

Report of the  
Comptroller and Auditor General  
of India

for the year ended March 2005

Union Government  
Accounts of the Union Government  
No.1 of 2006

1. The first part of the report  
discusses the general situation  
of the country.

2. The second part of the report  
deals with the economic  
development of the country.

3. The third part of the report  
describes the social  
conditions of the country.

## CONTENTS

	Page
Preface	<i>i</i>
Highlights	<i>iii</i>
Chapter	Subject
1.	Union Government Finances – An Overview 1
2.	Resources: Trends and Composition 11
3.	Application of Resources: Expenditure 22
4.	Deficits: Management of Fiscal Imbalances 33
5.	Management of Fiscal Liabilities 39
6.	Appropriation Accounts 2004-05: Introduction 47
7.	Appropriation Accounts 2004-05: An Analysis 51
8.	Review of Selected Grants 67
9.	Managing Government Finances: A General Evaluation 100
	List of Appendices 105
	Appendices 106
	Glossary 151

100

101

102

103

104

105

106

107

108

109

110

111

112

113

114

115

116

117

118

119

120

121

122

123

124

125

126

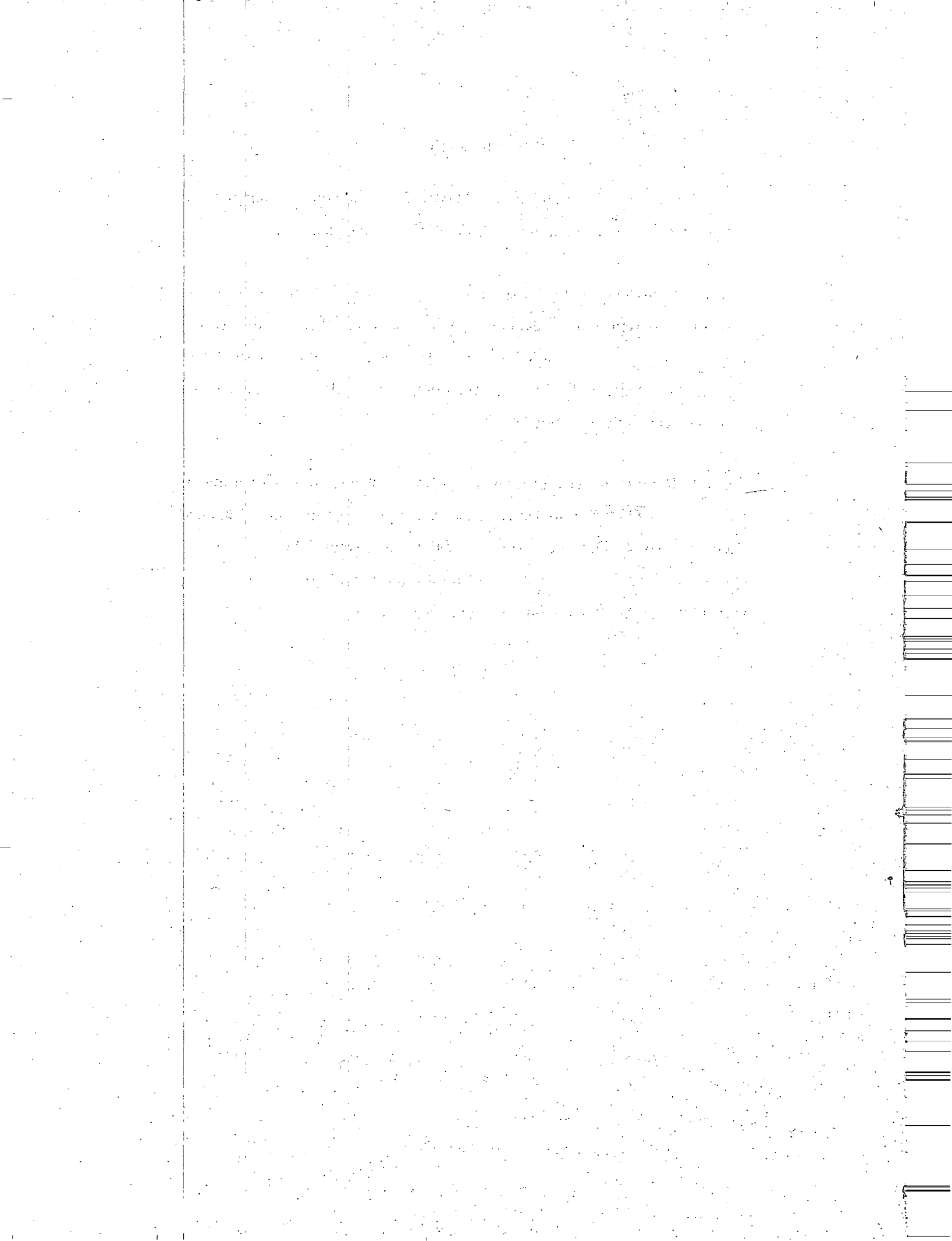


## **PREFACE**

This Report for the year ended March 2005 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 2005. 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), Direct Taxes (No. 8) and Non-Tax Revenues (No. 9).



## UNION GOVERNMENT FINANCES AND ACCOUNTS: 2004-05

### HIGHLIGHTS

This Report discusses the finances of the Union Government and trends in the major fiscal indicators over two Plans *i.e.*, VIII (1992-1997) and IX (1997-2002) and the two most recent years. It also contains an analysis of the Appropriation Accounts for 2004-05.

- The year 2004-05 ended with a surplus of Rs. 45,222 crore and Rs. 27,119 in the Consolidated Fund of India and the Public Account of India respectively.
- The revenue deficit in 2004-05 was Rs. 78,700 crore while the fiscal deficit amounted to Rs. 103,798 crore. The revenue deficit constituted 2.53 *per cent* of Gross Domestic Product while the fiscal deficit amounted to 3.34 *per cent* of GDP.
- The resources of the Union Government in 2004-05 amounted to Rs. 1664,333 crore. The non-debt receipts constituted around 32 *per cent* of the total receipts. The balance came from borrowings and Public Account receipts.
- Total non-tax revenue in 2004-05 amounted to Rs. 150508 crore, which constituted 40 *per cent* of the net revenue of the Union Government. This ratio had a moderate positive annual shift rate of 0.33 *per cent* in its relative share during 1985-2005, though there was a deceleration in its relative share in recent years.
- The total disbursement of the Union Government increased from an average of Rs. 433716 crore during the VIII Plan (1992-1997) to Rs. 1584585 crore in 2004-05. The average annual trend of growth of disbursement during 1985-2005 at 11.92 *per cent* was; however, lower than the rate of growth of GDP, which in the same period averaged 13.89 *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 82.93 *per cent* in 2004-05. Relative share of the capital expenditure and loans and advances declined from an average of 21.12 *per cent* during VIII Plan to 17.07 *per cent* in 2004-05.
- The share of plan expenditure in total expenditure remained nearly stagnant during 1985-2005. As against a long-term average of 23.15 *per cent* of total expenditure during 1985-2005, its share only moderately improved to 24.20 *per cent* in 2004-05.



