unable to withdraw the external aid amounting to Rs. 17446 crore during the current year which constitutes about 31 *per cent* of total un-drawn balance during 2005-06. The unutilised balance pertaining to these four sectors was also noted during the preceding three years. More importantly, health sector has also not been able to utilise the external assistance of Rs. 1182 crore committed for various projects despite the fact that the sector requires large funds for providing minimum health facilities especially in rural areas. Since the external assistance is precious and committed charges are being paid by the Government, initiatives need to be taken to address the issues being faced by these sectors for not utilizing the available funds.

Table 5.9: Unutilised Committed External Assistance

(Rupees in crore)

Year	Amount
2000-01	56920
2001-02	62565
2002-03	67365
2003-04	64521
2004-05	68435
2005-06	56806

5.23 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 5.10 indicates charges paid to various bodies/governments during 2000-2006 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. 148.17 crore in 2005-06.

Table 5.10: Commitment Charges

(Rupees in crore)

Year	ADB	France	Germany	IBRD	Total
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
2004-05	45.10	Nil	2.07	117.94*	165.11
2005-06	53.42	0.0	1.86	92.89*	148.17

Source: Controller of Aid Accounts & Audit, External Assistance Brochure 2005-2006.
*includes IDA assistance

Growth in Contingent Liabilities of the Union Government

5.24 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 5.11 gives the position regarding the maximum amount of guarantees and sums guaranteed and outstanding at the end of the financial year during 1999-2006.

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Table 5.11: 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	Percentage of column (4) to column (3)
(1)	(2)	(3)	(4)	(5)
1999-2000	144438	83954	47663	56.77
2000-01	135678	86862	55664	64.08
2001-02	168712	96859	57006	58.85
2002-03	174487	90617	51097	56.39
2003-04	184420	87780	50328	57.33
2004-05	132728	107957	48276	44.72
2005-06	118560	110626	47358	42.81

5.25 Total outstanding guarantees were 3.13 *per cent* of GDP and 25.67 *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.

Chapter 6

APPROPRIATION ACCOUNTS 2005-06: 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. Parliament can also sanction supplementary or additional grants by the 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 the gross amounts on various services actually spent by the 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 98 grants and appropriations of civil ministries. The Ministries of Defence, 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 2005-06 are as follows:

Sector of activity	Number of demands for grants/appropriations
Civil	98
Defence Services	6
Postal Services	1
Railways	16
Total:	121

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 the Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions made without requirement by some ministries, unrealistic budgeting 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. References to Railway appropriations have been made, wherever necessary, in order to cover the appropriation process in totality. Audit findings on Railway appropriations are, however, available in Audit Report No. 6 of 2007.

A summary

6.4 Table 6.1 gives the total provision (both charged and voted) and disbursement during 2005-06. 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 2005-06

Departments	Total Provision	Disbursements	Savings (S) Excess (E)
Civil	1523189	1590085	66896 (E)
Posts	6699	6698	1 (S)
Defence Services	86299	83660	2639 (S)
Railways	98312	97090	1222 (S)
Grand Total	1714499	1777533	63034 (E)

6.5 The net excess of Rs. 66896 crore was due to excess expenditure of Rs. 97063 crore under eight grants and unspent provision of Rs. 30167 crore in the grants pertaining to the civil ministries/departments. Out of the overall excess expenditure of Rs. 97063 crore, Rs. 93529 crore was on account of pre-payment of high cost external loans under grant no. 38 – Repayment of Debt. Of the overall unspent provision of Rs. 30167 crore, Rs. 411 crore was on account of less than budgeted payment of interest on ways and means and investment in special Government of India securities issued to N.S.S.F. against re-investment of sums received on redemption of Special Central/State Government securities. Excluding this, the gross unspent provision was Rs. 29756 crore.

6.6 There were net unspent provisions in 199 sections and excess in 8 sections under the grants/appropriations relating to Civil ministries, unspent provision in 3 sections and excess in 1 section of Posts, unspent provisions in 10 sections and excess in 2 sections of Defence Services and unspent provision in 15 sections and excess in 15 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 the approved demands (grants and appropriations) of the Civil ministries for the years 1994-2006. During these years, 70 to 81 *per cent* of the total disbursements for the Civil ministries was charged on the Consolidated Fund of India.

6.8 During 2005-06, the total disbursements of Rs. 1590085 crore under civil ministries were Rs. 612889 crore higher than the total disbursements of Rs. 977196 crore during 2004-05. It had increased by 423 *per cent* from Rs. 304012 crore in 1994-95. The charged disbursements increased by 494 *per cent* from Rs. 216958 crore in 1994-95 to Rs. 1288816 crore in 2005-06 and voted disbursements increased by 246 *per cent* from Rs. 87054 crore to Rs. 301269 crore over the same period. The charged disbursements of the civil ministries during 2005-06 were mainly on account of interest payments (Rs. 141375 crore, which was eight *per cent* higher than Rs. 130958 crore for 2004-05), repayment of debt (Rs. 1115210 crore), transfers to State and Union Territory governments mainly on account of grants under the proviso to Article 275(1) of the Constitution, block grants, loans for State plan schemes etc. and constituted 81 *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 19 *per cent* of the total disbursement in the civil ministries. However, viewed against the background of the total disbursements from the CFI (gross Rs. 1777534 crore), the percentage of charged disbursements was 73 *per cent*. (Rs. 1288929 crore including Post, Defence & Railways).

Disbursements

6.10 The details given in Appendix-VI-D indicate that major part of disbursements on grants-in-aid to State/Union Territory governments, capital outlay and investments, were made in the month of March 2006/during last quarter of the financial year. Since the funds released in March to various organisations cannot be constructively spent during the year, which closes on the last day of the same month/quarter, it is not possible to conclude whether these funds were applied during the same year for the purpose for which they were authorised. The Ministry of Development of North Eastern Region (Grant No. 29) accepted (December 2006) the audit observation and stated that conscious efforts were being made to avoid rush of expenditure in the last quarter. The rush of expenditure was attributed (December 2006 and February 2007) by the Ministry of Home Affairs, (Grant Nos. 54 and 55), Ministry of Law & Justice (Grant No. 63) and Ministry of Social Justice & Empowerment (Grant No. 88) to late receipt of reimbursement claims from state governments for expenditure incurred in connection with strengthening of states' police organisations, election related expenditure and delay in finalisation of schemes, etc. Ministry of Company Affairs (Grant No. 17) attributed (December 2006) the rush of expenditure to late payments to TCS and to Chandigarh Administration for implementation of an I.T. project and acquisition of a plot. The Ministry of Finance (Grant Nos. 32 and 42) attributed (December 2006 and February 2007) the rush of expenditure to meetings held in November 2005/January 2006 for Promotion of Economic and Social Welfare scheme, delayed filing of claims by the state governments,

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late receipt of medical claims and reimbursement vouchers from MEA, etc. The rush of expenditure in respect of Grant No. 75 and 76-Lok Sabha/Rajya Sabha was stated (December 2006 and February 2007) to be due to delay in settlement of domestic travel bills and late receipt of debit claims from the Ministry of Railways, MTNL and NDMC, etc. Ministry of Indian Overseas Affairs (Grant No. 66) attributed (December 2006) the rush of expenditure to the delay in payment of travel charges in connection with Parvasi Bhartiya Divas, printing of newsletter as well as payment made for allotment of land for construction of office building. Ministry of Planning (Grant No. 72) stated (December 2006) that rush of expenditure was due to late approval of Tsunami Rehabilitation Programme, Plan Schemes and late conducting of the meeting of group of advisors etc.

The replies and reasons for rush of expenditure given by various ministries are not tenable as delays in filing of claims and issue of sanctions and settlement of claims etc. could have been avoided had appropriate action been initiated well in advance and flow of expenditure monitored closely at the end of each month/quarter.

Chapter 7

APPROPRIATION ACCOUNTS 2005-06: 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 Rules (GFR) 52(3) 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 2005-06, there was an excess disbursement of Rs. 970626944827 (i.e. Rs. 97062.69 crore) in eight segments of eight grants/appropriations in Civil ministries, Rs. 22961261165 (Rs. 2296.13 crore) under 15 segments of 11 grants/appropriations of Railways, Rs. 448398109 (Rs. 44.84 crore) in 2 segments of 2 grants in Defence and Rs. 976456000 (Rs. 97.65 crore) in 1 segment of 1 grant in Postal Services. 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	Posts
<i>Voted</i>	Revenue	1882961634	1325468639	427563997	976456000
	Capital	2834562	21585164145	20834112	-
<i>Charged</i>	Revenue	33448906410	24278381	-	-
	Capital	935292242221	26350000	-	-
No of Grants/ Appropriations		8	11	2	1
Total Excess		970626944827	22961261165	448398109	976456000

Table 7.2: Details of excess disbursement over grants/appropriations

Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by the ministries/departments
Civil:			
Revenue (Charged)			
1.	11-Ministry of Mines	Grant Expenditure Excess	1000000 1153227 153227
			Due to meeting of a legal commitment, which had arisen at the end of the year.

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Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by the ministries/departments	
2.	33- Currency, Coinage and Stamps	Grant Expenditure Excess	5500000 24026011 18526011	Payment arising out of a pending court litigation.
3.	35-Appropriation - Interest Payments	Grant Expenditure Excess	1380318600000 1413748827172 33430227172	Coupon payment following selection of marketable securities for borrowing through re-issue mechanism and discounts paid, payment of interest owing to higher subscription under non-competitive bids, more issue of treasury bills etc.
Capital (Charged)				
4.	38-Appropriation - Repayment of Debt	Appropriation Expenditure Excess	10216808400000 11152100642221 935292242221	More redemption of treasury bills than anticipated.
Revenue (Voted)				
5.	8-Department of Fertilisers	Grant Expenditure Excess	192481100000 194155504796 1674404796	Payment of more medical claims, increase in dearness allowance, renovation of office building, payment of pending claims of subsidy on imported fertilizers etc.
6.	61-Ministry of Labour and Employment	Grant Expenditure Excess	13839400000 14012098810 172698810	Enhancement of provision owing to more collection of cess on account of revision of rates on manufacture of beedi.
7.	99-Lakshadweep	Grant Expenditure Excess	2340900000 2376758028 35858028	Payment to DGS&D for procurement of oil and additional funds required for Lakshadweep Harbour works.
Capital (Voted)				
8	96 - Chandigarh	Appropriation Expenditure Excess	1518300000 1521134562 2834562	Completion/upgradation of ongoing construction works.
Defence:				
Revenue (Voted)				
9.	25-Defence Services - Air Force	Grant Expenditure Excess	93490800000 93918363997 427563997	Rush of booking by CGDA and finalization/payment of contractual commitments towards the end of the year

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Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by the ministries/departments
Revenue (Charged)			
10.	23-Defence Services - Army	Appropriation Expenditure Excess	143300000 164134112 20834112
			Finalisation of higher number of court cases than anticipated.
Railways:			
Revenue (Voted)			
11.	04-Repairs & Maintenance of Permanent Way	Grant Expenditure Excess	36404867000 36506503633 101636633
			Details are in Report No. 6 of 2007 (Railways)
12.	06-Repairs & Maintenance of Carriages & Wagons	Grant Expenditure Excess	39213052000 39483114503 270062503
			do
13.	10-Operating Expenses - Fuel	Grant Expenditure Excess	101884343000 102838112503 953769503
			do
Revenue (Charged)			
14.	03-General Suptd. & Services	Appropriation Expenditure Excess	699000 709850 10850
			do
15.	04-Repairs & Maintenance of Permanent Way	Appropriation Expenditure Excess	13157000 17770542 4613542
			do
16.	05-Repairs & Maintenance of Motive Power	Appropriation Expenditure Excess	90000 295171 205171
			do
17.	06-Repairs & Maintenance of Carriages & Wagons	Appropriation Expenditure Excess	73000 77518 4518
			do
18.	07-Repairs & Maintenance of Plant and Equipment	Appropriation Expenditure Excess	495000 640184 145184
			do
19.	08-Operating Expenses-Rolling Stock & Equipment	Appropriation Expenditure Excess	600000 1259312 659312
			do
20.	09-Operating Expenses-Traffic	Appropriation Expenditure Excess	2608000 3124678 516678
			do
21.	10-Operating Expenses-Fuel	Appropriation Expenditure Excess	5000000 21100000 16100000
			do
22.	11-Staff Welfare & Amenities	Appropriation Expenditure Excess	2252000 3968156 1716156
			do
23.	13-Provident Fund, Pension and Other retirement benefits	Appropriation Expenditure Excess	8053000 8359970 306970
			do

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Sl. No	Grant/ Appropriation		Rupees	Contributory reasons as stated by the ministries/departments
Capital (Voted)				
24.	16-Assets- Acquisitions, Construction etc.	Grant	226792828000	do
		Expenditure	248377992145	
		Excess	21585164145	
Capital (Charged)				
25.	16-Assets- Acquisitions, Construction etc, Railway Funds	Appropriation	11068000	do
		Expenditure	37418000	
		Excess	26350000	
Postal Services: Revenue (Voted)				
26.	14-Department of Posts	Grant	63314600000	Increase in TRCA for GDS, finalisation of more retirement cases and segregation of funds allotted for Gramin Dak Sevaks under the head Postal Network-Existing Post Offices but expenditure not segregated
		Expenditure	64291056000	
		Excess	976456000	

7.2 The details of excess disbursements and also other details relating to grants of the Railways are mentioned in Report No. 6 of 2007 of the Comptroller and Auditor General of India.

Excess expenditure over the available provisions

7.3. Pay and Accounts Officer can make payment in excess of the budget allotment under any sub-head or primary unit on receipt of an assurance from the head of the department controlling the grant that necessary funds to accommodate the disbursement would be provided by issue of re-appropriation orders, etc. It was, however, observed from the head-wise appropriation accounts for the year 2005-06 that in 46 cases of 18 grants and appropriations (Civil and Defence Services) that though the expenditure of Rs. 101786.70 crore had exceeded the available provisions under sub-heads, the authority administering the concerned grant/appropriation did not issue re-appropriation orders to accommodate the final excess expenditure over the available provision, indicating laxity in budgetary control. A few instances (Rs. two crore or more) are given in Appendix-VII-A.

Unspent provision of Rs. 100 crore or more

7.4 Unspent provisions in a grant or appropriation indicate either poor budgeting or shortfall in performance or both. Unspent provisions of more than Rs. 100 crore, which need a detailed explanatory note to the Public Accounts Committee, occurred in 53 cases of 44 grants during 2005-06. Large unspent provisions were in areas like Food and Public Distribution, Power, Payments to Financial Institutions, Defence Services (Army), Department of Revenue, Family Welfare, Heavy Industry, Petroleum and Natural gas, Transfers to State and Union Territory Governments, Capital Outlay on Defence Services and Railways-Operating expenses-Traffic. 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 G.F.R.-56, 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 2005-06, under 199 segments of 96 grants/appropriations of civil ministries, there was an unspent provision of Rs. 30166.70 crore. This was offset by excess expenditure of Rs. 97062.69 under eight segments of four grants and four appropriation resulting in a net excess expenditure of Rs. 66895.99 crore.

The amounts surrendered are shown in Table 7.3.

Table 7.3: Details of unspent provision and surrender

	Net unspent provision	Amount surrendered	Amount surrendered on last date	Amount not surrendered
<i>(Rupees in crore)</i>				
Revenue				
Voted	21101.72	19575.85	19035.03	1525.87
Charged	(+2526.58)	809.04	809.04	-
Total: Revenue	18575.14	20384.89	19844.07	-
Capital				
Voted	7680.53	7334.85	6010.42	345.68
Charged	(+93151.66)	369.91	369.90	-
Total: Capital	(+85471.13)	7704.76	6380.32	-
Grand total	(+) 66895.99	28089.65	26224.39	-

7.6 Under the grants/appropriations pertaining to Department of Fertilisers, Department of Telecommunications, Currency, Coinage and Stamps, Ministry of Labour and Employment, Ministry of Overseas Indian Affairs, Defence Services-Army and Defence Services-Air Force, 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 2005-06 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-appropriation of funds took place, were in Payments to Financial Institutions (Rs. 1216 crore), Interest Payments (Rs. 2289 crore), Transfers to State and Union Territory Governments (Rs. 9281 crore), Appropriation-Repayment of Debt (Rs. 10378 crore), Department of Family Welfare (Rs. 1735 crore) and Department of Rural Development (Rs. 3582 crore).

Injudicious re-appropriation to sub-heads

7.9 Test check of the accounts revealed that in twenty cases relating to thirteen grants/appropriations, re-appropriation aggregating Rs. 194.65 crore were injudicious, as the original provision under the sub-heads to which funds were transferred by re-appropriation was 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. Savings were attributed (February 2007) by the Lok Sabha Secretariat (Grant No. 75) to delayed receipt of Annual Maintenance Contract (AMC) bills from the Electronics Corporation of India Limited (ECIL) in respect of Integrated Security Systems installed in Parliament complex. The Ministry of Home Affairs (Grant No. 52) attributed the reasons for savings to less expenditure on pay and allowances and austerity measures adopted in office expenses, non-completion of civil and electrical work by CPWD in North Block and Jaisalmer House and delayed allocation of additional funds to Narcotics Control Bureau for procurement of land.

Irregular re-appropriation

7.10 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 five crore whichever is 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.

7.11 Test check of appropriation accounts for 2005-06 revealed that there were 253 sub-heads/cases under 60 grants/appropriations to which re-appropriation in excess of Rupees five crore was made. Out of these, in 138 sub-heads/cases involving 43 grants/appropriations, the re-appropriation exceeded 25 *per cent* of the budget provision and was required to be reported to Parliament through the last batch of supplementary demands for grants. Only in 121 cases, such re-appropriations were reported to Parliament.

Re-appropriation without prior approval of Secretary (Expenditure)

7.12 All re-appropriations which would have the effect of increasing the budget provision by Rupees five 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 five crore.

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

(Rupees in crore)

Sl. No.	No. and name of grant	Major head	Sub-head	Amount
1.	31 – Ministry of External Affairs	2052 – Secretariat – General Services	Ministry of External Affairs	O: 120.34 S: 3.50 R: 10.83
2.	--do--	2061 – External Affairs	Other International Organisations	O: 1.59 S: 3.53 R: 11.77
3.	--do--	3605 – Technical and Economic Cooperation with other Countries	Aid to Maldives	O: 3.20 R: 12.00
4.	--do--	--do--	Aid to Other Developing Countries	O: 280.81 S: 109.98 R: 12.60

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

Unnecessary supplementary grant

7.13 The position of original and supplementary grants obtained under civil ministries/defence services and percentage of supplementary provision to the

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original provision from 1999-2000 onwards is given in Appendix-VII-E. In 24 cases relating to 20 grants as detailed in Table 7.5, while supplementary provisions aggregating to Rs. 443.80 crore were obtained during 2005-06 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 7.5: Unspent provision were more than the supplementary grant/appropriation

<i>(Rupees in crore)</i>					
Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
Civil					
Revenue – Voted					
1.	07 – Department of Chemicals and Petro-chemicals	748.78	10.17	709.46	49.49
2.	44 – Indirect Taxes	1458.67	1.01	1361.35	98.33
3.	51 – Department of Public Enterprises	32.93	0.38	30.08	3.23
4.	59 – Department of Women and Child Development	3931.11	0.29	3929.37	2.03
5.	63 – Law and Justice	493.98	100.02	376.26	217.74
6.	72 – Ministry of Planning	106.80	11.26	104.54	13.52
7.	76 – Rajya Sabha	94.90	2.73	88.53	9.10
8.	81 – Department of Drinking Water Supply	4751.42	10.11	4737.61	23.92
9.	85 – Department of Shipping	670.71	49.33	670.01	50.03
10.	86 - Department of Road Transport and Highways	8451.63	132.75	8136.21	448.17
11.	87 – Ministry of Small Scale Industries	442.10	4.05	438.44	7.71
12.	98-Daman and Diu	257.89	0.50	257.65	0.74
13.	100 -Department of Urban Development	1605.54	6.53	893.78	718.29
14.	101 – Public Works	718.32	6.30	651.22	73.40
Revenue – Charged					
15.	70 – Ministry of Personal, Public Grievances and Pensions	7.27	0.33	7.07	0.53
Capital - Voted					
16.	7 – Department of Chemicals and Petrochemicals	164.47	10.01	72.07	102.41
17.	65 – Ministry of Non-conventional Energy Sources	70.05	5.00	44.70	30.35
18.	70 – Ministry of Personal, Public Grievances and Pensions	21.16	1.48	2.36	20.28
19.	87 – Ministry of Small Scale Industries	18.20	9.47	15.00	12.67
20.	93-Ministry of Tourism	489.25	12.01	482.68	18.58

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(Rupees in crore)

Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
Capital - Charged					
21.	54 – Police	17.35	2.26	6.49	13.12
22.	100 – Department of Urban Development	11.60	1.00	11.52	1.08
Defence Services					
23.	23-Defence Services, Army	32084.37	0.01	31545.49	538.89
24.	26 – Defence Ordnance Factories	1158.24	66.80	1143.80	81.24
Total			443.80		

Unrealistic estimation of expenditure/revised estimates

7.14 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 7.6 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.

Table 7.6: Statement showing unnecessary supplementary grant under sub-heads

(Rupees in crore)

Sl. No.	Grant no. and name	Major head/Sub-head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons attributed by the ministry/department
1.	31-Ministry of External Affairs	2061.00.105.01-Central Passport and Emigration Organisation	117.55	16.18	118.53	15.20	Saving was due to non-receipt of bills from Security Press, Nasik
2.	-do-	2061.00.800.07-Special Delegations	4.25	1.00	4.12	1.13	Saving was due to reduction in size of delegation to UN General Assembly
3.	-do-	4216.01.700.18 – External Affairs	15.00	6.10	15.28	5.82	Due to non-utilisation of fund provided for construction /repair & maintenance of residence and boundary wall in Islamabad, Karachi, Stockholm, Berne and Hague.

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Sl. No.	Grant no. and name	Major head/Sub-head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons attributed by the ministry/department
4.	34- Payments to Financial Institutions	2416.00.800.01- Grants to National Bank for Agricultural and Rural Development (NABARD)	609.99	4.69	13.63	601.05	Due to non-utilisation of funds as per recommendations of task force to revitalise the short-term credit structure.
5.	-do-	2885.01.800- Redumption of Securities to Stressed Assets Stabilisation Fund	NIL	1000.00	134.00	866.00	Due to late commencement of operation by the company.
6.	43-Direct Taxes	2020.00.001.03 – Organisation and Management Services	33.60	0.71	4.47	29.84	Due to re-appropriation of funds under the head IT
7.	-do-	2020.00.800.02 – Authority for Advance Rulings	1.42	0.03	1.30	0.15	Due to fewer claimants of medical reimbursement and less tours of officers/staff.
8.	50 – Department of Heavy Industry	2852.06.103.45 – Heavy Engineering Corporation Limited	NIL	11.01	NIL	11.01	Due to non approval of Revival Plan by the Hon'ble High Court.
9.	-do-	6854.60.800.01 – Implementation of revival schemes of PSEs	150.00	116.00	NIL	266.00	Due to re-appropriation of funds among PSUs.
10.	-do	6858.60.190.22 – Lump sum provision for restructuring of PSEs in Department of Heavy Industry	1.00	94.00	NIL	95.00	Due to re-appropriation of provision among PSUs.
11.	53 - Cabinet	2055.00.118.01- Establishment	101.13	25.07	101.30	24.90	Due to non finalisation of proposals for procurement of machinery & equipments for communication system, BMW cars and less expenditure on New weapon system.
12.	54 - Police	4055.00.800.04- Indo Pak Border Works (Charged)	0.20	2.26	-	2.46	Due to non-finalisation of proposal.
13.	60 – Ministry of Information and Broadcasting	2205.00.109.02 – Central Board for Film Certification	4.05	0.30	3.42	0.93	Due to non approval of scheme, austerity measures and less payment made to detective agencies.