- The overall expenditure of the Union Government on social services increased from an average of Rs. 6903 crore during the VIII Plan (1992-1997) to Rs. 24,593 crore in 2003-04 and to Rs. 31,115 crore in 2004-05. The long-term trend rate of growth in expenditure on social services was 15.26 *per cent* (1987-2005).
- Aggregate fiscal liabilities-GDP ratio peaked during 1991-92 when it reached 65.43 *per cent* of GDP. This ratio decelerated to an average of 60.72 *per cent* during the VIII plan (1992-1997) and further to an average of 59.08 *per cent* during the IX Plan (1997-2002). In the recent three years, while the ratio of fiscal liabilities to GDP increased to 62.69 *per cent* in 2002-03, it decelerated in 2003-04 to 60.13 *per cent* and 58.71 *per cent* in 2004-05, close to the long-term trend levels
- The ratio of fiscal liabilities to revenue and non-debt receipts had a positive shift rate during 1985-2005. Average ratio of fiscal liabilities to non-debt receipts increased from 446 *per cent* during the VIII Plan (1992-97) to 453 in 2002-03. It, however, declined to 409 *per cent* in 2004-05.

## Chapter 1

### UNION GOVERNMENT FINANCES – AN OVERVIEW

1.1 This chapter provides a broad perspective of the finances of the Union Government during 2004-05 and analyses critical changes in the major fiscal aggregates in the last two decades.

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 (2004-05).

**Table 1.1 Summary of the current year's operation**

*(Rupees in crore)*

Receipts		Derived parameters		Disbursements	
<b>Consolidated Fund of India (CFI)</b>					
Revenue Receipt	376871	<b>Revenue Deficit</b>		Revenue Expenditure	455571
Misc. Capital Receipts	4424		78700	Capital Expenditure	53654
Recovery of Loans	64240	<b>Fiscal Deficit</b>		Loans and Advances	40108
<b>Total Non-Debt Receipts</b>	<b>445535</b>		<b>103798</b>	<b>Total Expenditure</b>	<b>549333</b>
Public Debt	705289	<b>Surplus in CFI</b>		Public Debt	556269
<b>Total CFI</b>	<b>1150824</b>		<b>45222</b>	<b>Total CFI</b>	<b>1105602</b>
<b>Public Accounts</b>					
Small savings	284992			Small savings	263293
Reserves & Sinking Fund	27074			Reserves & Sinking Fund	23374
Deposits	73067			Deposits	76104
Advances	27380			Advances	27889
Suspense account	13668	<b>Surplus in Public Account</b>		Suspense account	9279
Remittances	1326		27119	Remittances	449
<b>Total Public Account</b>	<b>427507</b>	<b>Increase in Cash</b>		<b>Total Public Account</b>	<b>400388</b>
Opening Cash	7407		72341	Closing Cash	79748
Public Account Surplus (Demand)			27119	Deficit in (CFI)+ Increase in Cash	
Incremental Liabilities (Supply)			171382	Surplus of (Debt+ Small Savings+ RF+ Deposits)	
Incremental Liabilities (Demand)			171382	FD+ Increase in Cash +Net Disbursement of (Advances+ Suspense+ Remittances)	

1.3 The year 2004-05 ended with a surplus in both the Consolidated Fund of India and the Public account and the entire amount was used for increasing cash balances. This was in itself unique for two reasons. Firstly, in the history of Union Finances, this was the first year that witnessed a surplus in both Consolidated Fund and Public Account. Secondly, the proceeds of this surplus



were used for increasing the cash balances of the Union government under Market Stabilisation Scheme primarily for sucking excess liquidity from the system as a price stabilisation measure. The year 2004-05 ended with a fiscal deficit of Rs. 103,798 crore. Fresh liabilities, which are accommodative flows for meeting this resource gap, however, exceeded the fiscal deficit by Rs. 67,584 crore because of a build up in cash balances.

<b>Box 1.1 : Union Government funds and the Public Account</b>	
<p><b>Consolidated Fund</b> 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><b>Contingency Fund</b> 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><b>Public Account</b> 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 quality of fiscal marksmanship. 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 2004-05 - budget and actuals**

*(Rupees in crore)*

	Budget Estimates	2003-04 Actuals	2004-05		Deviation from Budget	Deviation* Per cent
			Actuals	Budget Estimates		
1	Total Receipts of the Union	1333505	1578331	1216370	361961	29.76
2	Revenue Receipts	339100	376871	380343	-3472	-0.92
	Tax revenue	188582	226363	235506	-9143	-3.88

(Rupees in crore)

Budget Estimates	2003-04 Actuals	2004-05		Deviation from Budget	Deviation* Per cent
		Actuals	Budget Estimates		
Non-tax revenue	150518	150508	144837	5671	3.92
3 Miscellaneous Capital receipts	16953	4424	4000	424	0.11
4 Recovery of Loans and Advances	69827	64240	29625	34615	116.84
5 Public Debt receipt	538492	705289	507403	197886	39.00
6 Public Account Receipts	369133	427507	294999	132508	44.92
7 Total Disbursement of the Union	1329563	1505990	1169967	336023	28.72
8 Revenue Expenditure	440086	455571	456722	-1151	-0.25
9 Capital Expenditure	35401	53654	60718	-7064	-11.63
10 Loans and Advances	31330	40108	43143	-3035	-7.03
11 Repayment of Public Debt	430963	556269	342119	214150	62.59
12 Public Account Disbursement	391783	400388	267265	133123	49.81
13 Revenue Deficit	100986	78700	76379	2321	3.04
14 Fiscal Deficit	80937	103798	146615	-42817	-29.20

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

1.5 Revenue receipts fell short of the budget estimates by 0.92 per cent and better realisation of non-tax receipts was inadequate to compensate the shortfall in tax collections. Though the revenue expenditure was generally maintained at the budgeted levels, shortfall in tax collections relative to the budget estimates led to an increase in revenue deficit. Fiscal deficit, which represents overall resource gap of the government, however, was less than the budgeted figures by over 29 per cent. A more than 116 per cent increase in recovery of loans and advances, largely due to debt swaps, compared to the budget figures contributed to this sharp reduction. This, however, should be viewed as an one-time realisation because it led to an equal reduction in the assets base of the Union government. A decline in capital expenditure and loans and advances relative to the budget estimates also contributed to the reduction in fiscal deficit. 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 less than the budget estimates. On the whole, while fiscal marksmanship was evident on revenue receipts and revenue expenditure side, deviations in other parameters relative to the budget estimates were quite significant.



**Union Government Finances 1985-2005 - 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
<b>Deficits as per Finance Accounts</b>				
Revenue Deficit	110303	109765	100986	78700
Fiscal Deficit	155833	134588	80937	103798
<b>Deficit as per Budget at a Glance</b>				
Revenue Deficit	100162	107880	98262	78338
Fiscal Deficit	140955	145072	123272	125202
<b>Difference in the two Figures</b>				
Revenue Deficit	10141	1885	2724	362
Fiscal Deficit	14878	(-) 10484	-42335	(-) 21404
<b>Factors Explaining the Differences</b>				
Securities Issued to RBI/UTI/IDBI/Others (Revenue Account)	10141	1885	2724	362
Securities Issued to IIBI/IFCI/RBI (Capital Expenditure)	4737	384	-110	(-) 88
Securities issued to IMF		1011	1262	415
Redemption of Securities issued to NSSF		(-) 13765	(-)46211	(-) 32675
Securities issued to Asset Management Trust				9000
Special securities issued to RBI				350



Union Government Finances - An Overview

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05
Conversion of interest receivable to equity				640
Investment in Nuclear Power Corporation				592
Combined Effect	14878	(-) 10485*	-42335	(-) 21404

\* Difference due to rounding Summary of balances

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

Summary of balances

1.8 Statement 12 of the Finance Account provides a summary of cumulative outcome of the Government finances in terms of availability and use of resources. This statement read with statement 5 of the Finance Account is akin to a Balance Sheet of the government. Table 1.4 provides the summary of the government finances during 1985-86 and 2004-05, 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	2005			1986	2005	
Capital Outlay	62064	487160	10.85	Internal Debt	71039	1275971	15.54
Loans & Advances	61766	230515	6.81	External Debt	18153	60877	6.24
<b>Resource use in terms of functions</b>				Small Savings	36859	263048	10.30
Social Services	3032	19933	9.87	Other Obligations	11433	92989	11.05
Agriculture & Allied	5596	9017	2.41	Fiscal Liabilities	137484	1692885	13.38
Irrigation and Energy	9122	58709	9.76	Cash Balances	-107	-79748	39.19
Industry & Minerals	32931	81079	4.41	Suspense Balances	-1260	-17920	14.20
Transport & Communication	19198	107859	9.01	Remittances	-1273	-2368	3.15
Other Economic Services	3012	69587	17.00	Advances	-511	-3349	9.86
Total Economic Services	69859	326251	8.01	Contingency Fund	50	50	0.00
General Services & Others	12219	210323	15.29	Availability of Funds	134383	1589550	13.15
Loans to States	38720	161168	7.39	Resource Gap	-10553	-871875	24.70
Total Assets	123830	717675	9.18	Resource Use	123830	717675	9.18

(\*Cumulative Annual Rate of Growth)

1.9 While the net availability of funds of the Union government increased at an annual rate of 13.15 *per cent*, assets of the government comprising the capital expenditure and loans and advances increased at an average rate of 9.18 *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 1985-2005. "Loans and advances", which is akin to capital formation through its parastatals increased at an average rate of 6.81 *per cent*. Investment or assets formation in agriculture and allied activities and industry and minerals recorded a much lower growth during this period. Investment in social services grew at 9.87 *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 55 *per cent* as on 31 March 2005.

**Box 1.3: Reporting Parameters**

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GDP at current market prices. The New GDP series with 1993-94 as base as published by the Central Statistical Organisation and indicated in Economic Survey 2004-2005 has been used. For the current year GDP estimates are as given by CSO in their Press Note released on 30<sup>th</sup> June 2005.

For tax revenue, buoyancy estimates are given. The buoyancy indicates the responsiveness of a tax to *per cent* age 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 1985-2005 has been indicated. Further, trend growth over the VIII Plan (1992-97) and the IX Plan (1997-2002) has also been indicated. While calculating these growth rates, the first year of the Plan has been taken as the base year to estimate inter Plan growth rates. This process eliminates the "low base bias" of the year immediately preceding the plan. Annual growth has been indicated for the two most recent years, i.e. 2003-04 and 2004-05.

For most series, ratios with respect to GDP have also been indicated. As in the case of growth rates, average ratios have been used for the period 1985-2005 and Plan periods separately for the VIII and IX Plans. Annual ratios of the two most recent years have also been indicated.

## Revenue Receipts

1.10 Table 1.5 indicates the rate of growth and relative share as percentage to GDP of the tax, non-tax and total revenue receipts (net of share of the States in Union taxes) during 1985-2005, the VIII and IX Plans (1992-1997 and 1997-2002 respectively) and the two most recent years.

Table 1.5: Key parameters of the Union Government revenue receipts

Period	(Per cent)						
	Gross Tax Revenue		Non-Tax Revenue		Total Revenue of the Union		GDP Growth
	A	B	A	B	A	B	
1985-2005	12.69	9.21	13.32	5.77	12.94	12.55	13.89
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
2003-04	17.61	9.22	7.76	5.45	13.10	12.29	12.04
2004-05	19.90	9.82	-0.01	4.85	11.14	12.14	12.52

A: - Rate of growth

B: - Relative share as percentage to GDP

1.11 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. For over a decade between 1992-2002, the rate of growth of revenue receipts and its two components remained lower than the rate of growth of GDP. Though the rate of growth of non-tax receipts continued to remain sluggish, partly due to corporatisation of telecom services and setting up of Prasar Bharati, reversal of this trend of a negative spread between GDP growth and growth of tax receipts was witnessed in the last two years. The ratio of tax receipts to GDP which had declined to an average of 8.68 *per cent* during the IX Plan (1997-2002) increased to 9.82 *per cent* in 2004-05.

1.12 Tax revenue (inclusive of the States' share) of the Union had a buoyancy of 0.914 during 1985-2005 indicating that for each percentage point increase in GDP, increase in tax revenue was only 0.91 *per cent*. While direct taxes had buoyancy greater than one, lower buoyancy of indirect taxes (both customs and excise duties) that accounted for nearly three fourths of the total tax revenue resulted in overall lower buoyancy for the gross tax receipts. 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

1.13 The Union Government's total expenditure (Table 1.6) also reflected a similar position. Rate of growth of total expenditure declined from a long-term average of 12.22 *per cent* (1985-2005) to 8.86 *per cent* during the IX Plan (1997-2002) and further to 8.39 *per cent* in the current year. Total expenditure-GDP ratio also declined from a trend average of 19.57 during 1985-2005 to 17.69 *per cent* in the current year. Capital expenditure witnessed significant volatility, but average annual growth of this component of expenditure remained lower. Last two years, however, witnessed a significant acceleration in growth of capital expenditure. Relative to GDP, its share

**Report of the CAG on  
Union Government Accounts 2004-05**

fluctuated but the trend rate of shift in its relative share was negative. This was also true of loans and advances.