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Sl. No.	Grant no. and name	Major head/Sub-head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons attributed by the ministry/department
14.	-do-	2220.01.105.01 – Films Division	26.95	0.65	26.50	1.10	Due to variation in Municipal taxes, hiring of less number of professionals, reduction in number of prints of films and austerity measures.
15.	70 – Ministry of Personnel, Public Grievances and Pensions	4055.00.800.05 – Central Bureau of Investigation	20.07	1.48	1.47	20.08	Due to delay in construction activities owing to late approval by Expenditure Finance Committee.
16.	72 – Ministry of Planning	3451.00.101.02 – Programme Evaluation Organisation	2.82	0.14	2.77	0.19	Due to non filling of vacant posts and less receipt of LTC claims than anticipated.
17.	87 – Ministry of Small Scale Industries	6851.00.102.01 – Provision for Implementation of V.R.S. etc.	NIL	9.47	NIL	9.47	Due to non acceptance of loan by National Small Industries Corporation Limited at higher rate of interest.

EXPENDITURE ON “NEW SERVICE/NEW INSTRUMENT OF SERVICE”

7.15 According to the guidelines of February 2006 issued by Government of India, Ministry of Finance prescribing financial limits beyond which the additional expenditure constitutes “New Service/New Instrument of Service”, prior approval of the Parliament is required for relatively large expenditure met by re-appropriation of savings in a Grant.

Scrutiny of Grant No. 58- Department of Secondary and Higher Education for the year 2005-06 revealed that the Ministry made heavy re-appropriations to the following sub-heads for meeting out additional expenditure, which were not fully reported to the Parliament. Expenditure made in excess of the re-appropriations reported to the Parliament resulted in bypassing of Parliamentary financial control and requires regularisation.

(Rupees in lakh)

Sl. no.	Sub-head	Provision	Actual expenditure	Re-appropriations reported to and approved by the Parliament	Re-appropriations not reported to the Parliament
1.	2202.02.004.01 – National Council of Educational Research and Training	O 6323.00 S 0.10 R 1190.00	7513.00	1000.00	189.90
2.	2202.02.110.01- Kendriya Vidyalaya Sangthan	O 76364.00 S 0.15 R 5930.00	82294.00	4100.00	1829.85

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(Rupees in lakh)

Sl. no.	Sub-head	Provision	Actual expenditure	Re-appropriations reported to and approved by the Parliament	Re-appropriations not reported to the Parliament
3.	2202.02.110.09 – Setting up of Model Schools (Navodaya Vidyalayas)	O 63885.00 S 0.10 R 8300.00	72185.00	700.00	7599.90
4.	2202.03.102.02 – University Grants Commission	O 192717.00 S 0.15 R 24874.00	217591.00	17126.00	7747.85

Unrealistic budgetary assumptions

7.16 The budget circulars issued by the Ministry of Finance every year stipulate that due note, while framing the estimates, be taken of the past performance, the stages of formulation/implementation of the various schemes, the institutional capacity of the implementing agencies to implement the scheme, the constraints on spending by the spending agencies etc. The objective is to minimise the scope for avoidable surrenders at a later stage. Further, no provision should normally be made in the budget without completion of pre-budget scrutiny of the projects/schemes. Where, however, provision has been made without necessary scrutiny, such scrutiny should be completed and appropriate approvals obtained therefore before the commencement of the financial year at the latest by the time budget is passed by the Parliament. Scrutiny of the head-wise appropriation accounts revealed that the Ministries/departments made excessive provisions under the various sub-heads, which ultimately resulted in the large savings and surrenders at the end of the year. Appendix VII-F gives the details. The Ministry of Labour & Employment (Grant No. 61) attributed (November 2006) saving to non-receipt of housing proposals/information in respect of houses completed by the State Governments. The Ministry of Overseas Indian Affairs (Grant No. 66) informed (December 2006) that schemes/programmes could not be framed/implemented due to shortage of officers and staff and late allocation of land by the Ministry of Urban Development for office building. Ministry of Home Affairs (Grant Nos. 52, 54 and 55) attributed (December 2006 and February 2007) the savings to non-filling of vacant posts, fewer medical claims, non-procurement of Plant & Machinery, late approval/finalisation of schemes, non-finalisation of multipurpose identity card scheme, non-receipt of claims from J&K Government and delay in finalisation of campaign for National Disaster Management Programme. Ministry of Planning (Grant No. 72) attributed (December 2006) the surrender of funds allocated for Tsunami Rehabilitation Programme to non-implementation/sanction of scheme by the concerned Division. Ministry of Company Affairs (Grant No. 17) attributed (December 2006) saving to delay in implementation of MCA 21 project/setting up of National Company Law Tribunal etc. Ministry of Social Justice & Empowerment (Grant No. 88) informed (January 2007) that the savings were due to non-receipt of proposals from the voluntary organizations and non-formulation of 'Residential schools

for SCs Scheme'. Ministry of Finance (Grant Nos. 32, 34 and 37) attributed (December 2006, January 2007 and February 2007) the savings to slow disbursements in existing programmes, non-finalisation of various plans, receipt of lesser claims from Government servants than anticipated, non-receipt of claims from Small Industrial Development Bank of India/Infrastructure Development Finance Company Ltd., non-release of funds for revitalization of short term Co-operative structure, etc. Ministry of Personnel, Public Grievances and Pensions (Grant No. 53) attributed (December 2006) the savings to delay in finalisation of proposals for construction of Kendriya Vidyalaya, parking sheds and acquisition of land, etc. Ministry of Development of North Eastern Region (Grant No. 29) attributed (January 2007) the saving to non-implementation of a project in an insurgency prone area of Manipur.

The justifications given by the ministries for unspent provision are not tenable as the contributory reasons indicated in each case could have been avoided had proper pre-budget scrutiny of the projects, schemes and activities been undertaken, instructions for which have also been issued by the Ministry of Finance from time to time. It is evident that the instructions issued by the Finance Ministry every year were not adhered to by the ministries and budget provisions were made without completion of pre-budget scrutiny.

Large supplementary grants due to unrealistic budgetary projections

7.17 Under Article 114 of the Constitution of India, the Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India. Parliament can also sanction supplementary or additional grants by subsequent Appropriation Acts in terms of Article 115 of the Constitution. While preparing the estimates of expenditures, ministries/departments are required to keep in view the trends of disbursements during the previous years and take due care so that provision for all inescapable and foreseeable expenditures is made in the estimates before they are submitted to the Ministry of Finance. The Ministry of Finance after due deliberations and pre-budget meetings/scrutiny finalises the budget proposals. A scrutiny of the Appropriation Accounts for the year 2005-06 revealed that a large number of ministries/departments of the Central Government obtained supplementary grants/appropriations much in excess of the original provisions. The supplementary provisions ranged between 65 to 535 *per cent* of the original provisions in some of the cases mentioned below. This indicated that the ministries and departments did not prepare estimates of expenditure on a realistic basis and that the mechanism of holding pre-budget meetings and scrutiny by Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect:

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**Table 7.7: Statement showing details of large Supplementary Grants
due to unrealistic budgetary projections**

(Rupees in crore)

Sl. No.	Grant No.	Original provision	Supplementary provision	Percentage of supplementary to original provision
1.	50- Department of Heavy Industries	Revenue-Voted 308.80	1651.21	535
2.	71- Ministry of Petroleum & Natural Gas	Revenue-Voted 3669.00	17262.85	471
3.	36- Transfers to State & UT Governments	Capital-Voted 1000.00	4674.00	467
4.	10- Ministry of Coal	Capital-Voted 25.00	43.00	172
5.	30- Ministry of Environment & Forests	Capital-Voted 10.92	18.41	169
6.	56- Transfers to U.T. Governments	Capital-Voted 72.00	75.00	104
7.	38- Appropriation- Repayment of Debt	Capital-Voted 601477.12	420203.72	70
8.	73- Ministry of Power	Revenue-Voted 1670.57	1110.34	66
9.	34- Payments to Financial Institutions	Capital-Voted 988.03	743.03	75
		Revenue-Voted 3102.47	2009.74	65

Postal Services (Grant No. 14)

7.18 Persistent savings were noticed under Capital Section of the grant primarily under head 5201.104 - 'Mechanisation and Modernisation of Postal Services' during the years 2001-06 as detailed in Table 7.8.

Table 7.8: Persistent unspent provision under capital (voted) section

(Rupees in crore)

Year	Budget provision and supplementary grant	Actual expenditure	Unspent provision	Percentage
2001-02	107.38	51.92	55.46	52
2002-03	128.56	41.54	87.02	68

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(Rupees in crore)

Year	Budget provision and supplementary grant	Actual expenditure	Unspent provision	Percentage
2003-04	129.18	48.16	81.02	63
2004-05	178.75	126.29	52.46	29
2005-06	367.09	268.98	98.11	31

7.19 The reasons advanced by the department for savings under the Capital (Voted) section are 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
Capital (Voted)	367.09	268.98	98.11	<ul style="list-style-type: none"> - Delay in commencement of new project - Non receipt of bills from suppliers - Re-tendering process for procurement of garage equipment. - Settlement of suspense account
Total	367.09	268.98	98.11	

Defence Services:

7.20 Scrutiny of Appropriation Accounts of Defence Services disclosed a persistent trend of unspent provision during the years 2003-06 under voted segment of four grants as detailed in table 7.10.

Table 7.10: Persistent unspent provision

(Rupees in crore)

Grant No Sub-Major/ Minor Head	2003-04	2004-05	2005-06	Reasons for unspent amount given in Appropriation Accounts
23- Defence Services-Army				
800-Other Expenditure	11.87	32.84	31.20	Due to procedural delays in settlement/bookings and shortfall of large number of estimating authorities.
25- Defence Services-Air Force				
111-Works	23.15	55.67	10.22	Due to non-finalisation of major projects.
26- Defence Ordnance Factories				
110-Stores	31.18	10.43	26.55	Due to lower booking in Government supply, non-receipt of debit vouchers and less foreign purchase cash outgo on Engines, Road Wheels, AD gun spares and ammunition.
800-Other Expenditure	24.22	8.43	17.23	Due to less expenditure on Electricity and Water than anticipated, less payment to DAVP and less expenditure on TOT for RCL Gun.

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(Rupees in crore)

Grant No Sub-Major/ Minor Head	2003-04	2004-05	2005-06	Reasons for unspent amount given in Appropriation Accounts
28- Capital Outlay on Defence Services				
02 – Navy				
104 – Joint Staff	29.26	27.67	12.17	Due to less booking against certain bills, slow progress and non-completion of works in time.

The persisting trends of large unspent provisions in the aforesaid heads of grants are indicative of over-estimation of the requirement of funds by Ministry of Defence.

Irregular change of nomenclature Object Head “Grant-in-Aid” to Object Head “Contribution”

7.21 Based on recommendations of Public Accounts Committee and further deliberations thereon, the funds of Canteen Stores Department (CSD) were brought within the purview of Consolidated Fund of India with effect from 1.4.1977. Hence all receipts generated by CSD were to be credited to the CFI and all expenditures were to be appropriated through budgetary allocation during the respective years. The Ministry had been following the practice under which funds equivalent to 50 per cent of total net profit generated by CSD in a particular year were appropriated/distributed as ‘Grants-in-Aid’ to the various beneficiaries of the CSD. Till the year 2004-05, Ministry of Defence provided this amount in their demands for grants as ‘Grants-in-Aid’ under the head 2075-00.108.01.00.31. However, from the year 2005-06, Ministry of Defence started booking this expenditure under a new object head ‘Contribution’ (2075.00.108.01.00.32) without the prior consent of the accredited Audit officer viz. Director General of Audit Defence Service, which was irregular. Audit pointed out this irregularity in October 2005 but the Ministry did not take corrective measures in the demands for grants for the subsequent year 2006-07 and continued booking/provision under the head ‘Contribution’, which was again objected to by Audit in May 2006.

An amount of Rs. 77.38 crore was incorrectly booked under the object head ‘Contribution’ during the year-2005-06. Provision and booking of this expenditure under the object head ‘Contribution’ is not proper as the payment is purely gratuitous payment made out of the Consolidated Fund of India which should have appropriately been classified under the Object Head ‘Grants-in-Aid’. It should be discontinued.

Chapter 8

REVIEW OF SELECTED GRANTS

Grant No. 60 – Ministry of Information and Broadcasting

Introduction

8.1 The Ministry of Information and Broadcasting is vested with the responsibility of formulating policy guidelines for the efficient dissemination of news and views by the media units viz. Prasar Bharti (Broadcasting Corporation of India) and its constituents All India Radio, Doordarshan, etc. The main functions of the Ministry are to serve as a constant link between the Government and the Media and act as a clearing house of official information and authentic data pertaining to the Union Government's plans and programmes. Its objectives are to educate and motivate people for greater participative involvement in the various activities and programmes of the Government. It also liaises with the State Governments in the field of information and publicity.

Overall position

8.2 The overall position of budget provisions, actual disbursements and unspent provisions for the last three years is given below:

Table 8.1: Overall position

(Rupees in crore)

Year	Total provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted						
2003-04	1289.57	231.59	1229.48	94.18	60.09	137.41
2004-05	1281.87	250.86	1248.96	95.47	32.91	155.39
2005-06	1428.48	273.99	1338.25	205.28	90.23	68.71
Charged						
2003-04	0.05	-	-	-	0.05	-
2004-05	0.03	-	-	-	0.03	-
2005-06	0.03	-	-	-	0.03	-

Persistent unspent provision and excess expenditure

8.3 There were persistent unspent provisions under revenue and capital sections of the grant for the last three years. No steps have been taken by the Ministry to arrest this trend. Large unspent provisions under the grant reflected poor budgeting by the Ministry. There were also cases of substantial excess expenditure under some sub-heads. Instances of persistent unspent provisions and excess expenditure during the last three years are given in

Appendix VIII-A and Appendix VIII-B respectively. Though the Ministry had given an assurance in the Action Taken Note (April 2003) on paragraph no. 12.29 of Report No. 1 of 2001 that due care would be taken to minimise the unspent balance of funds, yet they persisted. On the contrary there was an increasing trend during the years 2003-06. The Ministry had also issued instructions (June 2002) to the Prasar Bharti to put up in place a mechanism to monitor expenditure and work out the budgetary projections and anticipations at the BE and RE stages in consonance with its spending potential. The latter had assured (June 2002) that a proper monitoring mechanism would be set up. However, no action appears to have been taken in this regard. There is, thus, a need to make budgetary assumptions more realistic taking into account PAC's Recommendations contained in Paragraph 17.1 of its Fifty-Eighth Report (13th Lok Sabha) on "Excess over Voted Grant and Charged Appropriation" and instructions issued by the Ministry of Finance thereon to all Ministries/Departments.

Surrender of unspent provision

8.4 Test check revealed that contrary to the provisions of Rule 56(2) of the General Financial Rules, the Ministry surrendered unspent provisions towards the end of the financial years 2003-2006. The details of amount surrendered during 2003-06 are as under:

Table 8.2: Surrender of unspent provision

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2003-04	60.14	137.41	52.34	135.92	31.03.2004
2004-05	32.94	155.39	27.68	154.79	31.03.2005
2005-06	90.26	68.71	84.03	64.05	31.03.2006

Had the above unspent provisions been surrendered as soon as these were foreseen these could have been fruitfully utilised in other schemes/projects/programmes of the government.

Schemes affected by unspent provision

8.5(i) Central Monitoring Services

The Central Monitoring Services (CMS) was responsible for monitoring news and news based programmes of important foreign Radio and TV networks and some Indian TV Channels. The CMS also brings out weekly analytical reports on important news and weekly special report on anti-Indian programme of Pakistan's radio and TV networks on Kashmir issue and sends them to the selected officers, different agencies/ministries/departments, etc. with the purpose of keeping them abreast of the latest development of interest/relevance to India. The CMS also monitors the content aspect of the TV Channels to look into the violation of programme Advertisement Code under Cable Television Network Regulation Act, 1995. However, entire

budget provisions made for these important activities remained unutilised persistently during the years 2003-06 as indicated in the following table:

Table 8.3: Unspent provision

(Rupees in crore)

Year	Budget provision	Actual disbursement	Unspent provision
2003-04	7.56	-	7.56
2004-05	6.06	-	6.06
2005-06	15.10	-	15.10

(ii) Construction of Phase –II building for National Film Archive of India (NFAI)

Standing Finance Committee of the Ministry had approved (April 2004) Construction of Phase –II building for National Film Archive of India with a view to enable the NFAI to achieve its primary objective of acquisition and preservation of National Cinema, the best of world cinema, film classification, documentation and research and encouraging film scholarship and to spread film culture in the country. However, the budget provisions made for this purpose, remained unutilised entirely/largely during the years 2003-06 which indicated that the prime objective of the plan scheme of the Ministry could not be achieved in full. The details of budget provision and actual expenditure are given in the following table:-

Table 8.4: Unspent provision

(Rupees in crore)

Year	Budget provision	Actual disbursement	Unspent provision
2003-04	0.50	-	0.50
2004-05	2.50	0.40	2.10
2005-06	4.00	3.00	1.00

(iii) Setting up of National Press Centre and Mini Media Centres of Press Information Bureau

The Press Information Bureau implemented the Plan Scheme- Setting up of National Press Centre and Mini Media Centres during Xth Five Year Plan 2002-07. The Press Information Bureau is the nodal agency of the Government of India for informing the people about its policies, programmes and activities. However, the budget provision made for these purpose, remained unutilised entirely/largely during the years 2003-06 and, thus, the purpose for which the budget allocation was made was not achieved. The details of budget provisions and expenditure are given below:

Table 8.5: Unspent provision

(Rupees in crore)

Year	Budget provision	Actual disbursement	Unspent provision
2003-04	2.19	0.07	2.12
2004-05	5.00	-	5.00
2005-06	18.20	7.60	10.60

(iv) Building and Housing Project of Indian Institute of Mass Communication

Against total plan allocation of Rs. 3.94 crore during the years 2003-06 for construction of staff quarters, 14-Room hostel building, special renovation works, security fencing around the campus etc. in the housing complex of Indian Institute of Mass Communication, the actual expenditure under the scheme was Rs. 0.65 crore which represented achievement of only 16 per cent during the following three years of the 10th Plan period.

Table 8.6: Unspent provision

(Rupees in crore)

Year	Budget provision	Actual disbursement	Unspent provision
2003-04	1.43	0.50	0.93
2004-05	1.35	0.15	1.20
2005-06	1.16	-	1.16

Excess expenditure over available provision

8.6 In cases where the existing provisions are not sufficient to cover the payments, the 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 the 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 2003-06 revealed that in the following cases, though the expenditure had exceeded the available provisions under the sub-heads concerned, yet the authority administering the grant/appropriation did not issue re-appropriation order to adequately accommodate the final excess expenditure over the available provision. This was indicative of deficient budgetary control.

Scrutiny of the Head-wise Appropriation Accounts further revealed that the Ministry approved injudicious re-appropriation from sub-heads in 6 cases. Consequently, the final disbursement under these sub-heads was in excess of the available funds after re-appropriation. In three cases, the final disbursement was even more than the original provisions. The cases are given below:

Table 8.7: Excess expenditure over available provision

(Rupees in crore)

Year	Sub-head	Provisions	Actual expenditure	Excess
Revenue Section				
2003-04	2251.00.090.05- Ministry of Information and Broadcasting	O 15.22 R (-) 0.10	18.92	3.80
2003-04	2205.00.109.02- Central Board of Film Certification	O 4.56 R (-) 2.22	3.12	0.78
2003-04	2220.60.798.02- Payment of annual membership, Subscription to Asia Pacific Institute for Broadcasting Development (AIBD)	O 0.16 R (-) 0.04	0.45	0.33
2004-05	2251.00.090.05- Ministry of Information & Broadcasting	O 15.85 R (-) 0.34	20.79	5.28
2005-06	2251.00.090.05- Ministry of Information & Broadcasting	O 17.61 S 0.37 R 1.77	19.89	0.14
Capital Section				
2005-06	4220.60.052.03- Acquisition of equipment for Song and Drama Division	O 0.04	0.24	0.20

Unrealistic budgeting

8.7 According to Rule 48(2) 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, the entire or/and large provisions remained unutilised during the period 2003-06 and were re-appropriated to other heads defeating the original purpose for which the budget provisions were passed by the Parliament despite instructions (June 2002) for adopting a mechanism to monitor expenditure so that budgetary projections and anticipated expenditure at the BE and RE stages were worked out in consonance with the potential to spend. The sub-heads as indicated in Appendix VIII-C registered large unspent provisions.

Unnecessary supplementary grants

8.8 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

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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, yet no expenditure was incurred out of these funds. This indicates lack of monitoring.

Table 8.8 : Unnecessary supplementary grants

(Rupees in crore)

Year	Sub-Head	Provision	Actual disbursement	Unspent provision
2003-04	2221.80.102- Prasar Bharti	O 1005.60	1001.47	4.14
		S 0.01		
		R (-) 3.80		
2005-06	2205.00.109.02- Central Board of Film Certification	O 4.05	3.42	0.93
		S 0.30		
		R (-) 0.60		
2005-06	2220.01.105.01- Films Division	O 26.95 S 0.65	26.50	1.10
2005-06	2220.60.112.01- Employment News Services	O 23.06	25.52	1.12
		S 0.37		
		R (+) 3.21		

Injudicious re-appropriation of funds to sub-heads

8.9 Re-appropriation of funds to the following sub-heads was injudicious as the original provision under the sub-heads was found to be more than adequate. Consequently, final savings under the sub-heads were more than the amount re-appropriated to sub-heads as shown in Table no 8.9.

Table 8.9 : Injudicious re-appropriation of funds to sub-heads

(Rupees in crore)

Sl. No.	Year	Sub-head	Total grant	Actual expenditure	Savings
1.	2003-04	2220.01.800.03- Film and Television Institute of India, Pune	O 5.33	5.20	0.86
			R 0.73		
2.	2003-04	2220.02.001 -Central Monitoring Services – Direction and Administration	O 3.20	Nil	3.86
			R 0.66		
3.	2004-05	2220.60.110.01- Publication Division	O 12.09	11.94	0.21
			R 0.06		
4.	2005-06	2220.60.103.01- Press Information Bureau	O 20.81	20.77	0.60
			R 0.56		
5.	2005-06	4220.60.052.01 Acquisition of Equipment for Press Information Bureau	O 0.18	Nil	0.21
			R 0.03		
6.	2005-06	4220.60.052.06 Acquisition of Equipments for IIMC	O 0.58	0.52	0.12
			R 0.06		

Irregular re-appropriation

8.10 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 (Rs. 5 crore from 2005-06 onwards), 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.

Test check, however, revealed that in one of the following cases, the approval of the Secretary (Expenditure) was not obtained. In the other case the amount of re-appropriation exceeded the amount approved by the Secretary (Expenditure).

Table 8.10: Irregular re-appropriation

(Rupees in crore)

Sl. No.	Year	Sub-head	Amount re-appropriated	Remarks
1.	2003-04	2220.60.112.01 Employment News Services	5.17	Approval of Secretary (Expenditure) was only for Rs. 4.44 crore.
2.	2004-05	2220.60.103.01 Press Information Bureau	1.79	Approval of Secretary (Expenditure) was not obtained.