**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
1985-2005	13.74	15.96	7.75	1.65	6.18	1.96	12.22	19.57
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
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

A: - Rate of growth

B: - Relative share as percentage of GDP

### **Fiscal imbalances**

1.14 Fiscal imbalances not only continued to be persistent but also remained significant in volume. There was an increase in the revenue deficit/GDP ratio from an average of 2.80 *per cent* during the VIII Plan (1992-1997) to an average of 3.95 *per cent* during the IX Plan (1997-2002). Fiscal deficit-GDP ratio also increased from an average of 6.04 *per cent* during the VIII Plan to an average of 6.25 *per cent* during the IX Plan. There was, however, an improvement in these parameters in the last three years. The ratio of revenue deficit to GDP declined (from a peak of 4.80 *per cent* in 2001-02 to 2.53 *per cent* in 2004-05) by 2.27 percentage points in the last three years. Notwithstanding an increase in the ratio of fiscal deficit to GDP in the current year by 0.41 percentage points, compared to a ratio of 6.79 *per cent* in 2001-02, the terminal year of the IX plan, the current year ratio of 3.34 *per cent* represents a decline of 3.45 percentage points over three years, though more than half of this could be attributed to debt swap and accelerated recovery of loans and advances earlier given to the States. Since there was an one-to-one relationship between accelerated recovery and a decline in assets base, this cannot be taken as a sustainable route. Relatively higher growth of revenue receipts would, however, be needed to sustain this improvement otherwise it may become an one-time phenomenon. 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 75.82 *per cent* in 2004-05. (Table 1.7)

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
1985-2005	3.41	5.60	60.90
VIII Plan (1992-1997)	2.80	6.04	46.26
IX Plan (1997-2002)	3.95	6.25	63.26
2003-04	3.66	2.93	124.77
2004-05	2.53	3.34	75.82

### Fiscal Liabilities

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

Table 1.8: Characteristics of the Union Government Fiscal Liabilities

(Per cent)

Period	Rate of Growth of Total Liabilities*	Total Liabilities/ GDP Ratio	Average Rate of Interest	Ratio of Assets to Liabilities
1985-2005	14.04	59.98	8.36	51.72
VIII Plan (1992-1997)	12.48	60.72	7.91	57.68
IX Plan (1997-2002)	11.85	59.08	9.06	50.90
2003-04	7.20	60.13	8.28	41.48
2004-05	9.86	58.71	7.89	39.36

\* 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.

1.16 During 1985-2005, the aggregate fiscal liabilities of the Union Government remained around 60 per cent of GDP. Though the rate of growth in aggregate liabilities indicated a decelerating trend, the ratio of liabilities to GDP did not benefit from this deceleration as in the later period GDP growth itself witnessed a deceleration in nominal terms. The average rate of interest on the outstanding liabilities continued to move upwards from an average of 7.91 per cent during the VIII Plan (1992-1997) to an average of 9.06 per cent during the IX Plan (1997-2002). There was a deceleration in average interest rate to 8.28 per cent in 2003-04 and further to 7.89 per cent in the current year, which resulted in a decline of 133 basis points in interest rates in last three years. Interest rates on fiscal liabilities had remained largely below the rate of growth of GDP. Two factors, other than the administered interest rate structure which had prevailed for most part of these two decades, low interest

---

Report of the CAG on  
Union Government Accounts 2004-05

---

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. 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 declined to less than 40 *per cent* by 2004-05.



## Chapter 2

### RESOURCES: TRENDS AND COMPOSITION

#### Resources of the Union Government: 2004-05

2.1 Revenue and capital are the two streams of receipts that constitute resources of the Union Government. Revenue receipts consist of tax revenue, non-tax revenue, grants-in-aid and contributions. Capital receipts have two components - the debt receipts, which create future repayment obligations and the miscellaneous capital receipts, which constitute proceeds from disinvestment and recoveries of loans and advances, leading to reduction in the actual or potential assets base. Table 2.1 below presents a summary of the total resources of the Union Government, which amounted to Rs. 1664,333 crore for the year 2004-05. Non-debt receipts constituted around 32 *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	455,466
II	Capital receipts	1201,460
	a. Miscellaneous Receipts	4,424
	b. Recovery of Loans and Advances	64,240
	c. Debt receipts	705,289
III	Public Account Receipts	427,507
Total Receipts		1656,926
Opening Cash Balances		7,407
Total Availability of Resources		1664,333

Note: (1) Revenue receipts include Rs. 78,595 crore being the share of taxes and duties assigned to the States and not reflected in the Union Government's Finance Accounts.

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

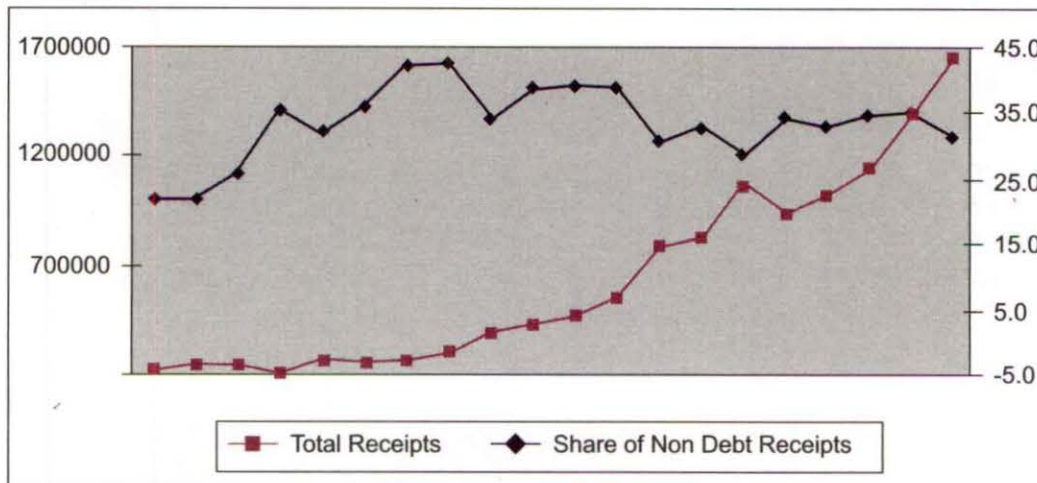
#### Trends in resources

2.2 Overall resources of the Union Government increased at a trend rate of 11.99 *per cent* during 1985-2005. 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*. In the last two years (2003-04 and 2004-05), there was a reversal of the trend and the rate of growth of total receipts outstripped the GDP growth.