Rush of expenditure

8.11 As per Rule 56(3) of General Financial Rules, rush of disbursement, particularly in the closing months of the financial year, is to be regarded as a breach of financial propriety and should be avoided. Further, on the recommendations of the Public Accounts Committee contained in Para 17.1 of its 58th Report (13th Lok Sabha) Ministry of Finance issued instructions to all Ministries/Departments to restrict expenditure during the last quarter of the financial year to 33 *per cent* of the budgeted amount. Contrary to this, disbursements ranging from 30 to 100 *per cent* of the total disbursements were made during March in the years 2003-06, as per details given below:

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Table 8.11 : Rush of expenditure

(Rupees in crore)

Year	Major Head	Disbursement	
		during the year	during March (percentage)
2003-04	2205-Art & Culture	3.20	1.23 (38)
	4220 Capital outlay on Information & Publicity	9.53	8.35 (88)
2005-06	2221- Broadcasting	1078.02	321.97 (30)
	4220 -Capital outlay on Information and Broadcasting	25.04	16.14 (64)
	6220- Loans for Information and Publicity	4.77	4.77 (100)

Internal audit

8.12 The Internal Audit Wing of the Ministry of Information and Broadcasting 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 the Ministry and attached subordinate offices/Autonomous Bodies under its control. Internal Audit Wing comprises four Zonal Internal Audit Parties located at New Delhi, Chennai, Mumbai and Kolkata. The Internal Audit Wing at the headquarters carries out internal audit of the North Zone and co-ordinates the audit work of remaining three zonal parties.

There were 599 auditee units under the jurisdiction of Internal Audit Wing. These units include 96 units of the Ministry and 503 units of Prasar Bharti. The details of targets fixed and the achievements during the years 2003-06 are indicated below :

Table 8.12: Shortfall in internal audit

Year	Target fixed	Units actually audited	Shortfall	Percentage shortfall
2003-04	187	148	39	21
2004-05	145	86	59	41
2005-06	115	54	61	53

Thus, the shortfall in conducting internal audit ranged between 21 and 53 per cent, which was an unsatisfactory position. Keeping in view the large amount of funds handled by the Ministry and its range of activities, there is an urgent need to make the internal audit system more effective for keeping a close watch over the regularity, propriety and economy of expenditure.

Grant No. 82 – Department of Science and Technology

(Ministry of Science and Technology)

Introduction

8.13 Ministry of Science and Technology comprises three departments viz., Department of Science and Technology (DST), Department of Science and Industrial Research (DSIR) and Department of Bio-Technology (DBT). Department of Science and Technology is the nodal department of Ministry of Science and Technology. It has three subordinate departments viz. India Meteorological Department (IMD) New Delhi, National Atlas and Thematic Mapping Organization (NATMO), New Delhi and Survey of India (SOI), Dehradun under its administrative control. In addition, the Department also supports 16 autonomous research institutions/other bodies and five science/engineering academies/associations which have been working in diverse areas for promotion of science and technology. Its main function is to formulate policies and guidelines on Science and Technology and promotion of new areas of Science and Technology.

Overall position

8.14 The overall position of budget provisions, actual disbursements and unspent provisions for the last three years is given below:

Table 8.13: Overall position

(Rupees in crore)

Year	Total provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted						
2003-04	1133.90	56.31	930.78	55.05	203.12	1.26
2004-05	1410.53	79.71	1236.73	45.63	173.80	34.08
2005-06	1504.20	154.06	1297.86	117.04	206.34	37.02
Charged						
2003-04	0.01	-	0.01	-	-	-
2004-05	0.07	-	-	-	0.07	-
2005-06	0.07	-	-	-	0.07	-

Excess expenditure over appropriation/re-appropriation

8.15 In cases where the existing provision is not sufficient to cover the payment, Pay and Account 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 would be provided by issue of re-appropriation orders etc.

Test check of head wise appropriation accounts for the years 2003-06 revealed that in following cases though the payments made were in excess of available provision, the department did not issue re-appropriation orders to accommodate the final excess expenditure over the available provision

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indicating ineffective expenditure control by the controlling officer of the concerned grant.

Table 8.14: Excess expenditure over appropriation/re-appropriation

(Rupees in crore)

Year	Major head and Sub-heads	Original (O) Re-appropriation (R)	Actual expenditure	Excess (+)
2003-04	3451.00.090.22 Department of Science & Technology	O 20.87 R 0.59	21.50	0.04
	3425.01.001.01 Surveyor General	O 27.74 R 0.51	28.52	0.27
	3425.60.200.26 Technology Development Programme	O 23.00 R (-) 0.20	22.81	0.01
	3425.60.798.04 Other programme	O 5.00	5.05	0.05
	5455.00.101.01 Equipment	O 3.00	3.59	0.59
	5455.00.102.01 Equipment	O 28.47	28.98	0.51
2004-05	5425.00.800.03 Special Construction Work- Building and Air conditioning and Equipment (Secretariat)	O 0.95 R (-) 0.17	0.79	0.01
	2005-06	5455.00.101.01 Equipment	O 5.00	8.74

Surrender of unspent provision

8.16 According to the provisions of Rule 56 of GFR, unspent provisions in a grant or appropriation are to be surrendered to government as soon as these are foreseen, without waiting for the end of financial year. Unspent provisions should also not be held in reserve for possible future excess. Test check of head wise appropriation accounts for the years 2003-06 revealed that contrary to the rules, DST 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 2003-06 are given in the following table:

Table 8.15: Surrender of unspent provision

(Rupees in crore)

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2003-04	203.12	1.26	194.72	--	31 March 2004
2004-05	173.87	34.08	150.17	28.51	31 March 2005
2005-06	206.41	37.02	176.65	29.51	21 March 2006

Injudicious re-appropriation of funds to sub-heads

8.17 Re-appropriation of funds to the following sub-heads was injudicious as the original provision under the sub-heads was found to be more than adequate. Consequently, final savings under the sub-heads were more than the amount re-appropriated to sub-heads as shown in table.

Table 8.16: Injudicious re-appropriation of funds

(Rupees in crore)

Year	Sub-heads	Original (O) Re-appropriation (R)		Actual expenditure	Saving																																																																		
2003-04	3425.01.800.01 - Other schemes	O	18.24	17.80	0.75																																																																		
		R	0.31				5425.00.800.03 - Special construction Work-Building and Air Conditioning and Equipments (Secretariat)	O	0.95	0.89	0.12	R	0.06	2004-05	3425.01.003.01 - Training Organization	O	3.92	3.88	0.31	R	0.27	3425.01.103.01 - Map Publication Offices	O	25.42	24.15	2.10	R	0.83	3425.60.798.04 - Other programmes	O	5.00	4.79	0.51		R	0.30			2005-06	3425.60.102.01 - NATMO Office	O	9.05	8.80	1.78	R	1.53	3455.00.001.01 - Director General Meteorology	O	10.90	10.63	0.99	R	0.72	3455.00.102.01 - Observatory Services	O	78.65	73.32	6.62		R	1.29				3425.01.001.01 - Surveyor General	O	31.93	31.87	0.83		
	5425.00.800.03 - Special construction Work-Building and Air Conditioning and Equipments (Secretariat)	O	0.95	0.89	0.12																																																																		
		R	0.06			2004-05	3425.01.003.01 - Training Organization	O	3.92	3.88	0.31	R	0.27		3425.01.103.01 - Map Publication Offices	O	25.42	24.15	2.10	R	0.83	3425.60.798.04 - Other programmes	O	5.00	4.79	0.51		R	0.30			2005-06	3425.60.102.01 - NATMO Office	O	9.05	8.80	1.78	R		1.53	3455.00.001.01 - Director General Meteorology	O	10.90	10.63	0.99	R	0.72	3455.00.102.01 - Observatory Services	O	78.65	73.32	6.62		R	1.29				3425.01.001.01 - Surveyor General	O	31.93	31.87	0.83			R	0.77				
2004-05	3425.01.003.01 - Training Organization	O	3.92	3.88	0.31																																																																		
		R	0.27				3425.01.103.01 - Map Publication Offices	O	25.42	24.15	2.10	R	0.83		3425.60.798.04 - Other programmes	O	5.00	4.79	0.51		R	0.30			2005-06	3425.60.102.01 - NATMO Office	O	9.05	8.80	1.78	R		1.53	3455.00.001.01 - Director General Meteorology	O	10.90	10.63	0.99		R	0.72	3455.00.102.01 - Observatory Services	O	78.65	73.32	6.62		R	1.29				3425.01.001.01 - Surveyor General	O	31.93	31.87	0.83			R	0.77										
	3425.01.103.01 - Map Publication Offices	O	25.42	24.15	2.10																																																																		
		R	0.83				3425.60.798.04 - Other programmes	O	5.00	4.79	0.51		R	0.30			2005-06	3425.60.102.01 - NATMO Office	O	9.05	8.80	1.78	R	1.53		3455.00.001.01 - Director General Meteorology	O	10.90	10.63	0.99	R		0.72	3455.00.102.01 - Observatory Services	O	78.65	73.32	6.62		R	1.29				3425.01.001.01 - Surveyor General	O	31.93	31.87	0.83			R	0.77																		
	3425.60.798.04 - Other programmes	O	5.00	4.79	0.51																																																																		
	R	0.30																																																																					
2005-06	3425.60.102.01 - NATMO Office	O	9.05	8.80	1.78																																																																		
		R	1.53			3455.00.001.01 - Director General Meteorology	O	10.90	10.63	0.99	R	0.72	3455.00.102.01 - Observatory Services	O	78.65	73.32		6.62		R	1.29				3425.01.001.01 - Surveyor General	O	31.93	31.87	0.83			R	0.77																																						
	3455.00.001.01 - Director General Meteorology	O	10.90	10.63	0.99																																																																		
		R	0.72			3455.00.102.01 - Observatory Services	O	78.65	73.32	6.62		R	1.29				3425.01.001.01 - Surveyor General	O	31.93	31.87	0.83			R	0.77																																														
	3455.00.102.01 - Observatory Services	O	78.65	73.32	6.62																																																																		
	R	1.29																																																																					
	3425.01.001.01 - Surveyor General	O	31.93	31.87	0.83																																																																		
		R	0.77																																																																				

Rush of expenditure

8.18 Rush of disbursements, particularly in the closing month of financial year, is to be regarded as breach of financial regularity and should be avoided. Contrary to this, the large disbursements were made during the month of March of the years 2003-06. A few instances are given below:

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Table 8.17: Rush of expenditure

(Rupees in crore)

Year	Major head	Expenditure during the year	Expenditure in March	Percentage of total expenditure
2003-04	5425- Capital Outlays on Other Scientific and Environment Research	15.61	8.97	57
	5455- Capital outlays on Meteorology	39.43	19.30	49
2004-05	5425- Capital Outlays on Other Scientific and Environment Research	11.48	8.72	76
	7425- Loan for Other Scientific Research	9.00	9.00	100
2005-06	5425- Capital Outlays on Other Scientific and Environment Research	20.14	9.38	47
	5455- Capital outlays on Meteorology	32.60	27.01	83
	7425- Loan & Advances to Pharmaceuticals Industries	64.30	60.30	94

Unrealistic budgeting

8.19 Rule 48(2) of General Financial Rules, Ministries/Departments are required to prepare their estimates keeping in view the trends of their disbursements during the previous years and the economy instructions issued by the Ministry of Finance from time to time.

Scrutiny of the Appropriation Accounts for 2003-06 revealed that under the sub-heads shown below, the entire provisions remained unutilised which resulted in non-implementation of the schemes/programmes and defeating the purpose for which the original budget provisions were approved by the Parliament:

Table 8.18: Unrealistic budgeting

(Rupees in crore)

Year	Sub-head	Original provision	Unspent provisions
2003-04	5455.00.800.01 Earthquake Risk Evaluation Centre	0.03	0.03
	3455.00.800.02 Earthquake Risk Evaluation Centre	0.05	0.05
2004-05	3455.00.798.03 Externally Aided Projects	2.40	2.40
	5425.00.800.04 Digital Mapping System (NATMO)	0.50	0.50
	5455.00.200.02 Externally Aided projects	5.00	5.00
	5455.00.800.01 Earthquake Risk Evaluation Centre	0.03	0.03
2005-06	3425.60.200.36 National Mission on Nano Science & Nano Technology	200.00	200.00

Persistent saving

8.20 According to Rule 48 (2) of 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 instructions on economy issued by Ministry of Finance. Scrutiny of Appropriation Accounts for the years 2003-06 revealed that there were persistent unspent under utilisation of provisions under the following sub-heads which indicated unrealistic budgeting, deficient financial management and slackness in implementing the schemes. The details of sub-heads are given below:

Table 8.19: Persistent saving

(Rupees in crore)

Major Head	Year		Year		Year	
	2003-04		2004-05		2005-06	
	Provision	Saving	Provision	Saving	Provision	Saving
3425.01.003.01 Training organization	3.77	0.01	4.20	0.31	5.57	0.10
3425.01.101.01 Survey Parties	79.61	0.66	83.83	3.12	81.06	2.82
3425.01.103.01 Map Publication offices	24.20	0.33	26.25	2.10	26.04	0.39
3425.01.800.01 Other Schemes	18.55	0.75	21.51	1.32	27.89	1.00
3425.60.600.01 National Centre for Medium Range Weather Forecasting	10.26	0.56	17.03	2.29	12.82	0.86
3455.00.004.01 Research and Development Services	9.95	0.36	12.08	1.45	12.63	1.92
3455.00.102.01 Observatory Services	67.71	0.28	73.38	2.50	79.94	6.62
3455.00.200.01 Meteorological Services	33.62	0.08	36.34	2.18	36.91	3.85
5455.00.102.01 Equipment	-	-	25.38	2.34	28.55	5.94

Deficient internal audit system

8.21 The internal audit wing of Ministry of Science and Technology functions under the administrative control of the Controller of Accounts of the Ministry and is responsible for conducting internal audit of the units under the Ministry which inter-alia includes Department of Science and Technology, Department of Biotechnology and Department of Scientific and Industrial Research, subordinate departments, autonomous research institutions/other bodies and Science/Engineering/Academies Associations. Currently there are 94 units under the jurisdiction of the Internal Audit Wing, including 86 units pertaining to the DST. The following table indicates yearwise total number of units planned for audit, units audited and percentage of shortfall.

Table 8.20: Shortfall in internal audit

Year	Units planned	Audited	Percentage of short fall
2003-04	74	32	57
2004-05	92	48	48
2005-06	69	42	39

There was a shortfall ranging between 39 to 57 *per cent* in conducting audit during 2003-06. Keeping in view the huge amount of funds handled by DST, and wide range of its different activities, there is an urgent need to make the Internal Audit System effective for keeping a watch over the quantum, flow, regularity, propriety and economy of expenditure.

Outstanding utilisation certificates

8.22 As per Rule 212(2)(1) of GFRs, 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 for the purpose for which these were sanctioned and where the grants were released with certain conditions, the prescribed conditions had been fulfilled. In a reply to audit observation, department stated the position of outstanding utilisation certificates as 'Nil' upto 2003-04 and for the year 2004-05 the utilisation certificates were still awaited (December 2006). On verification of records, it was found that despite the fact that the Ministry had released grants aggregating Rs. 2360.71 crore during the years 2003-06, neither the PAO nor the DST had been maintaining registers/records to ensure receipts of utilisation certificates.

Grant No. 86- Department of Road Transport and Highways

(Ministry of Shipping, Road Transport and Highways)

Introduction

8.23 The Department of Road Transport and Highways under the Ministry of Shipping, Road Transport and Highways has been entrusted primarily the function of construction and maintenance of National Highways (NH), administration of Motor Vehicles Act and Central Motor Vehicles Rules, formulation of broad policies relating to Road Transport, environmental issues, automotive norms, etc., besides making arrangements for movements of vehicular traffic with neighbouring countries.

The Department is also responsible for the formulation and implementation of policies relating to National Highways, Central Sector Fund Scheme, administration of Central Road Fund and sponsoring of research pertaining to road works.

Overall position

8.24 The overall position of budget provisions, actual disbursements and unspent provisions for the years 2003-06 is given below:

Table 8.21: Overall position

(Rupees in crore)

Year	Total provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted						
2003-04	5615.47	6478.47	5466.01	5521.28	149.46	957.19
2004-05	5458.20	7232.96	5030.89	5392.71	427.31	1840.25
2005-06	8584.38	10635.02	8136.21	9071.39	448.17	1563.63
Charged						
2003-04	0.40	5.40	0.33	4.12	0.07	1.28
2004-05	0.50	5.40	0.22	0.64	0.28	4.76
2005-06	0.75	5.90	0.51	4.87	0.24	1.03

Persistent excess expenditure/unspent provisions

8.25 There were persistent excess expenditure/ unspent provisions under revenue and Capital sections of the grant for the last three years. A few instances of excess expenditure and unspent provisions during the three years are given below:

Table 8.22: Persistent excess expenditure

(Rupees in crore)

Year	Major/ Sub-heads	Sanctioned available provision	Actual expenditure	Excess expenditure
2003-04	3054.02.800.02 - Road Work	14.02	14.15	0.13
2004-05	-do-	23.10	24.24	1.14
2005-06	-do-	16.72	16.79	0.07

Table 8.23: Persistent unspent provision

(Rupees in crore)

Sl. No.	Year	Major/ Sub-heads	Sanctioned available provision	Actual expenditure	Unspent provisions
1.	2003-04	3451.00.090.11 - Ministry of Road Transport and Highways	37.28	35.19	2.09
	2004-05	-do-	39.83	38.33	1.50
	2005-06	-do-	46.74	42.66	4.08
2.	2003-04	3054.01.052.01 - Maintenance of Machinery and Equipment	1.20	0.33	0.87
	2004-05	-do-	1.20	0.38	0.82
	2005-06	-do-	1.55	0.03	1.52

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(Rupees in crore)

Sl. No.	Year	Major/ Sub-heads	Sanctioned available provision	Actual expenditure	Unspent provisions
3	2004-05	3054.04.337.07 - Grants from Central Road Fund to U.T. Govts. without legislature	5.47	2.02	3.45
	2005-06	-do-	4.46	2.00	2.46
4	2003-04	3055.00.004.20 - Road Safety	28.16	27.62	0.54
	2004-05	-do-	30.90	27.85	3.05
	2005-06	-do-	28.56	22.21	6.35
5	2003-04	3601.02.105.01 - Grants for State Road	875.60	767.07	108.53
	2004-05	-do-	835.53	603.74	231.79
	2005-06	-do-	1478.55	1297.28	181.27
6	2003-04	3601.04.105.01 - Road of Inter State or Economic Importance	70.00	64.52	5.48
	2004-05	-do-	92.00	16.88	75.12
	2005-06	-do-	162.05	86.09	75.96
7	2003-04	5054.01.101.02 - Work Financed from National Highways Permanent Bridges Fees Fund	86.00	67.03	18.97
	2004-05	-do-	90.00	19.96	70.04
8	2003-04	5054.01.052.02 - Machinery & Equipment	8.00	6.29	1.71
	2004-05	-do-	3.00	2.72	0.28
	2005-06	-do-	13.00	12.62	0.38
9	2003-04	5054.01.337.01 - Works under Roads Wing Charged	4.80	3.73	1.07
	2004-05	-do-	4.60	0.03	4.57
	2005-06	-do-	5.00	4.05	0.95
		Voted			
	2003-04	-do-	2679.62	2654.51	25.11
	2004-05	-do-	3237.76	2587.10	650.66
	2005-06	-do-	4633.29	4626.16	7.13

Surrender of unspent provision

8.26 Rule 56(2) 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 to be held in reserve for any possible further excess. Test check revealed that contrary to this, the Ministry every year surrendered unspent provisions towards the end of the financial year. The details of amounts surrendered during 2003-06 are given below:

Table 8.24: Surrender of unspent provision

(Rupees in crore)

Year	Unspent Provision		Amount Surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2003-04	149.53	958.47	79.38	932.09	24.3.2004 31.3.2004
2004-05	427.58	1845.01	22.09	1183.80	28.3.2005 31.3.2005
2005-06	448.40	1564.66	141.67	1539.58	24.3.2006 31.3.2006

Rush of expenditure

8.27 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, large disbursements were made in the month of March of the financial year 2003-06. A few instances are given below:

Table 8.25: Rush of expenditure

(Rupees in crore)

Year	Major Head	Total expenditure	Expenditure incurred in March	Percentage of expenditure during the month of March of the year
2003-04	3054 - Road and Bridges	3952.28	3685.47	93
	3055 Road Transport	34.55	15.92	46
	5054 - Capital outlay on Roads & Bridges	5235.62	1929.94	37
	7075 - Loans for other transport & service	289.78	174.94	60
2004-05	3055 - Road Transport	36.09	13.54	38
	5054 - Capital outlay on Roads & Bridges	5032.85	1944.88	39
2005-06	3055 - Road Transport	30.39	8.84	29
	3601 - Grant in Aid to State Govts.	2062.19	458.68	22

Excess expenditure over appropriation/re-appropriation

8.28 In cases where the existing provision is not sufficient to cover the payments, the 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 years 2003-06 revealed that in the following

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cases the payments made were in excess of the available provisions, the department did not issue any re-appropriation orders to accommodate the final excess expenditure over the available provisions, indicating ineffective expenditure control by the controlling officer of the concerned grant.

Table 8.26: Excess expenditure over appropriation/re-appropriation

<i>(Rupees in crore)</i>						
Sl. No.	Major-head and Sub-head	Original (O) Re- appropriation	Total grant	Actual expenditure	Excess (+)	
2003-04						
1	3054.01.337.01 - Maintenance by Roads wing	O 689.54 S 4.25	693.79	714.63	20.84	
2	3054.02.337.01 - Road Maintenance	O 51.82 R 6.76	58.58	63.04	4.46	
3	3054.02.800.02 - Road works	O 22.09 R (-) 8.07	14.02	14.15	0.13	
4	3601.01.821.02 - Road works under BRDB (voted)	O 373.66 R 10.67	384.33	411.22	26.89	
5	3601.03.821.02 - Road works under BRDB	O 17.50 R 5.00	22.50	24.50	2.00	
6	5054.02.337.03 - Works under BRDB (voted)	O 356.40 S 0.01 R 133.57	489.98	510.67	20.69	
2004-05						
7	3054.02.337.01 - Road maintenance	O 55.67 S 20.06	75.73	75.83	0.10	
8	3054.02.800.02 - Road works	O 14.30 S 08.80	23.10	24.24	1.14	
9	3601.01.821.02 - Road works under BRDB (voted)	O 395.52 S 52.00	447.52	447.70	0.18	
10	3601.01.821.03 - Road Maintenance	O 160.80 S 1.42	162.22	168.02	5.80	
11	3601.01.821.04 - Expenditure on security cover	O 15.24	15.24	16.11	0.87	
12	5054.02.337.03 - Works under BRDB (voted)	O 372.55 R 97.85	470.40	574.42	104.02	
2005-06						
13	3054.02.337.01 - Road Maintenance	O 77.50 S 8.32 R - 6.32	79.50	81.17	1.67	
14	3054.02.337.02 - Maintenance by Border Road Wing	O 0.51 S 0.03	0.54	0.86	0.32	
15	3601.01.821.02 - Road works under BRDB (voted)	O 433.12 S 24.30 R - 16.42	441.00	446.64	5.64	

Review of Selected Grants

(Rupees in crore)

Sl. No.	Major-head and Sub-head	Original (O) Re- appropriation	Total grant	Actual expenditure	Excess (+)
16	5054.01.101.02 - Works financed from National Highways Permanent Bridges fees fund	O 90.00 R - 55.00	35.00	35.48	0.48
17	3054.02.800.02 Road Work	25.00 - 8.28	16.72	16.79	0.07

Injudicious re-appropriation of funds to sub-heads

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

Table 8.27: Injudicious re-appropriation of funds

(Rupees in lakh)

Year	Sub-heads	Provision	Actual expenditure	Savings (-)
	Charged			
2003-04	5054.02-337.03 - works under BRDB	O O 30.00 S S 10.00 R R 20.00	39.17	- 20.83
	Voted			
2005-06	3054-01.337.03 - National Highways Tribunals	S S 1.00 R R 4.30	--	- 5.30

Unrealistic estimation of supplementary grants

8.30 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 but the final expenditure was for less than even the original grants. This indicates lack of monitoring and expenditure control.