2.3 Inter year variations in the growth of various components of gross receipts were significant. While the trend growth (1985-2005) was lowest for debt receipts, a significant acceleration was seen in the last two years. In case of non-debt capital receipts, while the current year growth was negative, it was on a very high base. In absolute terms, non-debt capital receipts in last two years were maintained at

**Report of the CAG on  
Union Government Accounts 2004-05**

substantially higher levels compared to their long-term trend, largely because of debt swap scheme. Revenue receipts also were particularly buoyant in recent years and with reference to the growth rates observed during IX plan period, acceleration was close to 4.0 percentage points.



**Table 2.2: Components of receipts: Trends**

*(Rupees in crore)*

Period	Revenue Receipts	Capital Receipts			Total Receipts	Gross Domestic product
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account		
1985-2005	195887	18592	274678	150689	639846	1307525
VIII Plan (1992-1997)	157991	9373	164326	102117	433807	1035315
IX Plan (1997-2002)	282019	17430	427187	210498	937134	1914401
2003-04	404866	86780	538492	369133	1399271	2760025
2004-05	455466	68664	705289	427507	1656926	3105512
<b>Average Annual Rate of Growth (per cent)</b>						
1985-2005	12.94	14.80	10.51	14.56	11.99	13.89
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
2003-04	13.74	107.13	23.69	20.15	22.69	12.04
2004-05	12.50	-20.88	30.97	15.81	18.41	12.52

2.4 Table 2.3 depicts the relative share of various components of resources. Over a longer term (1985-2005), except for the debt receipts, the other three components had a positive shift in their relative shares. However, while the relative share of revenue receipts peaked during the VIII Plan, share of debt receipts peaked during the IX Plan. The non-debt receipts and accruals in public account peaked during the last two 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 27.49 per cent in 2004-05. Debt receipts witnessed a negative shift in their relative share during this period. 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 generally stable at two thirds and one third.

Table 2.3: Relative shares of different components of total receipts

(Per cent)

Period	Revenue Receipts	Capital Receipts			Total Receipts
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account	
1985-2005	30.61	2.91	42.93	23.55	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
2003-04	28.93	6.20	38.48	26.38	100
2004-05	27.49	4.14	42.57	25.80	100
<b>Average Annual Rate of Shift in the shares</b>					
1985-2005	0.85	2.53	-1.32	2.30	

#### Access to resources relative to GDP

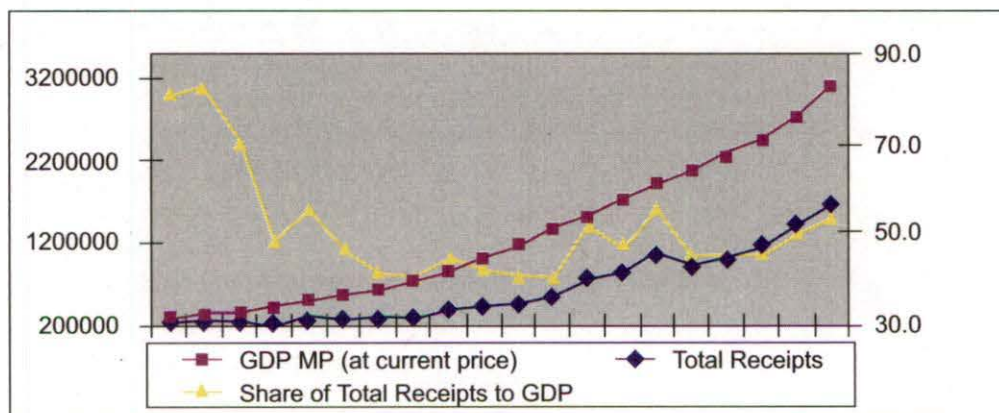
2.5 Increase in the access to resources as income increases is natural because the base itself has enlarged. More important, however, is the increase relative to GDP. While the long-term trend average of the ratio of overall resources to GDP was 48.93 per cent (1985-2005); this declined to an average 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 53.35 per cent in the current year. However, notwithstanding the improvement in recent years, overall receipts to GDP ratio and two of its four components had a negative shift rate (Table 2.4). If the total receipts and GDP were set to 100 in 1985-86, total receipts in 2004-05 would be only 734 as against a value of 1117 for GDP (Graph 2).

Table 2.4: Receipts as percentage to GDP

(Per cent)

Period	Revenue Receipts	Capital Receipts			Total Receipts
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account	
1985-2005	14.98	1.42	21.01	11.52	48.93
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
2003-04	14.67	3.14	19.51	13.37	50.70
2004-05	14.67	2.21	22.71	13.77	53.35
<b>Average annual rate of shift in the shares</b>					
1985-2005	-0.83	0.80	-2.98	0.58	-1.67

**Report of the CAG on  
Union Government Accounts 2004-05**



**2.6** In the Finance Accounts, the receipts and disbursements particularly those relating to public debt and public accounts, appear on gross basis and, therefore, indicate a much greater draft of the government on national resources. Accommodations by way of Ways and Means Advances (WMA) and 14-day Treasury Bills are, by their very nature, short-term measures and provide a cover for temporary 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 seven years. Net draft of the Union Government declines by 25 percentage points from 53.35 per cent to 28.52 per cent of total receipts in 2004-05 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	25.97
2003-04	404866	86780	297096	0	1626	-22650	767718	27.82
2004-05	455466	68664	326960	0	7354	27119	885563	28.52

## Revenue Receipts: Movement of major aggregates

2.7 Revenue receipt with its broad components of tax and non-tax receipts is the most important source of revenue as no future payment obligations are created in accessing these receipts. Overall revenue receipts of the Union Government (net of the states' share from its gross tax collections) increased at an average annual rate of 12.94 *per cent* during 1985-2005. 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). Even in the current year, annual growth rate was lower than the long-term trend and a negative growth in non-tax receipt was the factor responsible for this deceleration. 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. (Table 2.6)

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 ( <i>per cent</i> )	Net Revenue as <i>per cent</i> to GDP.
1985-2005	120442	31835	88607	75444	164051	45.99	12.55
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
2003-04	254348	65766	188582	150518	339100	44.39	12.29
2004-05	304958	78595	226363	150508	376871	39.94	12.14
Average Annual Rate of Growth ( <i>per cent</i> )							
1985-2005	12.69	12.94	12.61	13.32	12.94	0.33	-0.83
VIII Plan (1992-1997)	15.89	14.41	16.47	14.66	15.61	Average Annual Rate of Shift ( <i>in per cent</i> )	
IX Plan (1997-2002)	9.00	11.05	8.25	8.00	8.12		
2003-04	17.61	17.18	17.76	7.76	13.10		
2004-05	19.90	19.51	20.03	-0.01	11.14		

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

2.8 Non-tax revenue constituted 46 *per cent* of the net revenue of the Union Government. This ratio had a moderate positive annual shift rate of 0.33 *per cent* in its relative share during 1985-2005, though there was a deceleration in its relative share in recent years.

2.9 The last two years witnessed acceleration in the rate of growth of gross tax collections and also in that part of the collections which was retained by the Union. Gross tax collections increased by 19.90 *per cent* in 2004-05 as

against a growth of 17.61 *per cent* in 2003-04 and a 9.0 *per cent* average growth during 1997-2002. The share of the taxes assigned to the States also witnessed a higher growth in 2004-05 and was in line with the increase in gross collections.

### Major Taxes: Relative Performance

2.10 The relative performance of different taxes changed significantly over the years (Table 2.7) with Corporation tax recording the highest trend growth of 19.19 *per cent* during 1985-2005.

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
1985-2005	120442	21979	17355	31550	44960	2006	2593
VIII Plan (1992-1997)	96533	13567	12575	30273	37014	465	2639
IX Plan (1997-2002)	166087	29508	25353	43418	60838	2317	4653
2003-04	254348	63562	41387	48629	90774	7891	2105
2004-05	304958	82680	49268 <sup>#</sup>	57611	99125	14200	2074
Average Annual Rate of Growth ( <i>per cent</i> )							
1985-2005	12.69	19.19	17.38	9.12	11.10	*	5.72
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
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

\* Service Tax was introduced in 1994-95

<sup>#</sup> Includes figures of IT pertaining to 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 1985-2005. 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 and introduction modvat/cenvat, 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 2885 for corporation tax, 1962 for income tax, 765 for excise duties and only 605 for customs duties in 2004-05. Acceleration in the collections particularly of the corporate and income tax came in the post reform period.

2.12 In 2004-05, tax receipts were particularly buoyant from corporation and service tax, which grew by 30 and 80 *per cent* respectively as against an increase of 19.9 *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. Acceleration in rate of growth was also observed for income tax, customs duties and excise.

### Tax Buoyancy

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

2.14 The buoyancy coefficients indicate the percentage increase in the tax revenue following a one *per cent* increase in the GDP or the tax base. Besides the base, higher buoyancy may also be due to change in the tax rates and its coverage. While a buoyancy of greater than one is desirable, a buoyancy of less than one indicates that the collection from the concerned tax has not kept pace with the change in the base. Table 2.8 indicates the buoyancy of major taxes during 1985-2005 and also during the VIII and IX Plan periods together with the buoyancy of the most recent two years.

Table 2.8: Buoyancy of major taxes

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties
1985-2005	0.914	1.381	1.251	0.657	0.799
VIII Plan (1992-1997)	0.961	1.313	1.495	1.088	0.632
IX Plan (1997-2002)	0.863	1.644	1.781	0.154	1.094
2003-04	1.463	3.128	1.018	0.699	0.854
2004-05	1.589	2.403	1.521	1.475	0.735

2.15 Thus, the buoyancy coefficients have fluctuated across the taxes and over plans. While the overall buoyancy of two important direct taxes, viz., the corporate tax and income tax exceeded one, for the two important commodity taxes, viz., the customs and excise duties it was significantly below one. While this was partly due to changing structure of the Union taxes, buoyancy of gross tax collections during 1985-2005 was also lower than unity. In the current year, however except for the excise duties, other three major taxes recorded buoyancy greater than one as their growth rates had significantly exceeded the growth of GDP.

#### Tax-GDP Ratio

2.16 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 2.9 gives the trends of this ratio over the Plans and on an annual basis for the most recent two years. Though the average annual rate of shift in tax-GDP ratio was (-) 1.06 *per cent*, the ratio in the current year exceeded the long-term trend by 0.61 percentage points. The tax-GDP ratio had declined to a low of 8.15 *per cent* in 2001-02 and despite a recovery in the current year; it was still below 10 *per cent*, which prevailed during 1985-1993. If the gross tax receipts and GDP in 1985-86 are set at 100, index of tax receipts at 1064 in 2004-05 would be lower than the GDP index of 1117.

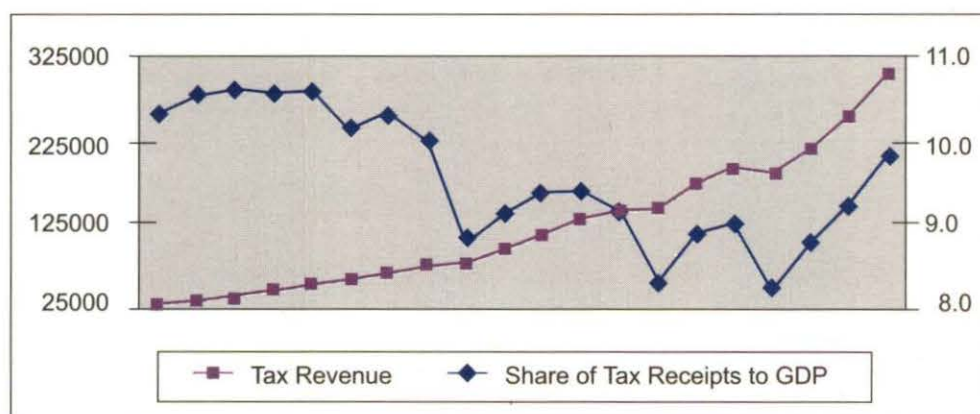
2.17 A decline in the ratio of customs and excise duty collection to GDP contributed to the overall decline in tax to GDP ratio over this period. The ratio of customs and excise duty collections to GDP declined from an average of 2.92 and 3.58 *per cent* during the VIII Plan (1992-1997) to 1.86 and 3.19 *per cent* respectively in 2004-05. 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.



Table 2.9: Tax/GDP ratio of major taxes

Period	(Per cent)					
	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
1985-2005	9.21	1.68	1.33	2.41	3.44	0.15
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
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
<b>Average Annual Rate of Shift in the shares</b>						
1985-2005	-1.06	4.65	3.06	-4.19	-2.45	*

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



### Non-Tax Revenue

**2.18** Non-tax revenues of government could be considered as being composed of two components: income from its sovereign functions like judiciary, police, currency and coinage, etc., and arising from its assets/investments either as intermediation returns or dividend or user charges 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 seigniorage<sup>1</sup> 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 46 per cent of the current revenue of the Union. Aggregated non-tax revenue on gross basis grew at an average rate of 13.32 per cent during 1985-2005 (Table 2.10).

<sup>1</sup> Seigniorage is non-inflationary increase in money stock.

**Report of the CAG on  
Union Government Accounts 2004-05**

**2.19** 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 24.95 *per cent* during 1985-2005. However, in the last two years, the revenue from this source was virtually static. This was largely due to decline in the surplus transferred from the Reserve Bank of India from Rs. 10320 crore in 2002-03 to Rs. 8834 crore in 2003-04 and further to Rs. 5400 crore in 2004-05. The current year also witnessed a decline in interest receipts. Though receipts from economic services increased by 10.90 *per cent* in the current year, a moderate growth in the receipts from social services and negative growth in interest receipts resulted in decline in non-tax receipts in 2004-05.