Table 8.28: Unspent supplementary Grants

(Rupees in lakh)

Year	Sub head	Provision	Actual Expenditure	Unspent provision (-)
2003-04	5054.02.337.03 - works under BRDB	O 30.00 S 10.00 R 20.00	39.17	20.83

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(Rupees in lakh)

Year	Sub head	Provision	Actual Expenditure	Unspent provision (-)
2004-05	3054.02.800.01 - Bhutan Compensatory Allowance	O 229.00	222.58	23.42
		S 17.00		
	3601.01.821.02 - Road works under BRDB(Charged)	O 40.00 S 10.00 R -15.00	22.26	12.74
2005-06	3054.01.337.01 - Maintenance by Road Wing	O 401920.00	258710.28	65065.72
		S 1.00		
		R -78145.00		
	3054.01.337.03 - National Highways Tribunals	S 1.00 R 4.30	-	5.30
3055.00.004.20 - Road Safety	O 3555.00	2221.35	634.65	
	S 1.00			
	R -700.00			
3601.01.821.02 - Road Works under BRDB (charged)	O 50.00	51.17	18.83	
	S 25.00			
	R -5.00			

Deficient internal audit system

8.31 The Internal Audit wing of the Department of Road, Transport and Highways under the Administrative control of the Ministry of shipping, Road Transport and Highways is responsible for conducting internal audit of the units under this Ministry. There are 36 units under the jurisdiction of internal audit wing, only 9 to 17 units had been inspected during the year 2003-06 as detailed below:

Table 8.29: Functioning of Internal Audit

Year	Total no. of units	No. of units actually inspected	Percentage of units inspected
2003-04	36	9	25
2004-05	36	17	47
2005-06	36	10	28

The above table indicates that the position of internal audit of the Ministry was not satisfactory. Keeping in view the large amount of funds funded by the Ministry 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. 89-- Department of Space

Introduction

8.32 The Department of Space (DOS) and its constituent units are responsible for planning and execution of national space activities. Its primary objective is to promote the development and applications of space technology and space science for the socio-economic benefits of the nation.

Overall position

8.33 The overall position of budget provisions, actual expenditure and unspent provision for the years 2003-06 is given below:

Table 8.30: Overall position

Year	Total Provision		Actual expenditure		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
<i>(Rupees in crore)</i>						
Voted						
2003-04	1888.23	480.08	1810.67	457.69	77.56	22.39
2004-05	2166.94	564.35	1971.61	562.44	195.33	1.91
2005-06	2539.76	607.89	2103.81	563.40	435.95	44.49
Charged						
2003-04	0.23	0.35	0.13	0.32	0.10	0.03
2004-05	0.38	0.35	0.18	0.12	0.20	0.23
2005-06	0.42	0.35	0.04	0.35	0.38	-

Surrender of unspent provisions

8.34 Rule 56(2) of 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.

Test check revealed that contrary to the rules, Department surrendered the unspent provision towards the end of financial years 2003-06. The details of amount under Revenue and Capital surrendered and not surrendered during 2003-06 are as under:

Table 8.31: Surrender of unspent provisions

Year	Total unspent provision		Amount surrendered		Amount not surrendered	Date of surrender of unspent provision
	Revenue	Capital	Revenue	Capital		
2003-04	77.67	22.42	74.39	18.80	6.90	20.03.2004
2004-05	195.54	2.13	191.23	--	6.44	21.03.2005
2005-06	436.33	44.49	430.00	42.90	7.92	21.03.2006

Projects/schemes affected by unspent provision

8.35 Some of the important projects affected by unspent provisions are discussed in the succeeding paragraphs.

(i) **Oceansat-2**

The earth observation system during the Tenth Five year plan (2002-07) was launched for the programme "Oceansat-2" for ocean and coastal applications. A perusal of appropriation accounts for the years 2003-05 revealed that budget provisions of Rs. 20.00 crore and Rs. 19.50 crore remained unutilised due to non-receipt of approval of the Project. Table below depicts the details:

Table 8.32: Unspent provisions

Year	Budget provision	Actual disbursement	Savings
2003-04	20.00	-	20.00
2004-05	19.50	-	19.50
2005-06	48.50	24.89	23.61

(ii) **Resourcesat- 2**

The earth observation system during the Tenth Five year plan (2002-07) was launched for the programme "Resourcesat-2" for resource management applications to provide continuity of services with improved capabilities. A perusal of appropriation accounts revealed that budget provisions made for the same during the years 2003-06 remained unutilised due to non-receipt of approval of the Project. Table below depicts the details:

Table 8.33: Unspent provisions

Year	Budget provision	Actual disbursement	Savings
2004-05	5.00	-	5.00
2005-06	5.00	-	5.00

Unrealistic budgeting

8.36 As per Rule 48 (2) of the General Financial Rules, Ministries/Departments have to *inter alia* 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/Planning Commission.

Scrutiny of Appropriation Accounts for the years 2003-06 revealed that under a number of sub-heads, provisions remained unutilised during the years 2003-06 and were re-appropriated to other head, defeating the original purpose for which the budget provisions were passed by the Parliament. A few instances are given below:

Table 8.34: Unrealistic budgeting

(Rupees in crore)

Major Head and Sub head	Budget provision	Actual expenditure	Savings	Percentage of saving
Revenue section				
2003-04				
3402.00.101.29 - IRS-II B/C (Oceansat -2/ Resourcesat -2)	20.00	-	20.00	100
3402.00.103.10-ASTROSAT	10.00	-	10.00	100
2004-05				
3402.00.101.29 -Oceansat-II	19.50	-	19.50	100
3402.00.101.37 -Resourcesat-II	5.00	-	5.00	100
2005-06				
3402.00.101.27 -Second Launch Pad and Common facilities	0.10	-	0.10	100
3402.00.101.37 - Resourcesat-II	5.00	-	5.00	100
3402.00.101.38- Satellite Navigation	340.00	-	340.00	100
Capital Section				
2003-04				
5402.00.101.29 - GSAT-4 -	1.00	-	1.00	100
5402.00.283.06 - Regional Remote Sensing Service Centre	0.02	-	0.02	100
2004-05				
5402.00.101.13 - IRS P6 (Resourcesat)	0.10	-	0.10	100
5402.00.101.26 – Space Capsule Recovery Experiment (SRE)	1.75	-	1.75	100
5402.00.101.30 – Oceansat-2	0.50	-	0.50	100
5402.00.103.02 – Space Science (Astrosat)	1.00	-	1.00	100
5402.00.283.04 – ISRO Telemetry tracking and Command Net-work	0.01	-	0.01	100
2005-06				
5402.00.101.26 – Space Capsule Recovery Experiment (SRE)	1.00	-	1.00	100
5402.00.101.31 – Satellite Navigation	10.00	-	10.00	100
5402.00.283.04 - ISRO Telemetry, Tracking & Command Network	0.01	-	0.01	100

Injudicious re-appropriation of funds to sub-heads

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

Table 8.35: Injudicious re-appropriation of funds

(Rupees in crore)

Major Head and Sub-Head	Total Grant	Actual Expenditure	Saving (-) Excess (+)
2003-04			
5402.00.283.04-ISRO Telemetry, Tracking & Command Network	O 0.05 R 0.06	0.04	- 0.07
2004-05			
3402.00.101.30-Radar Development Cell (RDC)	O 1.06 R 0.02	1.06	- 0.02
3402.00.798.02-Other programmes	O 0.41 R 0.02	0.40	- 0.03

Rush of expenditure

8.38 Rush of disbursements, particularly in the closing month of the financial year is to be regarded as breach of financial regularity and should be avoided. Contrary to this, large disbursements were made in March during the years 2003-06 under the following major heads of account:

Table 8.36: Rush of expenditure

(Rupees in crore)

Major Head	2003-04			2004-05			2005-06		
	Total expenditure	Expenditure in March 2004	Percentage	Total expenditure	Expenditure in March 2005	Percentage	Total expenditure	Expenditure in March 2006	Percentage
3252 - Satellite Systems	434.04	101.23	23	308.49	127.67	41	415.58	215.07	52
3402 - Space Research	1372.70	356.84	26	1658.44	564.69	34	1683.14	348.99	21
5252 - Capital outlay on Satellite System	45.24	12.20	27	28.63	14.26	50	16.57	4.99	30
5402 - Capital outlay on Space System	412.45	253.15	61	533.81	335.87	63	546.83	331.63	61

Outstanding utilisation certificates

8.39 As per Rule 212 (1) 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 up to 2004-05 by Department of Space revealed that utilisation certificates in 336 cases involving Rs. 23.95 crore were outstanding as of 31.3.06 as shown in Appendix VIII-D:

Grant No. 94 – Ministry of Tribal Affairs

Introduction

8.40 The Ministry was constituted in October 1999 by bifurcation of the Ministry of Social Justice and Empowerment, with an objective of providing more focused attention on the integrated socio-economic development of the Scheduled Tribes (STs) in a coordinated and planned manner.

Overall position

8.41 The overall position of budget provisions, actual disbursements and unspent provisions for the years 2003-06 is given below:

Table 8.37: Overall position

Year	Total provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted						
2003-04	128.02	41.26	73.78	17.29	54.24	23.97
2004-05	138.32	50.26	88.16	24.75	50.16	25.51
2005-06	97.14	36.01	86.31	---	10.83	36.01
Charged						
2003-04	928.43	-	810.05	-	118.38	-
2004-05	970.43	-	949.82	-	20.61	-
2005-06	1376.61	-	1313.62	-	62.99	-

Persistent unspent provision

8.42 There were persistent unspent provisions under the revenue and capital sections of the grant for the last three years. A few instances of unspent provision and excess expenditure during the above three years are given in Appendix VIII-E and F. There is, therefore, a need for review of the budgetary assumptions and the efficiency of programme management.

Excess expenditure over appropriation/re-appropriation

8.43 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.

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Test check of head-wise appropriation accounts for the years 2003-2006 revealed that in the following cases, though the expenditure had exceeded the available provisions under the sub-heads concerned, the authority administering the grant/appropriation did not issue any re-appropriation orders to adequately accommodate the final excess expenditure over the available provisions. This was indicative of deficient budgetary control.

Table 8.38: Excess expenditure over appropriation/re-appropriation

(Rupees in crore)

Year	Sub-head	Original/Re-appropriation	Actual expenditure	Final excess expenditure
2003-04	2251.00.090.16 - Ministry of Tribal Affairs	O 4.74 R (-)1.12	3.71	0.09
	2225.02.800.10 - Education complex in low literacy Pockets for Development of Women Literacy in Tribal Areas	O 8.00 R (-)2.28	5.75	0.03
	2225.02.800.19 - Grant-in-aid to NGOs for STs including Coaching and Allied Scheme and award for Exemplary service	O 30.50 R (-) 3.61	26.90	0.01
2004-05	2251.00.090.16 - Ministry of Tribal Affairs	O 6.16 R (-)1.87	4.33	0.04
	2225.02.277.05 - Development of Primitive Tribal Groups	O 6.00 R (-)0.34	5.80	0.14
	2225.02.277.10 - Grant-in-aid to NGOs for STs including Coaching and Allied Scheme and award for exemplary services	O 0.50 R (-)0.37	0.14	0.01
	2225.02.800.11 - Vocational training in Tribal Areas	O 4.00 R (-)3.58	0.57	0.15
2005-06	2225.02.001.06 - National Commission for Scheduled Tribes	O 4.56 R (-)1.37	3.28	0.09
	2225.02.800.19 - Grant-in-aid to NGOs for STs including Coaching and Allied Scheme and award for exemplary service	O 22.35 R 3.73	26.11	0.03
	2225.02.800.21 - Research Information and Mass Education, Tribal Festivals and others	O 2.20 R (-)0.91	1.37	0.08

Unrealistic budgeting

8.44 Rule 48 of the General Financial Rules provides that the Ministries/Departments should prepare their estimates keeping in view the trends of disbursement during the previous years and other relevant factors like economy instructions issued by the Ministry of Finance. Scrutiny of the Appropriation Accounts for the years 2003-06 revealed that under the sub-heads shown in Appendix-VIII-G, 53 to 100 percent of the provisions remained unutilised and were re-appropriated to other heads defeating the

purpose for which the original budget provisions were passed by the Parliament.

Surrender of unspent provision

8.45 Rule 56 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 of Appropriation Accounts revealed that contrary to rules, the Ministry surrendered unspent provisions towards the end of the year during the last three years. The details of amounts surrendered during 2003-06 are follows:

Table 8.39: Surrender of unspent provision

(Rupees in crore)

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2003-04	172.61	23.97	171.34	23.97	31.03.2004
2004-05	70.77	25.51	69.61	25.51	31.03.2005
2005-06	73.82	36.01	73.61	36.01	31.03.2006

Rush of expenditure

8.46 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, the expenditure incurred during the month of March in past three years under the major heads as shown in table below ranged from 20 per cent to 100 per cent of the total expenditure.

Table 8.40: Rush of expenditure

(Rupees in crore)

Year	Major Head	During the year	During March (Percentage)
2003-04	2225 – Welfare of SC, ST and OBCs.	54.08	15.83 (29)
	4225 – Capital Outlay on Welfare of SC, ST and OBCs.	17.29	15.42 (89)
2004-05	2225 – Welfare of SC, ST and OBCs.	58.81	21.70 (37)
	2251 – Secretariat-Social Services.	4.33	0.85 (20)
	4225 – Capital Outlay on Welfare of SC, ST and OBCs.	24.75	24.75 (100)
	3601 – Grants-in-aid to State Governments.	974.82	269.29 (28)
2005-06	2225 – Welfare of SC, ST and OBCs.	55.64	28.26 (51)

Non-utilisation of entire funds or appropriation thereof

8.47 The entire provision under 23 sub-heads shown in Appendix-VIII-H during 2003-2006 either remained unutilised or was re-appropriated/surrendered. Evidently, provisions were made without adequate pre-budget scrutiny of projects and schemes in violation of the instructions contained in budget circulars issued by the Ministry of Finance each year.

Schemes affected by unspent provisions

8.48 Some of the important schemes affected by unspent provisions are discussed in the succeeding paragraphs.

(i) Vocational Training in Tribal Areas

The scheme was introduced in 1992-93 with a view to develop the skills of the tribal youth for a variety of jobs as well as self employment and to improve their socio-economic condition by enhancing their income. Analysis of the budget provision and actual disbursement revealed that increasingly large proportions of the allocations remained unspent during 2003-06 as detailed below:-

Table 8.41: Vocational Training in Tribal Areas

(Rupees in crore)

Year	Sanctioned Provision	Actual Expenditure	Unspent Provision	Percentage	Reasons given by the Ministry
2003-04	4.00	1.18	2.82	71	The saving was due to the cut imposed by Department of Expenditure at revised estimate stage and non-receipt of complete proposals.
2004-05	4.00	0.57	3.43	86	The saving was due to the non receipt of complete proposals.
2005-06	1.40	0.73	0.67	48	The saving was due to late receipt of the proposals recommended by the State Committee.

Utilisation of only 14 to 52 *per cent* of the targeted outlay of the scheme indicated lax implementation leading to non-achievement of the aims and objectives of this scheme.

(ii) Construction of Adivasi Bhavan

An Adivasi Bhavan was to be constructed at New Delhi to give a platform to the tribals for showcasing their tribal and folk art and culture and give them a chance for inter-exposure and to provide a window to tribal culture for non-tribals. It was to house documentation of history, art and culture relating to tribals. The budget provision for this scheme for the year 2004-05 was Rs. 7 crore. Analysis of the budget provision and actual disbursement revealed that entire allocations remained unspent during 2004-06 as detailed below:-

Table 8.42: Construction of Adivasi Bhavan

(Rupees in crore)

Year	Sanctioned provision	Actual expenditure	Unspent provision	Percentage	Reasons given by the Ministry
2004-05	7.00	--	7.00	100	Entire provision remained unutilised due to non-availability of land for Adivasi Bhavan.
2005-06	0.01	--	0.01	100	

Non-utilisation of the entire provision of the scheme indicated lax implementation leading to non-achievement of the aims and objectives.

Deficient internal audit system

8.49 The internal audit of the Ministry of Tribal Affairs is under the control of Pr. Pay and Accounts Office, Ministry of Human Resources Development. During scrutiny of records relating to internal audit, it was noticed that no internal audit of this Ministry had been conducted since its inception. This is a serious deficiency and needs to be addressed immediately.

Chapter 9

MANAGING GOVERNMENT FINANCES: A GENERAL EVALUATION

Indicators of Fiscal Performance

9.1 This chapter presents a summarised position of government finances over 1985-2006, 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 shown in table 9.1 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 to GDP ratio indicates the adequacy of the present flow of resources for the provision of current services. Revenue receipts comprise 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 1985-2006, the VIII and IX Plans (1992-1997 and 1997-2002) and for the first four years of the X Plan (2002-07).

Table 9.1: Indicators of Resource Mobilisation

Indicator	(Per cent)						
	1985-2006	VIII Plan (1992-1997)	IX Plan (1997-2002)	2002-03	2003-04	2004-05	2005-06
Revenue Receipt/GDP	12.51	12.71	12.40	12.14	12.29	12.14	12.20
Gross Tax Receipt/GDP	9.35	9.32	8.68	8.76	9.22	9.82	10.37
Revenue Buoyancy*	0.94	0.94	0.78	1.59	1.11	0.89	1.05
Tax Buoyancy*	0.93	0.96	0.86	1.90	1.50	1.59	1.46
Return on Advances	11.96	11.23	14.15	15.11	15.91	14.30	13.36
Return on Investment	5.21	2.35	5.30	8.83	9.84	13.29	18.78
User Charges Recovery- Social Services	6.68	9.57	3.59	2.03	1.91	1.49	4.28
User Charges Recovery- Economic Services	52.34	57.22	55.80	43.07	45.27	51.37	45.39

* Revenue and Tax buoyancy coefficients are in ratios.

9.3 The ratio of revenue receipts to GDP witnessed a decelerating trend. Compared to the values during the VIII Plan (1992-1997), the ratio declined to 12.40 during the IX Plan (1997-2002) and further to an average of 12.19 during the first four years of X Plan (2002-07). Tax collections, however, remained buoyant during the first four years of X Plan period and the same was reflected in an increase in tax-GDP ratio. The ratio indicated continuous improvement during the first four years of the X Plan (2002-07) and exceeded 10 *per cent* in the current year for the first time since 1992-93. Though there was an improvement in tax buoyancy during the recent years, this needs to be sustained. Revenue buoyancy, which was less than one during the VIII Plan (1992-2002) and deteriorated further during IX Plan (1997-2002), not only improved but also exceeded one in three out of four years during the X Plan period. 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, eight indicators shown in table 9.2 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. Values of these parameters over the defined time frame are indicated in Table 9.2.

Table 9.2: Indicators of Expenditure Management

Indicator	(Per cent)						
	1985-2006	VIII Plan (1992-97)	IX Plan (1997-2002)	2002-03	2003-04	2004-05	2005-06
Total Expenditure/GDP	19.29	19.66	19.56	19.29	18.36	17.69	17.25
Revenue Expenditure/GDP	15.88	15.51	16.36	16.59	15.95	14.67	15.31
Revenue Expenditure/Total Expenditure	82.31	78.88	83.61	85.99	86.83	82.93	88.74
Plan Expenditure/Total Expenditure	23.14	23.68	20.99	23.40	24.13	24.20	23.08
Capital Expenditure/Total Expenditure	8.50	9.61	7.01	6.40	6.98	9.77	9.21
Development Expenditure*/ Total expenditure	42.01	42.24	40.40	39.96	40.10	38.69	41.31
Buoyancy of Total Expenditure with Net Revenue Receipts (Ratio)	0.93	0.76	1.09	0.53	0.49	0.75	0.76
Buoyancy of Revenue Expenditure with Net Revenue Receipts (Ratio)	1.04	0.94	1.28	0.70	0.57	0.32	1.30

* Development expenditure is total expenditure on social and economic services and the denominator total expenditure here excludes loans and advances.

9.5 As in the case of parameters on resources mobilisation, movement of parameters relating to expenditure also presented a mixed picture. Capital expenditure as a percentage of total expenditure witnessed deceleration to 7.01

per cent during IX Plan (1997-2002) from the level of 9.61 per cent in VIII Plan (1992-97). It however exhibited an acceleration trend during the last two years and it almost regained the average level of VIII Plan period. The share of development expenditure and plan expenditure in total expenditure remained almost stable over time while that of revenue expenditure has reflected an increasing trend and risen from an average of 78.88 per cent in VIII Plan (1992-97) to 83.61 per cent in IX Plan (1997-2002) and further to an average of 86.12 per cent during the first four years of the X Plan (2002-07). The buoyancy of total and revenue expenditure with revenue receipts indicated a mixed trend during the period 1985-2006.

Management of Fiscal Imbalances

9.6 Five indicators shown in table 9.3 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 and Rules made thereunder, as they stand now, has mandated the government to take appropriate steps to (i) eliminate revenue deficit by 31 March 2009 and thereafter build adequate revenue surplus, and (ii) to bring down the fiscal deficit to not more than 3 per cent of GDP by 31 March 2009. 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

Indicator	(Per cent)						
	1985-2006	VIII Plan (1992-97)	IX Plan (1997- 2002)	2002-03	2003-04	2004-05	2005-06
Revenue Deficit/GDP	3.37	2.80	3.95	4.44	3.66	2.53	3.11
Fiscal Deficit/GDP	5.49	6.04	6.25	5.45	2.93	3.34	4.67
Primary Deficit/GDP	1.08	1.77	1.49	0.41	-1.70	-0.87	0.67
Revenue Deficit/Fiscal Deficit	61.47	46.26	63.26	81.56	124.77	75.82	66.51
Balance From Current Revenue (Rupees in crore)	-9849	-2191	-28622	-38195	-22348	8794	2161

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 the peak level of 124.77 per cent in 2003-04. It was for the first time that revenue deficit exceeded fiscal deficit. During the subsequent years though the ratio indicated an improvement but still it is considerably higher and exceeds the levels already achieved in VIII and IX

Plan periods. Complete elimination of revenue deficit as mandated by the FRBM Act 2003 may therefore need greater efforts. The ratio of fiscal deficit to GDP, which had witnessed a sharp improvement in 2003-04 due to augmented recovery of past loans, could not sustain the momentum even though recoveries of loans and advances continued to exceed fresh advances till 2004-05 and in the current year, the shortfall was only marginal. The fiscal policy has a significant role in maintaining the macroeconomic stability but its efficacy and effectiveness depends upon the structure of fiscal deficit. However, the large structural fiscal deficit caused due to dominant share of structural primary deficit and structural interest payments have reduced the role that cyclical component of fiscal deficit can play during the periods of macroeconomic fluctuations. The primary surplus, which was experienced consecutively for two years in 2003-04 and 2004-05 for the first time in over 30 years again turned into a deficit in the current year mainly on account of enhanced spending on social and economic services and grants in aid to States and UT Governments. Balance from the current revenue indicates the non-plan revenue balances and if these are positive, there is to that extent, funding of plan expenditure from the current revenue. BCR, which had turned negative in 1990-91, became positive in 2004-05. BCR continued to be positive in the current year but exhibited a declining trend. Greater efforts are needed to address the fiscal imbalances which indicate deteriorating trend during the current year.

Management of Fiscal Liabilities

9.8 Sustainability of debt is the key issue in the assessment of government finances. 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 and GDP growth (referred 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 seven indicators of management of fiscal liabilities are indicated in Table 9.4 below.