**Table 2.10: Non Tax Revenue- Trends**

*(Rupees in crore)*

Period	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
1985-2005	75444	21661	7727	479	38774	6804
VIII Plan (1992-1997)	61459	16791	4969	606	33100	5993
IX Plan (1997-2002)	115933	34526	11555	572	60257	9023
2003-04	150518	46645	21160	449	68156	14108
2004-05	150508	36412	22939	451	75588	15118
<b>Average Annual Rate of Growth</b>						
1985-2005	13.32	14.05	24.95	3.13	12.03	11.23
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
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

**2.20** Relative shares of the various components of non-tax revenue witnessed significant changes during 1985-2005 (Table 2.11). 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 15 *per cent* during 2004-05 and had a positive average annual shift rate of 10.26 *per cent* during 1985-2005. Interest receipts also had a positive shift rate, though in the current year its share in overall non-tax receipts at 24.19 *per cent* was below the trend rate observed during 1985-2005. Moderation in interest rates on loans advanced and debt swap have contributed to this deceleration in the current year. 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 1985-2005. 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. Railways contributed to nearly two thirds of the revenue from economic services. Overall contribution of the social services in non-tax revenue was not only insignificant but was declining progressively.

Table 2.11: Relative share of the components of non-tax revenue

	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
1985-2005	100.00	28.71	10.24	0.63	51.39	9.02
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
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
Average Annual Rate of Shift in the shares						
1985-2005		0.64	10.26	-8.99	-1.14	-1.84

(Per cent)

### Non-Debt Capital Receipts

2.21 Non-debt capital receipts consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances. Table 2.12 gives the details of non debt capital receipts from disinvestment and recovery of loans and advances given by the Union Government to State and Union Territory governments, foreign governments, government corporations, non-government institutions and government servants. This table also indicates the budget estimates and actual realisation of the proceeds from disinvestment along with actual recovery of loans and advances of the Union Government. The recovery of loans exceeded the budget targets significantly during 2002-05 mainly due to implementation of debt-swap scheme announced by the Union Government as a facility for the States to retire their high-cost debt.

Table 2.12: Realisation from disinvestment and recovery of loans

Year	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

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

## Chapter 3

### APPLICATION OF RESOURCES: EXPENDITURE

3.1 The Union Government raises resources to perform its sovereign functions, maintain its existing network of delivery of social and economic services, extend the network of these services through capital expenditure and investments and discharge its debt servicing obligations. The government applied total resources of Rs. 1664,333 crore that it mobilised during 2004-05 to disbursements as shown in Table 3.1.

Table 3.1: Application of Resources

			<i>(Rupees in crore)</i>
I	Resources available		1664,333
II	Application of Resources		1584,585
	a.	Repayment of Debt	556,269
		Internal Debt	549,167
		External Debt	7,102
	b.	Discharge of liabilities on Public Account	400,388
		Small Savings and Provident Fund	263,293
		Reserve Fund	23,374
		Deposits and Advances	103,993
		Others	9,728
	c.	Actual Expenditure	549,333
		Revenue Expenditure	455,571
		Capital Expenditure	53,654
		Loans and Advances	40,108
	d.	Share of the States in taxes	78,595
III	Closing Cash Balances		79,748*

\* Inclusive of amounts under the Market Stabilisation Scheme.

3.2 The repayments of debt and discharge of public account liabilities (Rs. 956,657 crore), interest payments (Rs. 130,958 crore), assignment of mandated portion of its gross tax receipts to States (Rs. 78,595 crore), grants in aid to states (Rs. 52,686 crore) and closing cash balances (Rs. 79,748 crore) took away nearly 78 per cent of its total resources. Government was, therefore, left with only about 22 per cent of its gross mobilisation to spend on its current activities.

#### Total Disbursement

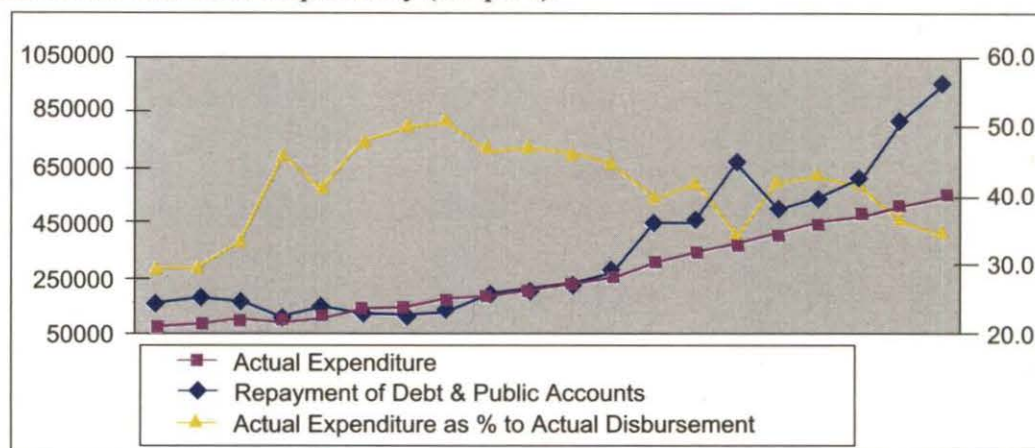
3.3 Aggregate disbursement of Union Government has four major components: actual expenditure inclusive of the grants in aid to the States; mandatory transfer of the proceeds from Union taxes to the States; repayment of debt and disbursements from public accounts. The relative movements across these expenditure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

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)
1985-2005	255895	31835	211597	136557	635884	1307525
VIII Plan (1992-1997)	203539	26391	126525	77261	433716	1035315
IX Plan (1997-2002)	374502	44622	310011	207404	936539	1914401
2003-04	506817	65766	430963	391783	1395329	2760025
2004-05	549333	78595	556269	400388	1584585	3105512
<b>Average Annual Rate of Growth (in per cent)</b>						
1985-2005	12.22	12.94	9.73	17.17	11.92	13.89
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
2003-04	6.40	17.18	26.87	44.98	22.15	12.04
2004-05	8.39	19.51	29.08	2.20	13.56	12.52

3.4 Total disbursements of the Union Government increased from an average of Rs. 433,716 crore during the VIII Plan (1992-1997) to Rs. 1584,585 crore in the current year. The average annual trend growth during 1985-2005 at 11.92 per cent was, however, lower than the rate of growth of GDP, which in the same period averaged 13.89 per cent. Average annual growth rates during the VIII and IX Plans were also lower than GDP growth rates. The most recent two years, however, witnessed reversal of this trend and rate of growth of total disbursements exceeded the GDP growth. Trend growth rates of the three components of total disbursements, viz., actual expenditure, states' share in the Union taxes and debt repayment were lower than GDP growth. Disbursements from public account, however, had a trend growth higher than the growth of GDP. If all the four components of total disbursement in 1985-86 are set to 100, the index of the component of repayment of debt would have a value of 414 as against a value of 2217 for disbursements from public account. The other two components, actual expenditure and States' share in Taxes would have a value of 828 and 1052 respectively (Graph 1).