Table 9.4: Indicators of Management of Fiscal Liabilities

Indicator	<i>(Per cent)</i>						
	1985-2006	VIII Plan (1992-97)	IX Plan (1997-2002)	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities/GDP	59.46	60.72	59.08	62.69	60.13	58.71	55.75
Debt Redemption to Debt Receipt	95.89	93.10	94.70	97.87	105.33	95.78	99.44
Average Interest Rate-Total Liabilities	7.93	7.91	9.06	8.90	8.28	7.89	7.75
Domar Gap	5.79	8.63	1.37	-0.69	3.48	4.63	5.97
Ratio of Assets to Liabilities	45.96	57.68	50.90	44.78	41.48	39.36	39.32

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(Per cent)

Indicator	1985-2006	VIII Plan (1992-97)	IX Plan (1997-2002)	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities/ Revenue Receipt	476	478	476	516	489	484	457
Buoyancy of Assets	0.73	0.83	0.70	0.40	-0.10	0.43	0.98

9.9 Trends in parameters relating to the management of fiscal liabilities also present a mixed picture. The debt to GDP ratio after getting consolidated during the IX Plan (1997-2002) witnessed a sharp increase in 2001-02 and after reaching the peak level in 2002-03 it exhibited the declining trend in subsequent years. However, while the ratio got moderated in the last three years due to a lower growth of fiscal liabilities relative to GDP, it is still considerably higher. While the interest rate on fiscal liabilities increased during the IX Plan, a deceleration was observed in the recent years. Nevertheless, due to a larger overhang of debt, the 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 consistently from an average of 57.68 *per cent* during the VIII five year plan to 39.32 *per cent* in 2005-06 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. Overall buoyancy of assets during 1985-2006 was 0.73 indicating that for each one *per cent* increase in liabilities, assets had grown only at 0.73 *per cent*. Buoyancy of assets continued to decelerate from VIII Plan period to 2003-04 when the assets actually declined over the previous year but in the subsequent years buoyancy has picked up and reached the peak level in the current year.

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 19 th March, 2007

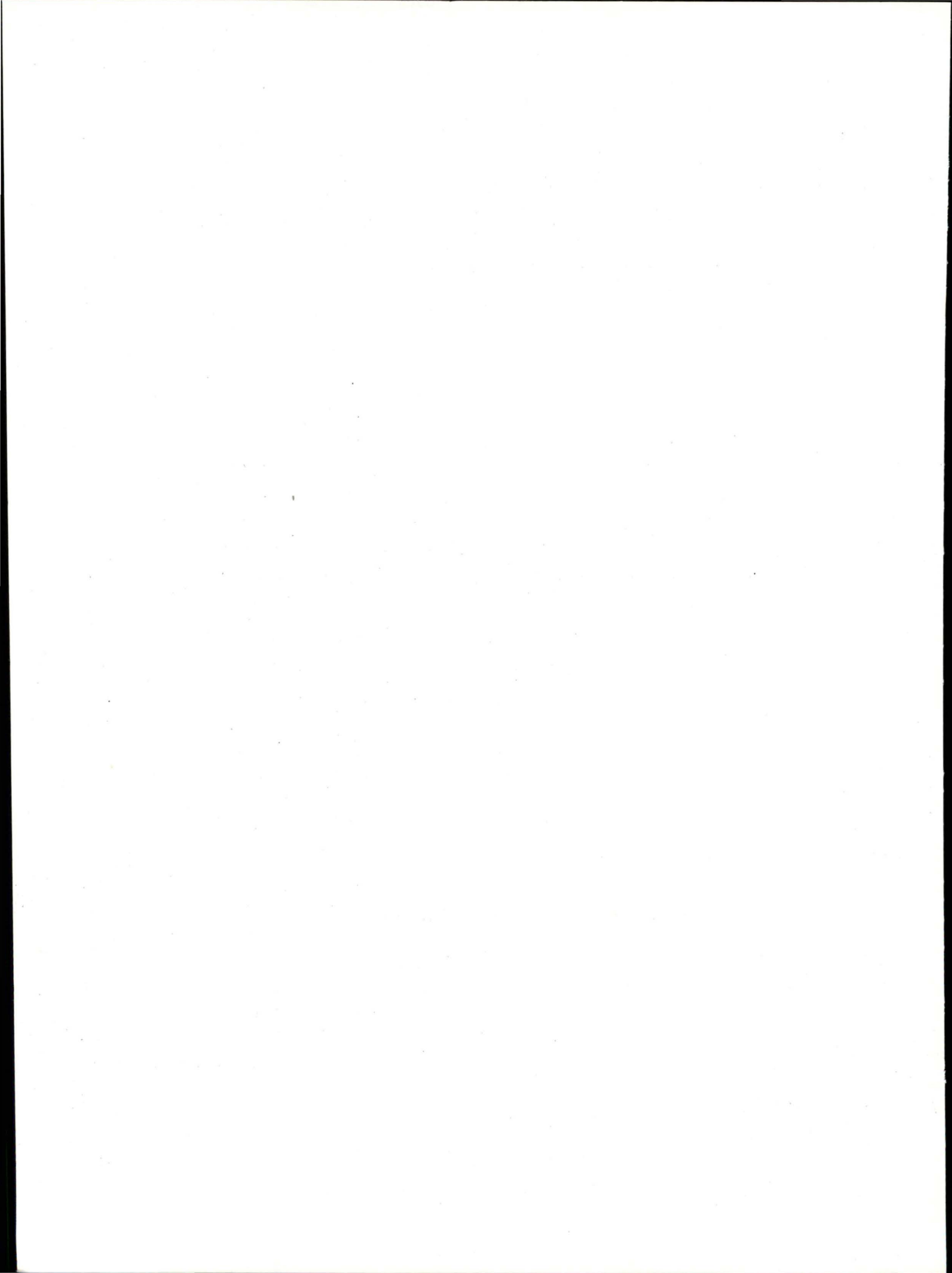
Countersigned



(VIJAYENDRA N. KAUL)

New Delhi

Dated 21th March, 2007 Comptroller and Auditor General of India



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Appendix-I-A

(Refers to paragraph 1.23)

Major amounts* owed by importers (outstanding since 1997)**

(Rupees in crore)

Sr. No.	Name of the importer	No. of loans	Amount
1.	Videsh Sanchar Nigam Ltd.	1	0.69
2.	M/o Railway	3	5.37
3.	Railway Board	1	1.21
4.	Rail Coil Spring	1	0.71
5.	Pyrites, Phosphates & Chemicals Ltd.	2	15.04
6.	ITI, Naini Allahabad	1	1.41
7.	M/o Water Resources	2	0.52
8.	Pawan Hans Ltd.	1	49.17
9.	Banaras Hindu University	1	5.66
10.	D/o Telecommunication	6	1.47
11.	Hindustan Copper Ltd.	2	2.35
12.	Indian Farmers Fertilizers Cooperative Ltd.	3	1.43
13.	Minerals & Metal Trading Cooperation	1	1.44
14.	M/o Road Transport and Highways	1	6.41
15.	Delhi Electric Supply Undertaking	1	7.80
16.	Lakshdeep Administration	1	0.57
17.	Bhillai Steel Plant	1	0.51
18.	Coal India Ltd. (WB)	3	16.76
19.	CMPDI, Ranchi	1	0.86
20.	Oil & Natural Gas Commission	2	6.79
21.	Andhra Pradesh State Electricity Board	1	4.75
22.	Helicopter corp. of India	1	67.24
23.	KRIBHCO	1	0.71
24.	Fund Bank IV	1	0.77
25.	M/o Power	1	0.85
26.	District Poverty Initiative Project	1	0.53
27.	Indian Council of Agriculture Research	1	0.80
Total		42	201.82

*Above Rs. 0.50 crore **Position as on 9th August 2006.

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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
2004-05	455571	53654	40108	549333
2005-06	540637	56119	12493	609249

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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
2004-05	1275971	60877	191271	263048	92989	1692885	1823279
2005-06	1389758	94243	194199	275380	109462	1868843	1968799

* Current rate of exchange is not available.

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APPENDIX-V-B
(Refers to paragraph 5.22)
Unutilised external assistance – Sector-wise

(Rupees in crore)

Sl. No.	Sector	Unutilised external assistance at current rate
1.	Power	2462.93
2.	Roads	14960.11
3.	Social	2331.23
4.	Urban Development	8051.70
5.	Water Resources Management	4962.15
6.	Atomic Energy	8053.99
7.	Agriculture and Rural Development	3213.68
8.	Environment and Forestry	1969.15
9.	Infrastructure sector (General)	2516.56
10.	Others	1948.35
11.	Railways	1892.92
12.	PW	1785.20
13.	Energy (Non-conventional)	761.00
14.	Structure adjustment/Fast disb.	156.21
15.	Health	1181.61
16.	Industry and Finance	85.23
17.	Infrastructure sector (Telecom)	16.88
18.	Energy sector	7.96
19.	Fertilizer	0.62
20.	Coal	0.38
21.	Water Supply and Sanitation	447.90
Total		56805.76

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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	260248.55	34783.94	295032.49	273930.81	21101.68
II. Capital	25971.77	1101.41	27073.18	20225.15	6848.03
III. Loans and Advances	6301.90	1643.44	7945.34	7112.84	832.50
Total	292522.22	37528.79	330051.01	301268.80	28782.21
Charged					
IV. Revenue	164935.93	611.61	165547.54	168074.09	*(+)2526.55
V. Capital	53.11	4.19	57.30	25.44	31.86
VI. Public Debt	601477.12	420203.72	1021680.84	1115210.06	*(+)93529.22
VII. Loans and Advances	1178.77	4674.00	5852.77	5507.06	345.71
Total	767644.93	425493.52	1193138.45	1288816.65	*(+)95678.20
Grand Total	1060167.15	463022.31	1523189.46	1590085.45	(+)66895.99
Recoveries in reduction of disbursements			18341.74	19185.24	
Total Net Provision			1504847.72		
Total Net Disbursement				1570900.21	
B - Posts					
Voted					
I. Revenue	6279.84	51.62	6331.46	6429.11	(+)97.65
II. Capital	318.19	48.90	367.09	268.98	98.11
Total	6598.03	100.52	6698.55	6698.09	0.46
Charged					
III. Revenue	0.02	0.08	0.10	0.04	0.06
IV. Capital	-	0.36	0.36	0.22	0.14
Total	0.02	0.44	0.46	0.26	0.20
Grand Total	6598.05	100.96	6699.01	6698.35	0.66
Recoveries in reduction of disbursements			111.25	195.78	
Total Net Provision			6587.76		
Total Net Disbursement				6502.57	

*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	51362.97	541.25	51904.22	51302.99	601.23	
II. Capital	34360.28	-	34360.28	32326.31	2033.97	
Total	85723.25	541.25	86264.50	83629.30	2635.20	
Charged						
III. Revenue	18.27	1.25	19.52	19.36	0.16	
IV. Capital	14.86	-	14.86	11.57	3.29	
Total	33.13	1.25	34.38	30.93	3.45	
Grand Total	85756.38	542.50	86298.88	83660.23	2638.65	
Recoveries in reduction of disbursements			284.60	281.27		
Total Net Provision			86014.28			
Total Net Disbursement				83378.96		
D - Railways						
Voted	88496.24	9721.98	98218.22	97008.77	1209.45	
Charged	42.27	51.86	94.13	80.94	13.19	
Total	88538.51	9773.84	98312.35	97089.71	1222.64	
Recoveries in reduction of disbursements			28820.07	32962.75		
Total Net Provision			69492.28			
Total Net Disbursement				64126.96		
Total	Voted	473339.74	47892.54	521232.28	488604.96	32627.32
CFI	Charged	767720.35	425547.07	1193267.42	1288928.78	* (+)95661.36
Grand Total CFI		1241060.09	473439.61	1714499.70	1777533.74	* (+)63034.04
Total recoveries in reduction of expenditure				52625.04		
Total CFI as per Finance Account				1724908.70		

* 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	21290.01	7680.81	188.29	0.28	21101.72	7680.53
No. of grants	89	64	3	1		
Charged	818.31	377.56	3344.89	93529.22	(+)2526.58	* (+)93151.66
No. of Appropriations	35	11	3	1		
B - Posts						
Voted	-	98.11	97.65	-	* (+)97.65	98.11
No. of grants	-	1	1	-		
Charged	0.06	0.14	-	-	0.06	0.14
No. of Appropriations	1	1	-	-		
C - Defence Services						
Voted	643.99	2033.97	42.76	-	601.23	2033.97
No. of grants	4	1	1	-		
Charged	2.24	3.29	2.08	-	0.16	3.29
No. of Appropriation	4	1	1	-		
D - Railways						
Voted	2306.09	1194.42	132.55	2158.52	2173.54	(+)964.10
No. of grants	12	1	3	1		
Charged	9.95	8.29	2.43	2.64	7.52	5.65
No. of Appropriations	1	1	10	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.	1994-95	94380	254781	349161	87054	216958	304012	29	71
2.	1995-96	96720	282079	378799	90196	231831	322027	28	72
3.	1996-97	107583	313320	420903	96316	280355	376671	26	74
4.	1997-98	145613	486038	631651	132239	452232	584471	23	77
5.	1998-99	139083	504105	643188	139488	468679	608167	23	77
6.	1999-2000	157780	512075	669855	148642	453196	601838	25	75
7.	2000-01	173677	530530	704207	160753	405289	566042	28	72
8.	2001-02	218136	481679	699815	201574	473950	675524	30	70
9.	2002-03	230649	547152	777801	213833	504119	717952	30	70
10.	2003-04	254328	564275	818603	231100	599889	830989	28	72
11.	2004-05	278555	703835	982390	252254	724942	977196	26	74
12.	2005-06	330051	1193138	1523189	301269	1288817	1590085	19	81

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APPENDIX-VI-D

(Refers to paragraph 6.10)

Rush of Expenditure during the month of March 2006 and last quarter of 2005-06

<i>(Rupees in crore)</i>						
Sl. No.	Description of the Grant and Major Head	Total expenditure under major head	Expenditure in March	Percentage of expenditure in March to total expenditure	Expenditure incurred during last quarter	Percentage of expenditure during the last quarter of financial year
1 - Department of Agriculture and Cooperation						
1.	4401 – Capital Outlay on Crop Husbandry	7.05	4.64	66	5.27	75
3 - Department of Animal Husbandry and Dairying						
2.	4405 – Capital Outlay on Fisheries	1.70	1.70	100	1.70	100
4 – Ministry of Agro and Rural Industries						
3.	6851 – Loans for Village and Small Industries	1.16	1.01	87	1.01	87
5 – Atomic Energy						
4.	4859 – Capital Outlay on Telecommunication and Electronics Industries	9.00	-	-	9.00	100
6 – Nuclear Power Schemes						
5.	6801 – Loans for Power Projects	1194.55	587.55	49	597.55	50
7 – Department of Chemicals and Petro-chemicals						
6.	6856 – Loans for Petrochemical Industries	1.49	0.42	28	1.29	87
7.	6857 – Loans for Chemical and Pharmaceutical Industries	70.58	33.06	47	41.56	59
8 – Department of Fertilisers						
8.	6855 – Loans for Fertilisers Industries	104.64	40.03	38	64.28	61
10 – Ministry of Coal						
9.	3451 - Secretariat Economic Services	6.92	2.59	37	3.50	51
10.	2803 – Coal & Lignite	229.98	137.05	60	141.82	62
11 – Ministry of Mines						
11.	6853 – Loans for non ferrous Mining and Metallurgical Industries	25.00	25.00	100	25.00	100

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13 – Department of Industrial Policy and Promotion

12.	2852 - Industries	239.77	101.40	42	110.46	46
13.	2885 – Other outlay on Industries and Minerals	160.21	76.57	48	76.67	48

16 – Department of Information Technology

14.	2250-Other Social Services	0.80	0.15	19	0.35	44
15.	3453- Foreign Trade and Export Promotion	3.10	-	-	3.10	100
16.	3606- Aid Materials and Equipments	2.50	2.50	100	2.50	100
17.	4859-Capital Outlay on Telecommunication and Electronic Industries	15.95	10.52	66	11.01	69
18.	5475- Capital Outlay on Other General Economic Services	74.94	17.84	24	30.77	41

17 - Ministry of Company Affairs

19.	3451- Secretariat Economic Services	31.20	18.10	58	21.10	68
20.	5475-Capital outlay on Other General Economic Services	5.70	-	-	4.13	72

18 – Department of Consumer Affairs

21.	2852- Industries	0.50	0.50	100	0.50	100
22.	7475- Loans for other General Economic Service	0.42	0.42	100	0.42	100

19- Department of Food and Public distribution

23.	3456- Civil Supplies	20.36	19.80	97	19.84	97
24.	4408- Capital Outlay on Food Storage and Warehousing	36.44	19.72	54	29.40	81

20 - Ministry of Culture

25.	2205- Art and Culture	630.71	149.86	24	257.68	41
26.	2251-Sectariat Social Services	12.52	3.29	26	5.05	40
27.	3602- Grants-in-aid to Union Territory Governments	0.08	--	--	0.08	100
28.	4202-Capital Outlay on Education Sports, Art and Culture	25.34	7.45	29	12.97	51

29- Ministry of Development of North Eastern Region

29.	2052-Sectrariat - General Services	2.44	0.34	14	0.83	34
30.	2250-Other Social Services	12.63	4.93	39	9.86	78

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31.	2552 - North Eastern Areas	115.43	19.70	17	43.23	37
32.	3601- Grants-in-aid to State Governments	968.87	200.76	21	347.10	36
33.	4552-Cpital Outlay on North Eastern Area	54.89	18.10	33	21.89	40
34.	6851-Loans for Village and Small Industries	3.56	-	-	1.56	44
35.	6885-Other Loans to Industries and Minerals	22.33	22.33	100	22.33	100
30- Ministry of Environment and Forests						
36.	2406-Forestry & Wild Life	429.57	62.09	14	193.67	45
37.	3601- Grants-in-aid to State Governments	160.91	15.48	10	99.20	62
38.	4406- Capital Outlay on Forestry and Wildlife	2.58	0.18	7	0.97	38
39.	5425- Capital Outlay on Other Scientific and Environment Research	6.38	0.88	14	2.21	35
40.	6406- Loans for Forestry and Wildlife	18.39	10.39	56	10.39	56
31-Ministry of External Affairs						
41.	2061-External Affairs	2028.01	396.80	20	720.45	36
42.	4059- Capital Outlay on Public Works	75.78	26.61	35	30.12	40
32- Department of Economic Affairs						
43.	2052-Secretariate General Services	81.84	12.33	15	36.51	45
44.	2075 - Miscellaneous General Services	2.73	2.54	93	2.68	98
45.	2235- Social Security and Welfare	1.47	0.0004	-	1.16	79
46.	3054-Roads and Bridges	1421.62	710.81	50	710.81	50
47.	3075-Other Transport Services	985.68	985.68	100	985.68	100
48.	3605- Technical & Economics Co-operation with other countries	89.56	29.36	33	47.11	53

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49.	7465- Loans for General Finance	700.00	697.70	100	700.00	100
50.	7999 – Appropriation to the Contingency Fund	450.00	-	-	450.00	100
34- Payments to Financial Institutions						
51.	2075- Miscellaneous General Services	125.00	40.00	32	40.00	32
52.	2416- Agricultural Financial Institutions	35.45	13.63	38	13.63	38
53.	2885- Other Outlay on Industries and Minerals	1418.25	180.89	13	557.82	39
54.	3465- General Financial and Trading Institutions	21.36	21.36	100	21.36	100
55.	3475- Other General Economic Services	42.72	42.72	100	42.72	100
56.	4885- Other Capital Outlay on Industries and Minerals	110.00	10.00	9	110.00	100
35-Appropriation-Interest Payments						
57.	2049- Interest Payments	141374.88	23449.38	17	65961.50	47
36-Transfers to State & U.T. Governments						
58.	2075- Miscellaneous General Services	230.93	230.93	100	230.93	100
59.	3602- Grants- in-aid to Union Territory Governments	325.00	142.19	44	218.40	67
60.	7602- Loans and Advances to State Governments. (Charged)	5323.47	1334.70	25	2134.71	40
42- Department of Revenue						
61.	2020- Collection of Taxes on Income and Expenditure	0.21	0.05	24	0.08	38
62.	3601-Grants-in-aid to State Governments	2471.27	974.38	39	1155.64	47
43- Direct Taxes						
63.	4059 – Capital Outlay on Public Works	14.50	10.68	74	10.68	74
44- Indirect Taxes						
64.	2216-Housing	0.58	0.26	45	0.33	57
65.	4047- Capital Outlay on other Fiscal Services	1.05	0.93	89	1.05	100
66.	4216-Capital Outlay on Housing	5.77	5.16	89	5.16	89

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45- Department of Disinvestment						
67.	3451- Secretariat- Economic Services	6.03	4.37	72	4.79	79
46-Ministry of Food Processing Industries						
68.	2405-Fisheries	14.47	5.30	37	8.13	56
47-Department of Health						
69.	2210- Medical and Public Health	3214.75	717.67	22	990.18	31
70.	3601-Grants-in-aid to State Governments	237.09	68.64	29	116.36	49
71.	3602- Grants-in-aid to Union Territory Governments	2.28	0.86	38	0.91	40
72.	4210-Capital Outlay on Medical and Public Health	334.83	81.59	24	131.32	39
48-Department of AYUSH						
73.	3602- Grants-in-aid to Union Territory Governments	0.13	0.07	53	0.07	53
49- Department of Family Welfare						
74.	3602-Grants-in-aid to Union Territory Governments	13.36	6.09	45	6.09	45
75.	3606-Aid Materials and Equipments	102.62	88.35	86	88.35	86
50- Department of Heavy Industries						
76.	2852- Industries	768.96	488.75	64	572.31	74
77.	4854- Capital Outlay on Cement and Non- Metallic Mineral Industries	17.54	10.01	57	10.01	57
78.	6854 – Loans for Cement and Non- Metallic Mineral Industries	137.70	128.94	94	130.16	95
51-Department of Public Enterprises						
79.	3451-Secretariat- Economic Services	3.45	0.98	28	1.50	43
52- Ministry of Home Affairs						
80.	4059- Capital Outlay on Public Works	19.98	1.86	9	7.96	40
81.	4216- Capital Outlay on Housing	4.29	0.01	-	4.24	99

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54- Police						
82.	3601- Grants-in-aid to State Governments	921.88	323.33	35	399.12	43
83.	3602-Grants-in-aid to Union Territory Governments	3.75	3.75	100	3.75	100
84.	4055- Capital Outlay on Police (Charged)	0.06	0.02	33	0.06	100
	(Voted)	1971.76	434.29	22	1415.56	72
55-Other Expenditure of the Ministry of Home Affairs						
85.	2056- Jails	0.40	-	-	0.40	100
86.	2070- Other Administrative Services	9.94	0.54	5	3.98	40
87.	2235- Social Security and Welfare	405.83	13.96	3	388.21	96
88.	2245- Relief on account of Natural Calamities	50.62	35.86	71	38.84	77
89.	2250- Other Social Services	0.46	0.42	91	0.42	91
90.	3053- Civil Aviation	19.74	7.75	39	7.54	38
91.	3601- Grants-in-aid to State Governments	328.14	147.12	45	179.95	55
56-Transfers to Union Territory Governments						
92.	3602- Grants-in-aid to Union Territory Governments	897.83	388.39	43	520.74	58
93.	7602-Loans and Advances to Union Territory Governments	147.00	75.00	51	102.00	69
57-Department of Elementary Educations and Literacy						
94.	2251-Secretariat-Social Services	28.57	25.54	89	26.00	91
95.	3602- Grants-in-aid to Union Territory Governments	26.00	12.97	50	18.23	70
58-Department of Secondary Education and Higher Education						
96.	3601- Grants-in-aid to State Governments	202.90	85.09	42	111.46	55
97.	3602- Grants-in-aid to Union Territory Governments	0.73	0.73	100	0.73	100
59-Department of Women and Child Development						
98.	2235- Social Security and Welfare	206.37	80.39	39	105.04	51
99.	2236- Nutrition	10.94	3.66	33	5.29	48

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60-Ministry of Information and Broadcasting						
100.	2251- Secretariat-Social Services	21.17	4.56	22	7.83	37
101.	4220- Capital Outlay on Information and Publicity	25.04	16.14	64	16.57	66
102.	6220- Loans for Information and Publicity	4.77	4.77	100	4.77	100
61-Labour and Employment						
103.	3601- Grants-in-aid to State Governments	33.75	13.76	41	18.97	56
63 – Law and Justice						
104.	2014- Administration of Justice	121.33	102.85	85	105.96	87
105.	2015- Elections	187.68	133.13	71	133.20	71
106.	3601- Grants-in-aid to State Governments	11.20	11.20	100	11.20	100
107.	3602- Grants-in-aid to Union Territory Government (with Legislature)	1.00	1.00	100	1.00	100
65-Ministry of Non-Conventional Energy Sources						
108.	2501- Special Programmes for Rural Development	0.34	0.34	100	0.34	100
109.	2810- Non-conventional sources of Energy	238.41	70.96	30	159.47	67
110.	3601- Grants-in-aid to State Governments	8.40	8.12	97	8.40	100
111.	3602- Grants-in-aid to Union Territory Governments	0.05	0.05	100	0.05	100
112.	6810-Loans for Non-conventional sources of Energy	20.00	-	-	20.00	100
66-Ministry of Overseas Indian Affairs						
113.	2052- Secretariat-General Services	7.78	3.88	50	4.22	54
114.	2061- External Affairs	9.47	4.00	42	4.42	47
115.	4059- Capital Outlay on Public Works	0.21	0.21	100	0.21	100
67-Ministry of Panchayati Raj						
116.	2215- Other Rural Development Programmes	35.15	23.46	67	24.59	70

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117.	3601- Grants-in-aid to State Governments	13.50	3.37	25	5.47	41
68-Department of Ocean Development						
118.	3403- Oceanographic Research	265.44	103.07	39	138.88	52
119.	5403- Capital Outlay on Oceanographic Research (Charged)	0.52	0.52	100	0.52	100
70-Ministry of Personnel, Public Grievances and Pensions						
120.	4055- Capital Outlay on Police	1.47	-	-	1.47	100
121.	4059- Capital Outlay on Public Works	0.88	0.88	100	0.88	100
71-Ministry of Petroleum and Natural Gas						
122.	2802- Petroleum	19946.41	12214.20	61	14183.56	71
72-Ministry of Planning						
123.	2245- Relief on account of Natural Calamities	0.88	0.88	100	0.88	100
124.	3475- Other General Economic Services	18.39	5.46	30	10.27	56
125.	3601-Grants- in- aid to State Governments	2.91	1.71	59	1.71	59
73-Ministry of Power						
126.	2801-Power	2766.96	773.93	28	1213.48	44
75-Lok Sabha						
127.	2011- Parliament/State/ Union Territory Legislature (Voted)	209.53	51.25	24	76.31	36
76-Rajya Sabha						
128.	2011- Parliament/State/ Union Territory Legislature (Voted)	88.53	11.77	13	37.20	42
79-Department of Rural Development						
129.	2505-Rural Employment	12954.88	4639.60	36	7317.93	56
80-Department of Land Resources						
130.	2506-Land Reforms	0.94	0.54	57	0.94	100
131.	3601-Grants-in-aid to State Governments	184.07	82.34	45	92.74	50
132.	3602-Grants-in-aid to Union Territory Governments	0.37	0.37	100	0.37	100
82-Department of Science and Technology						
133.	5425-Capital Outlay on other Scientific and Environmental	20.14	9.38	47	9.58	48

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	Research					
134.	5455- Capital Outlay on Metrology	32.60	27.00	83	27.21	83
135.	7425- Loans for Other Scientific Research	64.30	60.30	94	60.30	94
83-Department of Scientific and Industrial Research						
136.	4859- Capital Outlay on Telecommunication and Electronics Industries	10.00	5.00	50	5.00	50
85-Department of Shipping						
137.	3052- Shipping	33.18	11.80	36	16.00	48
138.	3056- Inland Water Transport	144.75	94.42	65	96.62	67
139.	3601-Grants-in-aid to State Governments	15.00	14.91	99	15.00	100
140.	3605- Technical and Economic Cooperation with Other Countries	1.42	-	-	1.42	100
141.	5051- Capital Outlay on Ports and Lighthouses	73.26	18.19	25	32.88	45
142.	5052- Capital Outlay on Shipping	3.19	1.76	55	1.76	55
143.	6858- Loans for Engineering Industries	47.25	32.53	69	38.35	81
144.	7051- Loans for Ports and Lighthouses	15.00	15.00	100	15.00	100
86-Department of Road Transport and Highways						
145.	3055- Road Transport	30.39	8.84	29	14.42	47
87-Ministry of Small Scale Industries						
146.	2851- Village and Small Industries	430.30	164.82	38	214.33	50
88-Ministry of Social Justice and Empowerment						
147.	2225- Welfare of Scheduled Castes, Schedule Tribes and Other Backward Classes	99.31	27.89	28	62.41	63
148.	2235- Social Security and Welfare	283.82	130.40	46	136.20	48
149.	2250-Others Social Services	5.93	1.36	23	2.20	37
150.	4225-Capital Outlay on Welfare of Scheduled Castes, Schedule Tribes and	107.10	56.00	52	57.00	53

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	Other Backward Classes					
151.	4235- Capital Outlay on Social Security Welfare	11.00	6.00	55	6.00	55
89-Department of Space						
152.	3252-Satellite Systems	415.58	215.07	52	268.87	65
153.	3402- Space Research	1683.14	348.99	21	769.62	46
154.	5252- Capital Outlay on Satellites Systems	16.57	4.99	30	8.15	49
155.	5402- Capital Outlay on Space Research	546.83	331.63	61	381.08	70
90- Ministry of Statistics and Programme Implementation						
156.	5475- Capital Outlay on Other General Economic Services	7.86	3.39	43	6.06	77
91-Ministry of Steel						
157.	2852- Iron and Steel Industries	68.36	30.39	44	38.58	56
158.	6852- Loans for Iron and Steel Industries	8.00	4.00	50	4.00	50
92-Ministry of Textiles						
159.	2851- Village and Small Industries	449.15	134.02	30	198.22	44
160.	4851- Capital Outlay on Village and Small Industries	6.72	6.72	100	6.72	100
161.	4860- Capital Outlay on Consumer Industries	27.00	27.00	100	27.00	100
93-Ministry of Tourism						
162.	3452- Tourism	315.88	159.93	51	180.49	57
100-Department of Urban Development						
163.	2075-Miscellaneous General Services	2.01	2.01	100	2.01	100
164.	2217- Urban Development	31.52	19.99	63	21.35	68
165.	4217- Capital Outlay on Urban Development	314.00	157.00	50	157.00	50
101-Public Works						
166.	4059-Capital Outlay on Public Works	167.49	48.18	29	74.13	44
167.	5425-Capital Outlay on Scientific and Environmental Research	4.47	1.43	32	1.93	43
102-Stationery and Printing						
168.	4058- Capital Outlay on Stationery & Printing	0.02	0.01	50	0.01	50

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103- Ministry of Urban Employment and Poverty Alleviation						
169.	2216- Housing	179.70	76.33	42	179.70	100
170.	3475- Other General Economic Services	3.22	1.51	47	3.01	93
171.	3601- Grants-in-aid to state Governments	155.88	53.98	35	68.27	44
104- Ministry of Water Resources						
172.	2705- Command Area Development	3.40	2.11	62	2.22	65
173.	4701- Capital Outlay on Major and Medium Irrigations	0.94	0.94	100	0.94	100
174.	4702- Capital Outlay on Minor Irrigation	3.83	3.83	100	3.83	100
175.	4711- Capital Outlay on Flood Control Projects	6.97	6.97	100	6.97	100
176.	7601- Loans and Advances to State Governments	1.61	1.61	100	1.61	100
105- Ministry of Youth Affairs & Sports						
177.	3601- Grants-in-aid to State Governments	45.13	15.64	35	17.54	39
178.	3601- Grants-in-aid to Union Territory Governments	0.39	0.18	46	0.23	59
179.	4202- Capital Outlay on Education, Sports, Art and Culture	1.78	0.26	15	1.63	92
Defence Services						
28-Capital Outlay on Defence Services						
180.	4076-Capital Outlay on Defence Services	32337.87	13976.37	43	18318.57	57

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APPENDIX-VII-A

(Refers to paragraph 7.3)

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

<i>(Rupees in crore)</i>					
Sl. No.	Sub-head		Provision	Actual expenditure	Final excess expenditure
Civil					
8-Department of Fertilisers					
1.	Fertilizer Subsidy	O	9060.37	9602.78	192.41
		S	350.00		
31-Ministry of External Affairs					
2.	Ministry of External Affairs	O	120.34	138.40	3.73
		S	3.50		
		R	10.83		
3.	Aid to Bhutan	O	815.11	871.05	15.45
		S	76.00		
		R	(-) 35.51		
4.	Sri Lanka – Other Aid Programmes	O	25.00	28.73	3.73
5.	ITEC Programme	O	45.00	53.22	6.87
		R	1.35		
33 -Currency, Coinage and Stamps					
6.	Management	O	66.62	57.62	2.72
		R	(-)11.72		
7.	Other Expenditure	O	80.00	60.00	60.00
		R	(-)80.00		
8.	Management (Charged)		Nil	2.40	2.40
35- Appropriation-Interest Payments					
9.	Interest on Market Loans	O	75228.09	76415.04	1915.04
		R	(-)728.09		
10.	Discount on Treasury Bills – 91 Days Treasury Bills	O	430.00	720.66	120.66
		R	170.00		
11.	Interest on 364 days Treasury Bills	O	1445.00	1627.85	92.85
		R	90.00		
12.	14 Days Treasury Bills	O	420.00	1585.14	135.14
		S	587.00		
		R	443.00		
13.	Interest/Discount paid on Market Stabilisation Scheme, Deposit of Money in the Bank	O	3338.50	3420.75	332.25
		R	(-)250.00		
14.	Compensation and other Bonds	O	4827.28	5467.49	1097.14
		R	(-) 456.93		
15.	Postal Insurance and Life Annuity Fund	O	779.12	804.47	219.47
		R	(-) 194.12		

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<i>(Rupees in crore)</i>					
Sl. No.	Sub-head		Provision	Actual expenditure	Final excess expenditure
16.	Interest on Deposit Scheme for retiring Government employees	O	65.00	73.66	8.66
17.	Opium and Alkaloid Factories Depreciation Reserve Fund	O	0.70	4.04	3.04
		R	0.30		
38 – Appropriation-Repayment of Debt					
18.	91 Days Treasury Bills	O	33000.00		
		S	735.00	43341.53	9606.53
19.	14 Days Treasury Bill	O	266000.00		
		S	410251.62		
		R	103778.33	867249.19	87219.24
20.	10% Relief Bonds, 1995	O	47.00		
		R	(-) 22.00	28.46	3.46
40 - Pensions					
21.	Ordinary Pension(Voted)	O	626.00	681.49	15.49
		R	40.00		
22.	Ordinary Pension(Voted)	O	746.50	736.93	18.43
		R	(-) 28.00		
23.	Ordinary Pension(Voted)	O	350.00		
		R	(-) 27.00	334.61	11.61
43 – Direct Taxes					
24.	Charges Transferred from Income Tax	O	140.70	146.78	6.08
54 –Police					
25.	Residential Buildings	O	110.00		
		R	30.00	143.25	3.25
61 - Ministry of Labour and Employment					
26.	Transfer to Beedi Workers Welfare Fund	O	86.50	125.00	41.31
		R	(-) 2.81		
63 - Law and Justice					
27.	Computerisation of District and Subordinate Courts	O	192.00	-	192.00
28.	National Tax Tribunal	O	2.18	-	2.18
82- Department of Science and Technology					
29.	Equipment	O	5.00	8.74	3.74
85- Department of Shipping					
30.	Establishment charges in respect of CE-cum Administrator office at Port Blair and EE & Liaison office at New Delhi	O	13.07	14.49	2.09
		R	(-) 0.67		

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<i>(Rupees in crore)</i>					
Sl. No.	Sub-head		Provision	Actual expenditure	Final excess expenditure
31.	Construction of landing facilities and Jettas Road Maintenance	O	42.97	59.58	6.60
		S	0.01		
		R	10.00		
86- Department of Road Transport and Highways					
32.	Road Works under BRDB	O	433.12	446.64	5.64
		S	24.30		
		R	(-) 16.42		
Defence Services					
23- Defence Services-Army					
33.	Pay & Allowances of Army	O	13122.16	13186.91	165.50
		R	(-) 100.75		
34.	Pay & Allowances of Civilians	O	1436.77	1399.68	9.98
		R	(-) 47.07		
35.	Transportation	O	1238.78	1208.24	24.26
		R	(-) 54.80		
36.	Stores	O	9903.05	9121.43	44.61
		R	(-) 826.23		
37.	Rashtriya Rifles	O	1347.02	1365.01	32.95
		R	(-) 14.96		
24 – Defence Services - Navy					
38.	Stores	O	2600.00	2628.42	14.50
		R	13.92		
39.	Joint Staff	O	424.55	342.04	10.04
		R	(-) 92.55		
25– Defence Services – Air Force					
40.	Pay & Allowances of Air Force	O	2020.85	2157.02	22.07
		R	114.10		
41.	Stores	O	5826.00	5724.60	57.88
		R	(-) 159.28		
27– Defence Services – Research and Development					
42.	Pay & Allowances of Civilians	O	548.45	590.26	6.72
		R	35.09		
28– Capital Outlay on Defence Services					
01-Army					
43.	Aircraft and Aero-engine	O	939.13	1012.90	11.44
		R	62.33		
44.	Other Equipments	O	5526.45	5680.49	26.13
		R	127.91		
02-Navy					
45.	Other Equipments	O	1167.87	1509.45	5.64
		R	335.94		
03-Air Force					
46.	Aircraft and Aero-engine	O	9564.90	10321.09	5.76
		R	750.43		

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**APPENDIX-VII-B
(Refers to paragraph 7.4)
Details of unspent provision exceeding Rs. 100 crore under a
grant/appropriation**

Sl. No	Grant No. and Controlling Ministry /Department	(Rupees in crore) Amount of Unspent provision
Civil		
Revenue – Voted		
1.	1-Department of Agriculture & Co-operation	366.25
2.	3- Department of Animal Husbandry & Dairying	100.85
3.	13- Department of Industrial Policy & Promotion	174.90
4.	19- Department of Food & Public Distribution	3299.01
5.	20-Ministry of Culture	157.94
6.	21-Ministry of Defence	1496.67
7.	30-Ministry of Environment & Forests	150.19
8.	31-Ministry of External Affairs	139.68
9.	32-Department of Economic Affairs	653.08
10.	33-Currency, Coinage & Stamps	379.08
11.	34-Payments to Financial Institutions	1523.18
12.	36- Transfers to State & U.T. Governments	1106.34
13.	42- Department of Revenue	2595.42
14.	47- Department of Health	338.67
15.	49-Department of Family welfare	1067.83
16.	50- Department of Heavy Industry	1183.70
17.	52- Ministry of Home Affairs	192.01
18.	54-Police	117.82
19.	55- Other Expenditure of the Ministry of Home Affairs	291.84
20.	57- Department of Elementary Education & Literacy	505.92
21.	63- Law & Justice	217.74
22.	65-Min. of Non-Conventional Energy Sources	276.18
23.	68- Department of Ocean Development	106.76
24.	71-Ministry of Petroleum & Natural Gas	973.63
25..	82- Department of Science & Technology	206.34
26..	86-Department of Road Transport & Highways	448.17
27.	89-Department of Space	435.95
28.	90-Ministry of Statistics & Programme Implementation	154.41
29.	92-Ministry of Textiles	118.28
30.	100- Department of Urban Development	718.29
31.	103-Ministry of Urban Employment & Poverty Alleviation	117.91
32.	104-Ministry of Water Resources	112.53
Revenue – Charged		
33.	36-Transfers to State & UT Governments (Ministry of Finance)	740.51
Capital – Voted		
34.	5-Atomic Energy	298.17
35.	6- Nuclear Power Schemes	1013.46
36.	7-Department of Chemicals & Petrochemicals	102.41
37.	15- Department of Telecommunications	102.27
38.	19-Department of Food & Public Distribution	199.09
39.	32-Department of Economic Affairs	826.71
40.	33-Currency Coinage & Stamps	274.59
41.	34-Payments to Financial Institutions	478.18
42.	37-Loans to Govt. Servants, etc.	171.50
43.	44-Indirect Taxes	181.90

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44.	54-Police	152.81
45.	73-Ministry of Power	1417.13
46.	86-Department of Road Transport & Highways	1563.63
Capital – Charged		
47.	36-Transfers to State & UT Governments (M/o Finance)	350.53
DEFENCE		
Revenue – Voted		
48.	23 – Defence Services – Army	538.89
Capital – Voted		
49.	28 – Capital Outlay on Defence Services	2033.97
RAILWAYS		
Revenue – Voted		
50.	09 – Operating expenses - Traffic	1660.41
51.	15 – Dividend to General Revenues	317.58
Capital – Voted		
52.	16 – Railway Safety Fund	447.90
53.	16 – Special Railway Safety Fund	650.91

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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.	8 – Department of Fertilisers	*	1.33
2.	15 – Department of Telecommunications	60.52	117.86
3.	33 – Currency, Coinage and Stamps	379.08	441.88
4.	61 – Ministry of Labour and Employment	@	4.75
5.	66 – Ministry of Overseas Indian Affairs	14.75	14.87
Defence Services			
Revenue – Voted			
6.	23 – Defence Services - Army	538.89	726.13
7.	25 – Defence Services – Air Force	#	1.51

* Excess Expenditure of Rs.167.44 crore

@ Excess Expenditure of Rs.17.27 crore

Excess Expenditure of Rs.42.76 crore

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APPENDIX VII-D
(Refers to paragraph 7.9)

Significant cases of major appropriation which were injudicious on account of non utilisation
(Cases of re-appropriation of amount more than rupees two crore only mentioned)

<i>(Rupees in crore)</i>					
Sl No.	Number and name of grant	Major Head	Sub. Head	Amount of re-appropriation to the sub-head	Final unspent provisions under sub-head after re-appropriation
Civil					
1.	1- Department of Agriculture and Cooperation	2425 - Co-operation	2425.00.277.05- Restructured Scheme of Education and Training	2.91	4.06
2.	12- Department of Commerce	2407- Plantations	2407.04.800.01 Spices Board	4.00	4.01
3.	31 – Ministry of External Affairs	2061 – External Affairs	2061.00.105.01 – Central Passport and Emigration Organisation	3.80	19.00
4.	-do-	3605 – Technical and Economic Co-operation with Other Countries	3605.00.101.15 – Aid to Other Developing Countries	12.60	13.64
5.	35 – Appropriation- Interest Payments	2049	2049.03.104.02 – Other State Provident Funds	88.01	189.67
6.	-do-	-do-	2049.03.109.02 – Special Securities issued to Nationalised Banks	16.00	59.96
7.	-do-	-do-	2049.03.109.12 – Special Deposits of EPF/EDLI	5.51	11.10
8.	-do-	-do-	2049.03.110.01 – Bonus for undisbursed Pay of India Ranks	2.00	3.33
9.	-do-	-do-	2210.06.101.08 – National Vector Borne Diseases Control Programme	18.86	24.79
10.	-do-	-do-	2210.06.800.27 – Integrated Disease Surveillance Programme	4.15	13.40

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<i>(Rupees in crore)</i>					
Sl No.	Number and name of grant	Major Head	Sub. Head	Amount of re-appropriation to the sub-head	Final unspent provisions under sub-head after re-appropriation
11.	52-Ministry of Home Affairs	4059 – Capital outlay on Public Works	4059.80.201.02 – Narcotics Control Bureau	2.50	2.58
12.	75 – Lok Sabha	2011-Parliament/State/Union Territory Legislatures	2011.01.102.01 - Secretariat	2.51	4.33
13.	104- Ministry of Water Resources	2702 Minor Irrigation	2702.02.005.14 Ground Water Survey, Exploration and Investigations	2.06	2.39
Postal Services					
14.	14 – Department of Posts	3201-Postal Services	3201.06.101.06 – Deduct Amount Transferred to BSNL on account of Disp. Services	2.25	18.84
15.	- do -	5201 – Capital Outlay on Postal Services	5201.104 – Mechanisation and Modernisation of Postal Services	8.60	89.44
Defence Services					
16.	23 – Defence Services - Army	2076 - Defence Services - Army	113 – National Cadet Corps	4.07	8.67
17.	25 – Defence Services – Air Force	2078 – Defence Services – Air Force	105 – Transportation	4.42	16.49
18.	26 – Defence Ordnance Factories	2079 – Defence Services-Ordnance Factories	105 - Transportation	3.35	4.84
19.	28 – Capital Outlay on Defence Services	01 - Army	107 – Ex-servicemen Contributory Health Scheme	3.35	4.54
20.	- do -	03 – Air Force	050 – Land (Charged)	3.70	4.20
				194.65	

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APPENDIX-VII-E
(Refers to paragraph 7.13)
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	
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	6
2004-05	Original	215854	151300	23148	14669	342119	32	28899	776021
	Supplementary	22539	78	599	1744	180366	1	1041	206368
	Percentage	10	-	3	12	53	3	4	27
2005-06	Original	260249	164936	25972	6302	601477	53	1179	1060168
	Supplementary	34784	612	1101	1643	420204	4	4674	463022
	Percentage	13	-	4	26	70	8	396	44

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APPENDIX VII-F

(Refers to paragraph 7.17)

**Statement showing cases of unrealistic budgetary assumptions
(Savings of Rupees two crore and above)**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
Grant No.17- Ministry of Company Affairs					
1.	3451.00.090.05 – Ministry of Company Affairs	76.68	31.21	45.47	59
2.	3475.00.800.58 – National Company Law Tribunal (NCLT)	3.28	0.74	2.54	77
Grant No. 20- Ministry of Culture					
3.	2205.00.105.04 – Other Schemes	20.40	1.29	19.11	94
4.	2205.00.106.03 – Archaeological Exploration and Excavations	5.50	3.28	2.22	40
5.	2205.00.106.05 – Central Archaeological Museum	9.50	3.92	5.58	59
6.	2205.00.107.02 – National Museum	25.04	10.96	14.08	56
7.	2205.00.107.13 – National Museum Institute of History of Arts Conservation & Museology	3.62	1.06	2.56	71
8.	2205.00.107.19 – Science Cities	20.00	8.00	12.00	60
9.	4202.04.104.01 - Buildings	3.00	1.44	1.56	52
10.	4202.04.107.01 - Buildings	14.00	2.39	11.61	83
11.	4202.04.108.01 - Buildings	20.00	5.18	14.82	74
Grant No. 29- Ministry of Development of North Eastern Region					
12.	2885.01.800.09 – Investment in Public Enterprises	22.33	-	22.33	100
13.	4552.00.054.02 – Construction/ Improvement of roads of Economic Importance/Inter State Roads to be executed through the Border Roads Organisation	5.00	3.00	2.00	40
Grant No.31 – Ministry of External Affairs					
14.	3605.00.101.20 – Aid to African Countries	104.54	47.99	56.55	54
Grant No.32 – Department of Economic Affairs					
15.	2075.00.800.14 – Umbrella Support Project for Country Co-operation Framework-II	5.00	1.99	3.01	60
16.	3475.00.800.13 – Transfer to Reserve Funds	15.86	NIL	15.86	100

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Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
17.	3475.00.800.67 – Assistance for Infrastructure Development	100.00	NIL	100.00	100
18.	3605.00.101.30 –Development Assistance	100.00	48.36	51.64	52
19.	5475.00.800.12 – Assistance for Infrastructure Development	1400.00	NIL	1400.00	100
20.	7605.00.061.01 – New Credit	14.00	0.70	13.30	95
21.	7605.00.094.09 – New Credit 1994	32.00	15.89	16.11	50
22.	7605.00.099.22 – New Credit 1994	140.00	49.27	90.73	65
Grant No.33 – Currency, Coinage and Stamps					
23.	2046.00.102.03 – Other Expenditure	102.84	-	102.84	100
24.	2046.00.103.02 – Operation & Maintenance	72.84	43.44	29.40	40
25.	2046.00.103.03 – Other Expenditure	7.65	0.71	6.94	91
26.	2047.00.105.01 -Other Expenditure	77.60	38.80	38.80	50
27.	2047.00.800.05 –Central Stamp Store	9.96	5.61	4.35	44
28.	4046.00.101.02 - Plant and Machinery	7.50	2.15	5.35	71
29.	4046.00.102.01 – Buildings	9.56	0.73	8.83	92
30.	4046.00.102.02 – Plant and Machinery	6.14	0.49	5.65	92
31.	4046.00.103.02 - Plant and Machinery	8.40	1.70	6.70	80
32.	4046.00.107.02 - Plant and Machinery	10.80	3.99	6.81	63
33.	4046.00.201.04 - Metals	220.00	7.90	212.10	96
34.	4047.00.105.03 - Plant and Machinery	12.00	0.86	11.14	93
35.	4047.00.105.04 - Buildings	4.50	1.59	2.91	65
36.	4047.00.107.03 - Plant and Machinery	18.00	6.26	11.74	65
Grant No.34 – Payments to Financial Institutions					
37.	2416.00.800.01 – Grants to National Bank for Agricultural and Rural Development (NABARD)	O: 609.99 S: 4.69	13.63	601.05	98
38.	2885.01.800.06 –Grants to Small Industrial Development Bank of India	22.00	9.40	12.60	57

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Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
39.	3465.01.190.02 – Grant to Infrastructure Development Finance Company Ltd.	5.00	NIL	5.00	100
40.	3465.01.190.03 – Assistance to Unit Trust of India	1200.00	NIL	1200.00	100
41.	3475.00.800.30 – Industrial Development Bank of India	5.00	NIL	5.00	100
Grant No.35 – Appropriation-Interest Payments					
42.	2049.01.115 – Interest on Ways and Means Advances	150.00	0.21	149.79	100
43.	2049.05.105.07 – Interest on Pharmaceutical Research and Development Support Fund	9.00	-	9.00	100
Grant No.36 – Transfers to State and Union Territory Governments					
44.	3601.01.113.01 – Grants to States for VAT related expenditure	20.00	Nil	20.00	100
45.	3601.02.101.24 – Nutrition Programme for Adolescent Girls (NPAG)	162.97	62.05	100.92	62
46.	3601.02.101.31 – Household Electrification	1100.00	Nil	1100.00	100
47.	3601.02.101.32 – Backward Districts/Area Fund	5000.00	Nil	5000.00	100
48.	3601.02.101.33 – Urban Renewal Submission on Urban Infrastructure & Transport	1027.55	177.58	849.97	83
49.	3601.02.101.34 – Urban Renewal Submission for Slum Development	589.62	72.14	517.48	88
Grant No. 37- Loans to Government Servants, etc.					
50.	7610.00.201.01 – Ministries and Union Territory Administrations.	260.00	154.85	105.15	40
51.	7610.00.204 – Advances for purchase of Computers.	40.00	16.48	23.52	59
52.	7610.00.800 – Other Advances.	5.00	1.72	3.28	66
Grant No.38 – Appropriation-Payment of Debt					
53.	6001.00.106.15 – 9% Relief Bonds, 1987	O 1.00 S 14.00	0.05	14.95	100
54.	6001.00.106.18 – 9% Relief Bonds, 1993	O 1.00 S 7.00	0.28	7.72	97

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Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
55.	6001.00.106.22 –8.5% Relief Bonds, 2001	O 404.63 S 267.77	74.41	597.99	89
56.	6001.00.114 – Ways and Means Advances	95000.00	1134.00	93866.00	99
57.	6001.00.122 – Special Central Government Securities issued against share of net small savings Collections from 1-4-1999	865.00	448.94	416.06	48
Grant No.43 – Direct Taxes					
58.	2020.00.001.03 – Organisation and Management Services	O 33.60 S 0.71	4.47	29.83	87
59.	4059.01.800.01-Acquisition of Ready-built Accommodation	66.00	14.50	51.50	78
60.	4216.01.111.01 – Acquisition of Ready –built flats	16.00	0.10	15.90	99
Grant No.44 – Indirect Taxes					
61.	2038.00.001.01 – Inspection	95.74	31.44	64.30	67
62.	4047.00.037.01 – Preventive and other functions	135.68	1.05	134.63	99
63.	4059.01.800.01 – Acquisition of Ready built Accommodation	33.00	0.01	32.99	100
64.	4216.01.108.01 – Acquisition of Ready built Flats	20.00	5.77	14.23	71
Grant No.47 – Department of Health					
65.	2210.01.001.04 – National Medical Library	10.50	1.55	8.95	85
66.	2210.01.110.31 – Grant for Bhuj Hospital Gujarat	10.00	2.00	8.00	80
67.	2210.06.101.31 – National Leprosy Control Programme	25.45	13.09	12.36	49
68.	2210.06.800.24 – New Initiatives Under Central Schemes	3.00	-	3.00	100
69.	2210.06.106.02 – Grants to Pasteur Institute of India Coonoor	10.00	3.98	6.02	60
70.	3601.04.263.02 – National Trachoma and Blindness Control Programme (General Component)	32.00	15.84	16.16	51

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Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
71.	3601.04.263.04 – National Vector Borne Disease Control Programme (Urban)	11.60	3.25	8.35	72
72.	3601.04.263.62 – National Vector Borne Diseases Control Programme (Rural) (E.A.C.)	100.18	48.00	52.18	52
73.	3601.04.263.69 – Integrated Disease Surveillance Programme	31.50	-	31.50	100
74.	4210.04.101.08 – Bulk Purchase of Material and Equipment for prevention of Visual Impairment and Control of Blindness and Trachoma Control Programme	14.00	2.63	11.37	81
75.	4210.04.101.13 – Bulk Purchase of Material and Equipment for Integrated Disease Surveillance Programme	34.50	19.13	15.37	45
Grant No.49 – Department of Family Welfare					
76.	2211.00.003.20- Rural Health Training Center, Najafgarh	7.96	3.39	4.57	57
77.	2211.00.101.04- Expenditure on Maintenance of Sub-Centres	55.00	-	55.00	100
78.	2211.00.106.11 – Information Education and Communication Adolescent Health (RCA)	4.70	2.32	2.38	50
79.	2211.00.106.12 – Information, Education and Communication on PNDT Act	4.00	1.52	2.48	62
80.	2211.00.108.06 – Projects through Autonomous/ Voluntary Organisation /Societies	39.00	20.91	18.09	46
81.	2211.00.108.07 – Activities under assistance received from UNFPA	10.70	3.65	7.05	66
82.	2211.00.200.04 – Social Marketing of Contraceptives	238.16	107.64	130.52	55
83.	2211.00.200.20 – Social Marketing Area Projects	9.50	-	9.50	100
84.	2211.00.800.03 – Innovation in Family Planning Services Project for Uttar Pradesh	50.00	20.77	29.23	58
85.	2211.00.800.07 – Travel of Experts/Conferences/ Meetings, etc.	3.20	0.54	2.66	83

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Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
86.	2211.00.800.09 – Measures under National Population Policy	30.00	8.13	21.87	73
87.	2211.00.800.12 – National Commission on Population	10.00	2.80	7.20	72
88.	3601.04.237.07 – Reproductive and Child Health Project	230.00	-	230.00	100
89.	3602.04.237.05 - Reproductive and Child Health Project	5.00	-	5.00	100
90.	3602.04.240.02 – Free Supply of Family Planning Material	4.00	1.15	2.85	71
Grant No.52 – Ministry of Home Affairs					
91.	2070.00.108.04 – National Fire Service College	3.80	1.57	2.23	59
92.	3454.01.800.03- Publications	4.00	2.00	2.00	50
93.	3601.01.106.01 – Deployment of Home Guards during the Parliament and State Assembly Elections	4.00	-	4.00	100
94.	3601.01.106.06 – Directorate General of Civil Defence Modernisation of Fire Services in States	134.26	-	134.26	100
95.	3601.01.144.02 – Reimbursement to States for revamping of Civil Defence	50.00	-	50.00	100
96.	4059.80.051.32 – National Civil Defence College, Nagpur Office Buildings	2.94	0.32	2.62	89
97.	4059.80.051.33 – National Fire Service College, Nagpur Office Buildings	10.00	0.07	9.93	99
98.	4059.80.201.03 – Human Rights Commission	4.00	-	4.00	100
Grant No.53–Cabinet					
99.	4055.00.206.01 – Office Buildings	3.00	0.18	2.82	94
Grant No.54–Police					
100.	2055.00.104.05 - Research	6.74	4.22	2.52	37
101.	4055.00.800.01 – Directorate of Coordination (Police Wireless)	6.10	1.16	4.94	81
102.	4055.00.800.06 – Management of Other Border	90.00	13.04	76.96	86
103.	4055.00.800.08 – Myanmar Border Works	2.00	-	2.00	100

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Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
Grant No.55- Other Expenditure of the Ministry of Home Affairs					
104.	2070.00.800.26 – National identity Card Schemes	19.89	2.94	16.95	85
105.	2235.01.112.04 – Displaced persons from Pak occupied Kashmir & Chhamb Niabat Area	5.00	Nil	5.00	100
106.	2245.80.102.02 – National Disaster Management Programme	21.95	11.95	10.00	46
Grant No.57 – Department of Elementary Education and Literacy					
107.	2202.01.107.04- National Council for Teacher Education	4.50	Nil	4.50	100
Grant No.58 – Department of Secondary Education and Higher Education					
108.	2202.02.800.33 – Integrated Education for Disabled Children - Voluntary Organisations	13.15	4.94	8.21	62
109.	2202.03.102.01 – Establishment of National University (Indira Gandhi National Open University)	55.00	30.24	24.76	45
110.	2202.05.103.07 – Grant to Rashtriya Ved Vidya Pratisthan	2.25	0.25	2.00	89
111.	2202.80.001.10 – Auroville Management	4.06	2.01	2.05	50
112.	2202.80.004.08 – Scheme for Intellectual Property Education, Research and Public Outreach	4.50	0.40	4.10	91
113.	2203.00.105.04 – Grants for Quality Improvement Programme-Community Polytechnics	27.10	13.09	14.01	52
114.	2203.00.105.11 – Setting up of New Polytechnics	54.00	NIL	54.00	100
115.	2203.00.105.12 – Infrastructure Development Programme in Polytechnics	13.50	NIL	13.50	100
116.	2203.00.112.35 – Indian Institute of Information Technology, Design and Manufacturing at Kanchipuram	9.00	NIL	9.00	100
117.	2203.00.800.10 – Technology Development Mission	3.60	0.22	3.38	94
118.	2203.00.800.15 – Technical Education -Quality Improvement Project of Government of India (EAP)	100.00	4.99	95.01	95

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Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
119.	3601.03.162.02 – Development of Sanskrit Education	15.10	9.05	6.05	40
120.	3601.04.172.03 – Quality Improvement in Schools	4.75	NIL	4.75	100
121.	3601.04.172.04 – Access and Equity	2.10	NIL	2.10	100
Grant No.59 – Department of Women and Child Development					
122.	2235.02.102.18 – Integrated Child Development Services	O: 35.35 S: 0.02	12.81	22.56	64
123.	2235.02.103.03 – Assistance to Voluntary Organisations for Hostels for Working Women	5.98	2.25	3.73	62
124.	2235.02.103.12 - Swawalamban	14.00	8.14	5.86	42
125.	2235.02.103.43 – Swa Shakti Project	5.00	1.96	3.04	61
Grant No.60 – Ministry of Information and Broadcasting					
126.	2220.02.800 – Other expenditure	10.00	-	10.00	100
127.	4220.01.200.01 – Setting up of Museum of Moving Images (Films Division).	7.44	-	7.44	100
128.	4220.60.101.03 – Setting up of National Press Centre & Mini Media Centres of Press Information Bureau.	18.20	7.60	10.60	58
Grant No.61 – Ministry of Labour and Employment					
129.	3601.01.325.01 – Housing Scheme for Economically Weaker Section of Beedi Workers	2.50	-	2.50	100
Grant No.63 – Law and Justice					
130.	2014.00.800.09 – Computerisation of District and Subordinate Courts	192.00	-	192.00	100
131.	2020.00.001.06 – National Tax Tribunal	2.18	NIL	2.18	100
Grant No.66 – Ministry of Overseas Indian Affairs					
132.	2052.00.090.34 – Ministry of Overseas Indian Affairs	19.00	7.77	11.23	59
133.	2061.00.800.03 – Other Schemes	5.00	0.60	4.40	88
134.	4059.60.051.23 – Pravasi Bhartiya Kendra	3.00	0.21	2.79	93

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Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
Grant No.72 – Ministry of Planning					
135.	2245.80.102.08 – Tsunami Rehabilitation Programme	9.80	0.88	8.92	91
136.	3475.00.800.52 – 50 th Year Initiative for Planning	10.12	4.62	5.50	54
Grant No.88 – Ministry of Social Justice and Empowerment					
137.	2235.02.102.27 – Assistance to Homes for Infant and Young Children for promotion of In-country adoption	5.00	2.24	2.76	55
138.	2235.02.102.31 – Scheme for the Welfare of Working Children in need of Care and Protection	7.00	1.12	5.88	84
139.	2235.02.107.05 – Assistance to Voluntary Organisations for programmes relating to Aged	24.05	14.06	9.99	42
140.	3601.03.376.04 – Residential Schools for Scheduled Caste Students	5.00	-	5.00	100
Grant No.90 – Ministry of Statistics and Programme Implementation					
141.	3454.02.204.02 – India Statistical Strengthening Project (Modernisation of Statistical System in India)	4.95	1.68	3.27	66
142.	3454.02.204.21 –Development of Social, Environment and Price Statistics	2.67	0.59	2.08	78
143.	3454.02.800.04 – Programme Implementation	4.40	1.38	3.02	69
144.	5475.00.112.27 – Institutional Development and Capacity Building	14.20	3.64	10.56	74
145.	5475.00.112.32 – Strengthening of Data Processing Capabilities of NSSO	2.80	0.36	2.44	87
Grant No.105 – Ministry of Youth Affairs and Sports					
146.	2204.00.104.35- Scheme for Dope Test	9.40	-	9.40	100
147.	2204.00.104.37- Scheme relating to talent Search and Training	3.00	0.39	2.61	87
148.	4202.03.800.09 – State Sports Academy	3.50	-	3.50	100

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**Appendix-VIII-A
(Refers to paragraph 8.3)
Persistent unspent provision**

(Rupees in crore)

Sl. No	Sub-Head	Year	Provision	Actual expenditure	Unspent provision (Percentage)	Reasons given by the Ministry
Revenue Section						
1.	2251.00.800.02- Departmental Canteen	2003-04	0.19	0.18	0.01 (5)	Not recorded.
		2004-05	0.19	0.11	0.08 (42)	
		2005-06	0.22	0.16	0.06 (27)	
2.	2251.00.800.03- Participation in Foreign Films Festivals/ Market*	2003-04	1.00	0.49	0.51 (51)	Saving due to less expenditure on foreign tours
		2004-05*	1.00	0.94	0.06 (6)	
		2005-06	1.00	0.99	0.01 (1)	
3.	2251.00.800.04- Non-Government Organisations engaged in anti-piracy works/Festivals	2003-04	0.20	0.18	0.02 (10)	Not recorded.
		2004-05	0.20	0.06	0.14 (70)	
		2005-06	0.20	0.13	0.07 (35)	
4.	2205.00.109.02- Central Board of Film Certification	2003-04	4.56	3.12	1.44 (32)	Non-filling of vacant posts, austerity measures, non- approval of schemes or expenditure, less receipts of medical claims.
		2004-05	4.09	2.81	1.28 (31)	
		2005-06	4.05 S 0.30	3.42	0.93 (21)	
5.	2220.01.800.02- Children's Film Society	2003-04	6.36	3.78	2.58 (41)	Fewer requirements of funds, non-receipt of suitable film proposals/synopsis, non-organisation of film festivals due to general elections.
		2004-05	4.47	2.15	2.32 (52)	
		2005-06	5.24	4.64	0.60 (11)	
6.	2220.01.800.05- Directorate of Film Festivals	2003-04	7.01	5.95	1.06 (15)	Less expenditure on foreign travel, non- availability of enough theatres for festival requirements.
		2004-05	6.95	6.04	0.91 (13)	
		2005-06	8.36	7.02	1.34 (16)	
7.	2220.60.003.01- Indian Institute of Mass Communication	2003-04	5.00	4.67	0.33 (7)	Non-implementation of modernisation and expansion of facilities and housing projects
		2004-05	4.82	3.75	1.07 (22)	
8.	2220.60.003.02- Research, Reference and Training division	2003-04	1.02	0.90	0.12 (12)	Not recorded.
		2004-05	1.00	0.88	0.12 (12)	
		2005-06	1.01	0.97	0.04 (4)	

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(Rupees in crore)

Sl. No	Sub-Head	Year	Provision	Actual expenditure	Unspent provision (Percentage)	Reasons given by the Ministry
9.	2220.60.103.02- Other Items	2003-04	2.68	1.39	1.29 (48)	Less requirement of office expenses, adjustment of unspent balances of previous year, less requirement by Press Council of India.
		2004-05	1.98	1.44	0.54 (27)	
10.	2220.60.105.01- Registrar of News- papers for India	2003-04	3.60	2.52	1.08 (30)	Less requirement of funds.
		2004-05	2.55	2.24	0.31 (12)	
		2005-06	2.59	2.38	0.21(8)	
11.	2220.60.109.01- Photo Division	2003-04	3.00	2.16	0.84 (28)	Less expenditure due to late approval of scheme for modernisation of Photo Division.
		2004-05	2.51	2.28	0.23 (9)	
		2005-06	2.88	2.82	0.06 (2)	
12.	2220.60.107.01- Song and Drama Division	2003-04	16.70	15.12	1.58 (9)	Less requirement of funds, non-receipt of rent bills from field units, delay in receipt of sanction for expenditure on sound and light shows.
		2004-05	16.25	15.07	1.18 (7)	
13.	2220.60.110.01- Publication Division	2003-04	12.46	11.76	0.70 (6)	Non- finalisation of agreements for publication, non-filling of vacant posts, books under the series "Builders of Modern India" not received from authors in time.
		2004-05	12.09	11.94	0.15 (1)	
		2005-06	12.68 S 0.86	12.90	0.64 (5)	
14.	2220.60.798.01- Contribution to International Programme for the Development of Communications	2003-04	0.16	-	0.16 (100)	Not recorded.
		2004-05	0.01	-	0.01 (100)	
15.	2220.60.798.02- Payment of annual membership subscription to Asia Pacific Institute for Broadcasting Development (AIBD)	2004-05	0.15	0.13	0.02 (13)	Not recorded.
		2005-06	0.20	0.13	0.07 (35)	

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(Rupees in crore)

Sl. No	Sub-Head	Year	Provision	Actual expenditure	Unspent provision (Percentage)	Reasons given by the Ministry
16.	2220.02.001 – Central Monitoring Services - Direction and Administration	2003-04	3.20	-	3.20 (100)	Entire provision remained unspent due to transfer of scheme from Prasar Bharti at later stage, non-availability of computer code, and non-finalisation of MoU.
		2004-05	6.06	-	6.06 (100)	
		2005-06	5.10	-	5.10 (100)	
17.	2220.02.800- Other Expenditure	2003-04	4.35	-	4.35 (100)	Entire funds remained unspent due to late transfer of Scheme from Prasar Bharti, delay in allotment of land and signing of MoU and vetting of agreement of implementing the project, non-availability of computer code.
		2005-06	10.00	-	10.00 (100)	
18.	2221.01.001- Direction and Administration	2003-04	0.02	-	0.02 (100)	Not recorded.
		2004-05	0.02	-	0.02 (100)	
		2005-06	0.02	-	0.02 (100)	
19.	2221.02.001- Direction and Administration	2003-04	0.02	-	0.02 (100)	Not recorded.
		2004-05	0.02	-	0.02 (100)	
		2005-06	0.02	-	0.02 (100)	
Capital Section						
20.	4220.01.052.01- Acquisition of Equipment for Films Division	2003-04	1.75	0.46	1.29 (74)	Less requirement of funds due to non-completion of formalities for imports, late receipt of approvals of Standing Finance Committee/ Planning Commission.
		2004-05	3.75	2.98	0.77 (21)	
		2005-06	1.05	-	1.05 (100)	

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(Rupees in crore)

Sl. No	Sub-Head	Year	Provision	Actual expenditure	Unspent provision (Percentage)	Reasons given by the Ministry
21.	4220.01.052.05- Acquisition of Equipment for Central Board of Film Certification	2004-05	0.75	-	0.75 (100)	Late receipt of approval of SFC/Planning Commission and fewer requirements of funds by NIC, the implementing agency for computerized Management System.
		2005-06	1.56	0.80	0.76 (49)	
22.	4220.01.200.01- *Multy-storied building of Film Division ** Setting up of Museum of Moving Images (Film Division)	*2003-04	0.25	-	0.25 (100)	Late receipt of approval of SFC/Planning Commission, delay in appointing Project Management consultant, replacement of obsolete equipments.
		**2004-05	1.00	0.10	0.90 (90)	
		**2005-06	7.44	-	7.44 (100)	
23.	4220.01.200.04- Film Festival Complex Additions and Alterations	2003-04	2.00	1.18	0.82 (41)	Delay in completion of work, non-allotment of land for parking at Siri Fort Complex.
		2004-05	2.00	-	2.00 (100)	
		2005-06	2.00	1.96	0.04 (2)	
24.	4220.01.200.07- Construction of Phase II Building for National Film Archive of India	2003-04	0.50	-	0.50 (100)	Late receipt of approval of SFC/Planning Commission and less demand by the executing agency for construction.
		2004-05	2.50	0.40	2.10 (84)	
		2005-06	4.00	3.00	1.00 (25)	
25.	4220.60.052.01- Acquisition of Equipment for Press Information Bureau	2004-05	0.75	0.37	0.38 (51)	Not recorded.
		2005-06	0.18	-	0.18 (100)	
26.	4220.60.052.02- Acquisition of Equipment for Directorate of Field Publicity	2004-05	1.00	0.44	0.56 (56)	Late receipt of approvals of SFC/ Planning Commission, ban on replacement of vehicles and delay in finalisation of procurement procedures.
		2005-06	1.46	0.50	0.96 (66)	
27.	4220.60.052.04 Acquisition of Equipment for Photo Division	2003-04	1.00	0.40	0.60 (60)	Fewer requirements of funds, late receipt of approval of SFC/ Planning Commission.
		2004-05	0.60	0.10	0.50 (83)	
		2005-06	0.60	0.52	0.08 (13)	

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(Rupees in crore)

Sl. No	Sub-Head	Year	Provision	Actual expenditure	Unspent provision (Percentage)	Reasons given by the Ministry
28.	4220.60.052.06- Acquisition of Equipment for Indian Institute of Mass Communication	2003-04	0.57	0.10	0.47 (82)	Late receipt of approval of SFC/ Planning Commission.
		2004-05	1.28	0.50	0.78 (61)	
		2005-06	0.59	0.52	0.07 (12)	
29.	4220.60.101.03- Setting up of National Press Centre and Mini Media Centres of Press Information Bureau	2003-04	2.19	0.07	2.12 (97)	Non approval of schemes, late receipt of approval of SFC/ PC, delay in signing of MoU between PIB and construction agency.
		2004-05	5.00	-	5.00 (100)	
		2005-06	18.20	7.60	10.60 (58)	
30.	4220.60.101.05- Building and Housing Project of Indian Institute of Mass Communication	2003-04	1.43	0.50	0.93 (65)	Due to dropping of construction work at IIMC, Dhenkanal, revision of structural drawings of the building, non-receipt of clearance from JNU for construction of staff quarters.
		2004-05	1.35	0.15	1.20 (89)	
		2005-06	1.16	-	1.16 (100)	
31.	6221.00.101.01-	2003-04	166.00	84.65	81.35 (49)	Due to fixation of lower ceiling for revised estimates, refund of unutilized loan pertaining to 2004-05.
		2004-05	169.50	85.93	83.57 (49)	

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**Appendix- VIII-B
(Refers to paragraph 8.3)
Persistent excess**

(Rupees in crore)

Sl.No.	Head	Year	Original provision	Expenditure	Excess	Reasons given by the Ministry
1.	2251.00.090. 05- Ministry of Information & Broadcasting	2003-04	15.22	18.92	3.70	Due to transfer of scheme from Prasar Bharti to the Ministry at later stage, booking of expenditure of Central Monitoring Services due to non-availability of Computer code, augmentation in travel expenses, modernisation of office complex and increase in fuel prices.
		2004-05	15.85	20.79	4.94	
		2005-06	O 17.61 S 0.37	19.89	1.91	
2.	2220.01.800. 03- Film and Television Institute of India, Pune	2004-05	5.80	6.54	0.74	Due to increased academic activities/film projects, new courses, higher intake of students by Film and Television Institute.
		2005-06	6.47	6.93	0.46	
3.	2220.01.800. 07- Satyajit Ray Film and Television Institute, Kolkatta	2003-04	3.00	3.64	0.64	Excess was due to increase in academic activities/film projects of SRFTI and payment of property tax.
		2004-05	3.51	3.86	0.35	
		2005-06	4.26	6.60	2.34	
4.	2220.60.106. 01- Directorate of Field Publicity	2004-05	21.28	22.56	1.28	Due to merger of 50 percent DA, enhancement of rent of Directorate at Muzaffarpur by the Court.
		2005-06	23.32	23.56	0.24	
5.	2220.60.112. 01- Employment News Services	2003-04	16.08	21.24	5.16	Due to meeting committed expenditure for newsprint, increase in print order, translation changes, proof reading charges.
		2004-05	20.00	23.37	3.37	
		2005-06	O 23.06 S 0.37	25.52	2.09	

O- Original

S – Supplementary

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**Appendix- VIII-C
(Refers to paragraph 8.7)
Unrealistic budgeting**

(Rupees in crore)

Sl. No.	Major Head & Sub-head	Total provision	Actual disbursement	Unspent provision	Percentage	Reasons given by the Ministry
Revenue Section 2003-04						
1.	2205.00.109.02- Central Board of Film Certification	4.56	3.12	1.44	32	Due to non-filling up of vacant post and non-approval of plan schemes.
2.	2220.01.105.01- Films Division	26.86	24.12	2.74	10	Due to non-reimbursement of medical claims, delay in finalisation of Assured Career Progression in respect of group 'C' employees, non-finalisation of property tax and delay in finalisation of court cases.
3.	2220.01.800.02- Children's Film Society	6.36	3.78	2.58	41	Due to less requirement of funds.
4.	2220.01.800.05- Directorate of Film Festivals	7.01	5.95	1.06	15	Due to less expenditure on foreign travel.
5.	2220.60.103.02- Other items	2.68	1.39	1.29	48	Due to less requirement for office expenses and adjustment of unspent balance of the previous year.
6.	2220.60.105.01- Registrar of News Papers for India	3.60	2.52	1.08	30	Due to based on actual requirements.
7.	2220.60.107.01- Song and Drama Division	16.70	15.12	1.58	9	Due to less requirement of funds.
8.	2220.02.001- Direction and Administration	3.20	-	3.20	100	Due to transfer of scheme from Prasar Bharti to the Ministry at a later stage.
9.	2220.02.800- Other Expenditure	4.35	-	4.35	100	Due to transfer of scheme from Prasar Bharti to the Ministry at a later stage.
10.	2221.80.102- Prasar Bharti	1005.60 S 0.01	1001.47	4.14	0.41	Due to adjustment of recovery due from Prasar Bharti.
Capital Section 2003-04						
11.	4220.01.052.01- Acquisition of Equipment for Films Division	1.75	0.46	1.29	74	Due to less requirement of funds owing to less time available for completing procedural formalities for importing Machinery and Equipment.
12.	4220.60.101.03- Setting up of National Press Center and Mini-Media Centres of Press Information Bureau	2.19	0.07	2.12	97	Due to the reason that the plan scheme was yet to be approved.

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(Rupees in crore)

Sl. No.	Major Head & Sub-head	Total provision	Actual disbursement	Unspent provision	Percentage	Reasons given by the Ministry
13.	6221.00.101.01-Prasar Bharti	166.00	84.65	81.35	49	Due to fixation of lower ceiling for revised estimates 2003-04 based on trends of expenditure.
Revenue Section 2004-05						
14.	2205.00.109.02-Central Board of Film Certification	4.09	2.81	1.28	31	Due to austerity measures, non-implementation of the scheme, opening of Regional offices at Delhi, Cuttak & Guwahati, less expenditure incurred due to delay in approval by competent authority in respect of the schemes, Monitoring and Modernisation of certification Process and Establishment of Computerised Management Systems and up gradation of Information.
15.	2220.01.800.02-Children's Film Society	4.47	2.15	2.32	52	Due to non-receipt of suitable film proposals/synopsis and scripts and also non-organizing of Children's film festival owing to General Elections.
16.	2220.60.003.01-Indian Institute of Mass Communication	4.82	3.75	1.07	22	Due to non-implementation of modernisation and expansion of facilities and housing project.
17.	2220.60.101.02-Directorate of Advertising and Visual Publicity	69.60	64.33	5.27	8	Due to austerity measures, non-finalisation of revision of rent, restriction imposed on procurement of journals/periodicals, non submission of TA bills, under utilisation of funds under the schemes "Radio Spots" & "Outdoor Publicity" etc.
18.	2220.60.107.01-Song and Drama Division	16.25	15.07	1.18	7	Due to non-receipt of bills of rent of buildings occupied by field units at several centers and also pace of utilisation under the scheme of Information Communication Technology owing to delay in receipt of sanction to incur expenditure on sound and light shows.
19.	2220.02.001-Direction and Administration	6.06	-	6.06	100	Due to non-availability of computer code.

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Sl. No.	Major Head & Sub-head	Total provision	Actual disbursement	Unspent provision	Percentage	Reasons given by the Ministry
Capital Section 2004-05						
20.	4220.01.200.04- Film Festival Complex -Additions and Alterations	2.00	-	2.00	100	Due to non-allotment of land for construction of a parking lot at Siri Fort complex by DDA.
21.	4220.01.200.07- Construction of Phase II Building for National Film Archive of India	2.50	0.40	2.10	84	Due to late receipt of approvals of Standing Finance Committee/ Planning Commission.
22.	4220.60.101.03 Setting up of National Press Centre and Mini Media Centres of Press Information Bureau	5.00	-	5.00	100	Due to late receipt of approvals of Standing Finance Committee /Planning Commission.
23.	4220.60.101.05- Building and Housing Project of Indian Institute of Mass Communication	1.35	0.15	1.20	89	Due to late receipt of approvals of Standing Finance Committee/ Planning Commission.
24.	6221.00.101.01- Prasar Bharti	169.50	85.93	83.57	49	Due to reduction in the direct budgetary support by Ministry of Finance.
Revenue Section 2005-06						
25.	2220.01.105.01- Films Division	O 26.95 S 0.65	26.50	1.10	4	Due to reduction in number of prints of films for distribution, variation in municipal taxes, hiring of less number of professionals and austerity measures.
26.	2220.01.800.05- Directorate of Film Festivals	8.36	7.02	1.34	16	Due to non-availability of enough theatres to meet festival requirement/ reduction in number of retrospectives/late signing of Memorandum of Understanding.
27.	2220.02.001 Direction and Administration	5.10	-	5.10	100	Due to non-finalisation of memorandum of understanding and non-availability of computer code.
28.	2220.02.800-CMS- Other Expenditure	10.00	-	10.00	100	Due to delay in allotment of land and signing of Memorandum of Understanding and also delay in allotment of general pool accommodation and in vetting of agreement of implementing the project by the executing agency.
29.	2221.80.102.01- Prasar Bharti	O 1009.57 S 95.58	1078.02	27.13	2	Due to non-approval of the scheme under Jammu and Kashmir (Phase II) by the competent authority.

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Sl. No.	Major Head & Sub-head	Total provision	Actual disbursement	Unspent provision	Percentage	Reasons given by the Ministry
Capital Section 2005-06						
30.	4220.01.052.01- Acquisition of Equipment of Films Division	1.05	-	1.05	100	Due to non-availability of approval of Standing Finance Committee in respect of Plan Scheme 'Replacement of obsolete Equipment of Films Division'.
31.	4220.01.200.01- Setting up of Museum of Moving Images (Films Division)	7.44	-	7.44	100	Due to delay in appointing National Building Construction Company as project Management Consultant, non-availability of approval of Standing Finance Committee in respect of Plan Schemes.
32.	4220.01.200.07- Construction of Phase II building of National Film Archive of India	4.00	3.00	1.00	25	Due to less demand by Civil Construction Wing of All India Radio, the executing agency in respect of construction of Phase II building of National Film Archive of India.
33.	4220.60.101.03- Setting up of National Press Centre & Mini Media Centres of Press Information Bureau	18.20	7.60	10.60	58	Due to delay in signing of MoU between Press Information Bureau and National Building Construction Corporation.
34.	4220.60.101.05- Building and Housing Project of Indian Institute of Mass Communication	1.16	-	1.16	100	Due to non-receipt of clearance from Jawaharlal Nehru University for the construction work of staff quarters.

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Appendix-VIII-D

(Refers to paragraph 8.39)

**Utilisation certificates of grants paid during 1976-77 (from the date of
Departmentalisation of accounts) to 2004-05, but not received so far.**

(Rupees in lakh)

Sl. No.	Name of Ministry/Department sanctioning Grant-in-aid.	Year of sanction of Grant	Due		Utilization Certificates received		Outstanding	
			No.	Amount	No.	Amount	No.	Amount
1.	Department of Space	1976-77	39	11.03	38	10.98	1	0.05
2.	—	1977-78	68	36.96	68	36.96	0	0.00
3.	—	1978-79	72	32.33	72	32.33	0	0.00
4.	—	1979-80	105	60.35	104	60.30	1	0.05
5.	—	1980-81	95	45.36	94	44.98	1	0.38
6.	—	1981-82	109	56.16	108	56.13	1	0.03
7.	—	1982-83	98	67.72	92	66.98	6	0.74
8.	—	1983-84	99	67.80	97	67.73	2	0.08
9.	—	1984-85	120	53.20	116	52.21	4	0.99
10.	—	1985-86	93	50.69	91	50.54	2	0.15
11.	—	1986-87	82	43.94	74	42.52	8	1.42
12.	—	1987-88	96	58.82	92	53.94	4	4.88
13.	—	1988-89	67	53.08	67	53.08	0	0.00
14.	—	1989-90	88	86.83	86	86.76	2	0.07
15.	—	1990-91	60	93.34	59	88.10	1	5.24
16.	—	1991-92	49	153.19	48	151.95	1	1.24
17.	—	1992-93	50	109.64	50	109.64	0	0.00
18.	—	1993-94	63	128.89	61	127.61	2	1.28
19.	—	1994-95	72	249.65	72	249.65	0	0.00
20.	—	1995-96	84	338.19	83	337.84	1	0.35
21.	—	1996-97	105	391.38	105	391.38	0	0.00
22.	—	1997-98	115	654.51	115	654.51	0	0.00
23.	—	1998-99	143	652.96	142	652.76	1	0.20
24.	—	1999-00	188	779.58	186	778.28	2	1.30
25.	—	2000-01	185	2574.58	177	2509.13	8	65.45
26.	—	2001-02	178	1495.87	151	1018.84	27	477.03
27.	—	2002-03	196	1370.66	160	1138.32	36	232.34
28.	—	2003-04	240	1422.17	161	956.72	79	465.45
29.	—	2004-05	240	1706.06	94	569.91	146	1136.14
	Total		3199	12844.94	2863	10450.08	336	2394.86

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**Appendix-VIII-E
(Refers to paragraph 8.42)
Persistent unspent provision**

(Rupees in crore)

Sl. No.	Sub-head	Year	Sanctioned provision	Actual expenditure	Unspent provision	Reasons for unspent provision as given by the Ministry
1.	2225.02.001.01 Scheduled Areas and Scheduled Tribes Commission	2003-04	5.00	3.17	1.83	The saving was due to non-filling of vacant posts and winding up of the Commission in the middle of 2004-05.
		2004-05	2.38	1.32	1.06	
2.	2225.02.001.06 National Commission for Scheduled Tribes	2003-04	0.01	--	0.01	The saving was due to non-filling of posts and austerity measures.
		2004-05	4.51	3.65	0.86	
		2005-06	4.56	3.28	1.28	
3.	2225.02.277.05 Development of Primitive Tribal Groups	2003-04	6.00	4.75	1.25	The saving was due to cut imposed by Department of Expenditure at revised estimates stage
		2004-05	6.00	5.80	0.20	
4.	2225.02.277.09 Research Information and Mass Education, Tribal Festivals and others	2003-04	0.50	--	0.50	Not given
		2004-05	0.50	--	0.50	
		2005-06	0.40	--	0.40	
5.	2225.02.277.10 Grants-in-aid to NGOs for STs including Coaching and Allied Scheme and award for Exemplary services	2003-04	0.50	--	0.50	Not given
		2004-05	0.50	0.14	0.36	
		2005-06	0.40	0.19	0.21	
6.	2225.02.277.11 Scheme of PMS Book Bank and Upgradation of Merit of ST students	2003-04	0.15	--	0.15	Not given
		2004-05	0.15	--	0.15	
		2005-06	0.50	0.02	0.48	
7.	2225.02.800.10 Education complex in low literacy pockets for Development of Women's Literacy in Tribal Areas	2003-04	8.00	5.75	2.25	The saving was due to non-receipt of complete proposals.
		2004-05	8.50	7.68	0.82	

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Sl. No.	Sub-head	Year	Sanctioned provision	Actual expenditure	Unspent provision	Reasons for unspent provision as given by the Ministry
8.	2225.02.800.11 Vocational Training in Tribal Areas	2003-04	4.00	1.18	2.82	The saving was due to less receipt of complete proposals.
		2004-05	4.00	0.57	3.43	
		2005-06	1.40	0.73	0.67	
9.	2225.02.800.15 Scholarship to the Students of Scheduled Tribes for Studies Abroad	2003-04	0.80	0.25	0.55	The saving was due to less receipt of complete proposals.
		2004-05	0.80	0.27	0.53	
		2005-06	0.80	0.28	0.52	
10.	2225.02.800.19 Grants-in-aid to NGOs for STs including Coaching and Allied Scheme and award for exemplary services	2003-04	30.50	26.90	3.60	The saving was due to less receipt of complete proposals.
		2004-05	30.50	29.30	1.20	
11.	2225.02.800.21 Research Information and Mass Education, Tribal Festivals and others	2003-04	3.00	2.70	0.30	The saving was due to non-receipt of complete proposals.
		2004-05	3.00	1.08	1.92	
		2005-06	2.20	1.37	0.83	
12.	4225.02.102.02 Investment/Price Support to TRIFED	2003-04	0.01	--	0.01	The entire provision remained unutilized due to non receipt of the approval of Cabinet Committee on Economic Affairs.
		2004-05	4.01	--	4.01	
		2005-06	6.00	--	6.00	
13.	4225.80.190.13 Support to National/State Scheduled Tribes Finance and Development Corporation	2003-04	37.50	17.29	20.21	The saving was due to the cut imposed by Department of Expenditure and linked up evaluation study.
		2004-05	35.50	24.75	10.75	
		2005-06	27.00	--	27.00	

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Appendix-VIII-F
(Refers to paragraph 8.42)

Statement of excess expenditure over sanctioned provision

(Rupees in crore)

Sl. No.	Sub-head	Excess expenditure			Reasons for excess expenditure as given by the Ministry
		Sanctioned provision	Actual expenditure	Excess expenditure	
Year 2005-06					
Revenue Section (Voted)					
1.	2225.02.800.19 Grants-in-aid to NGOs for STs including Coaching and Allied Scheme and award for Exemplary services	22.35	26.11	3.76	The excess was due to re-appropriation of funds from Major Head "2552" to concerned functional head for incurring expenditure for North Eastern Region and Sikkim.

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**Appendix-VIII-G
(Refers to paragraph 8.44)
Unrealistic budgeting**

(Rupees in crore)

Sl. No.	Major Head/Sub-head	Total provision	Actual expenditure	Savings	Percentage of savings
2003-04					
Revenue Section					
1.	2225.02.001.06 National Commission for Scheduled Tribes	0.01	--	0.01	100
2.	2225.02.277.09 Research Information and Mass Education, Tribal Festivals and others	0.50	--	0.50	100
3.	2225.02.277.10 Grants-in-aid to NGOs for STs including Coaching and Allied Scheme and award for Exemplary services	0.50	--	0.50	100
4.	2225.02.277.11 Scheme of PMS Book Bank and Upgradation of Merit of ST students	0.15	--	0.15	100
5.	2225.02.800.08 Establishment of Ashram Schools in Tribal Sub-Plan Areas	0.50	--	0.50	100
6.	2225.02.800.11 Vocational Training in Tribal Areas	4.00	1.18	2.82	71
7.	2225.02.800.12 Village Grain Bank	30.00	1.07	28.93	96
8.	2225.02.800.15 Scholarship to the Students of Scheduled Tribes for Studies in Abroad	0.80	0.25	0.55	69
Capital Section					
9.	4225.02.102.02 Investment/Price Support to TRIFED	0.01	--	0.01	100
10.	4225.80.190.13 Support to National/State Scheduled Tribes Finance and Development Corporation	37.50	17.29	20.21	54
2004-05					
Revenue Section					
11.	2225.02.277.09 Research Information and Mass Education, Tribal Festivals and others	0.50	--	0.50	100
12.	2225.02.277.10 Grants-in-aid to NGOs for STs including Coaching and Allied Scheme and award for Exemplary services	0.50	0.14	0.36	72

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(Rupees in crore)

Sl. No.	Major Head/Sub-head	Total provision	Actual expenditure	Savings	Percentage of savings
13.	2225.02.277.11 Scheme of PMS Book Bank and Upgradation of Merit of ST students	0.15	--	0.15	100
14.	2225.02.800.08 Establishment of Ashram Schools in Tribal Sub-Plan Areas	0.50	--	0.50	100
15.	2225.02.800.11 Vocational Training in Tribal Areas	4.00	0.57	3.43	86
16.	2225.02.800.12 Village Grain Banks	32.50	--	32.50	100
17.	2225.02.800.15 Scholarship to the Students of Scheduled Tribes for Studies Abroad	0.80	0.27	0.53	66
18.	2225.02.800.21 Research Information and Mass Education, Tribal Festivals and others	3.00	1.08	1.92	64
19.	2225.02.800.22 Monitoring and Evaluation	0.50	--	0.50	100
20.	2225.02.800.24 Promotion of Tribal Culture	0.50	--	0.50	100
21.	3602.04.360.04 Grant-in-aid to NGOs for STs including Coaching and Allied Scheme and award for Exemplary services	0.05	0.01	0.04	80
Capital Section					
22.	4225.02.102.02 Investment/Price Support to TRIFED	4.01	--	4.01	100
23.	4225.80.190.15 Construction of Adivasi Bhawan	7.00	--	7.00	100
2005-06					
Revenue Section					
24.	2013.00.105.05 Ministry of Tribal Affairs	0.02	--	0.02	100
25.	2225.02.277.09 Research Information and Mass Education, Tribal Festivals and others	0.40	--	0.40	100
26.	2225.02.277.10 Grants-in-aid to NGOs for STs including Coaching and Allied Scheme and award for Exemplary services	0.40	0.19	0.21	53
27.	2225.02.277.11 Scheme of PMS Book Bank and Upgradation of Merit of ST students	0.50	0.02	0.48	96
28.	2225.02.800.15 Scholarship to the Students of Scheduled Tribes for Studies Abroad	0.80	0.28	0.52	65
29.	2225.02.800.24 Promotion of Tribal Culture	0.30	--	0.30	100

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(Rupees in crore)

Sl. No.	Major Head/Sub-head	Total provision	Actual expenditure	Savings	Percentage of savings
Capital Section					
30.	4225.02.102.02 Investment/Price Support to TRIFED	6.00	--	6.00	100
31.	4225.80.190.13 Support to National/State Scheduled Tribes Finance and Development Corporation	27.00	--	27.00	100
32.	4225.80.190.15 Construction of Adivasi Bhawan	0.01	--	0.01	100

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**Appendix-VIII-H
(Refers to paragraph 8.47)
Entire budget provision remaining unutilised**

(Rupees in crore)

Sl. No.	Sub-head	Total provision/ amount re-appropriated/ surrendered
2003-04		
1.	2225.02.001.06 National Commission for Scheduled Tribes	0.23
2.	2225.02.277.09 Research Information and Mass Education, Tribal Festivals and others	0.50
3.	2225.02.277.10 Grants-in-aid to NGOs for STs including Coaching and Allied Scheme and award for exemplary services	0.50
4.	2225.02.277.11 Scheme of PMS Book Bank and Up gradation of Merit of ST students	0.15
5.	2225.02.800.08 Establishment of Ashram Schools in Tribal Sub-Plan Areas	0.50
6.	3601.04.360.10 Grants-in-aid to NGOs for STs including Coaching and Allied Scheme and award for exemplary services	0.95
7.	4225.02.102.02 Investment/Price Support to TRIFED	0.01
2004-05		
8.	2225.02.277.09 Research Information and Mass Education, Tribal Festivals and others	0.50
9.	2225.02.277.11 Scheme of PMS Book Bank and Up gradation of Merit of ST students	0.15
10.	2225.02.800.08 Establishment of Ashram Schools in Tribal Sub-Plan Areas	0.50
11.	2225.02.800.12 Village Grain Banks	32.50
12.	2225.02.800.22 Monitoring and Evaluation	0.50
13.	2225.02.800.24 Promotion of Tribal Culture	0.50
14.	3601.03.360.08 Promotion of Tribal Culture	1.00
15.	4225.02.102.02 Investment/Price Support to TRIFED	4.01
16.	4225.80.190.15 Construction of Adivasi Bhawan	7.00
2005-06		
17.	2225.02.277.09 Research Information and Mass Education, Tribal Festivals and others	0.40
18.	2225.02.800.24 Promotion of Tribal Culture	0.30
19.	3601.03.360.08 Promotion of Tribal Culture (Charged)	0.70

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(Rupees in crore)

Sl. No.	Sub-head		Total provision/ amount re-appropriated/ surrendered
20.	3602.04.360.04	Grants-in-aid to NGOs for STs including Coaching and Allied Scheme and award for exemplary services	0.05
21.	4225.02.102.02	Investment/Price Support to TRIFED	6.00
22.	4225.80.190.13	Support to National/State Scheduled Tribes Finance and Development Corporation	27.00
23.	4225.80.190.15	Construction of Adivasi Bhawan	0.01

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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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.