3.5 The relative share of the four components of aggregate disbursement showed wide fluctuation both on year-to-year basis and over Plan periods (Table 3.3). Actual expenditure (indicating the expenditure on current operations covering revenue and capital expenditure and loans and advances) had a moderate positive rate of shift in its relative share during 1985-2005. Share of actual expenditure, however, reached its peak of 46.94 *per cent* during the VIII Plan (1992-1997) and since then witnessed a decelerating trend relative to other components. Its share declined to 34.67 *per cent* in the current year. Though the long-term trend of relative share of expenditure on debt repayment was negative, during the IX Plan (1997-2002), it had nearly converged to the trend. Disbursements from public account indicated a long-term trend share of 21.48 *per cent* during 1985-2005. Relative share of this component had initially declined to 17.81 *per cent* of aggregate disbursements during the VIII Plan (1992-1997) but later increased to an annual average of 22.15 *per cent* during the IX Plan (1997-2002) 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 was 25.27 *per cent* in the current year 2004-05. This component of disbursement had a significant positive rate of shift of 4.70 *per cent*.

Table 3.3: Disbursement Components: Relative Share

Period	Actual Expenditure	States' Share in Taxes	Repayment of Debt	(Per cent)
				Disbursement from Public Account
1985-2005	40.24	5.01	33.28	21.48
VIII Plan (1992-1997)	46.94	6.08	29.17	17.81
IX Plan (1997-2002)	39.99	4.76	33.10	22.15
2003-04	36.32	4.71	30.89	28.08
2004-05	34.67	4.96	35.11	25.27
<b>Average Annual Rate of Shift in their Relative Shares</b>				
1985-2005	0.27	0.91	-1.95	4.70

#### Expenditure: Main Aggregates

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

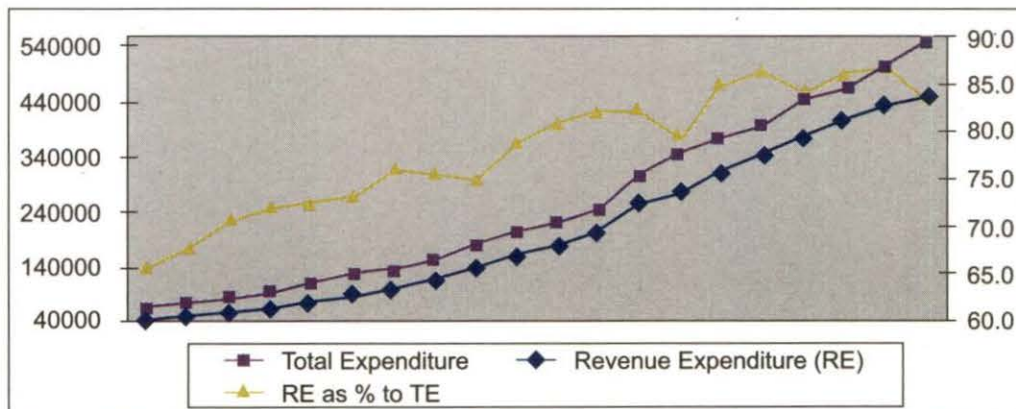


Table 3.4: Expenditure Components

(Rupees in crore)

Period	Revenue Expenditure	Capital Expenditure	Loans & Advances	Total Expenditure	Revenue Expenditure/ Total Expenditure	Others/ Total Expenditure
1985-2005	208664	21546	25686	255895	81.54	18.46
VIII Plan (1992-1997)	160541	19550	23447	203539	78.88	21.12
IX Plan (1997-2002)	313109	26234	35159	374502	83.61	16.39
2003-04	440086	35401	31330	506817	86.83	13.17
2004-05	455571	53654	40108	549333	82.93	17.07
<b>Average Annual Rate of Growth</b>						
1985-2005	13.74	7.79	6.18	12.22	1.35	-4.70
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		
2003-04	7.45	16.08	-13.51	6.40		
2004-05	3.52	51.56	28.02	8.39		

3.7 Appendix-III-A presents the figures of actual expenditure and its three sub-components during the last 20 years since 1985-86. 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 82.93 per cent in 2004-05. Its relative share had a positive shift rate of 1.36 per cent per annum during 1985-2005. As against this, relative share of capital expenditure and loans and advances declined from an average of 21.12 per cent during the VIII Plan to 17.07 per cent in 2004-05. Revenue expenditure of the Union Government (net of the States' share in taxes) increased at an average annual rate of 13.74 per cent during 1985-2005. Capital expenditure and loans and advances, however, grew at a lower rate of 7.79 and 6.18 per cent respectively during this period. The average annual trend growth of the actual expenditure, which included all these three components, was 12.22 per cent. Capital expenditure witnessed a contraction during the VIII Plan (1992-1997) and recorded a negative growth. Average annual growth recovered to 9.22 per cent during the IX Plan (1997-2002). In the last two years, however, there was a recovery in capital expenditure. Loans and advances, however, depicted a different picture with the rate of growth turning negative during the IX Plan and fluctuating between negative and positive growth in the recent two years.





### Expenditure: Plan and Non-Plan

**3.8** The Finance Accounts provide a further disaggregation of expenditure into plan and non-plan. Plan expenditure normally relates to incremental 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 3.5 presents the growth and composition of Plan and non-Plan expenditure of the Union government.

**Table 3.5: Components of Expenditure - Plan & Non plan**

(Rupees in crore)

Period	Plan				Non Plan			
	Total	Revenue	Capital	Loans	Total	Revenue	Capital	Loans & Advances
1985-2005	59231	34163	9533	15535	196665	174501	12014	10150
VIII Plan (1992-1997)	48190	26749	8380	13061	155348	133792	11170	10386
IX Plan (1997-2002)	78595	47090	10132	21373	295907	266019	16102	13786
2003-04	122281	78638	16913	26730	384536	361448	18488	4600
2004-05	132932*	87494	19372	26066	416401	368077	34282	14042
<b>Average Annual Rate of Growth (per cent)</b>								
1985-2005	10.50	14.16	5.01	8.01	12.81	13.65	11.01	2.34
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
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	205.24

\* 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.

**3.9** The share of plan expenditure in total expenditure remained nearly stagnant during 1985-2005. As against a long-term average of 23.15 per cent of total expenditure during 1985-2005, its share only moderately improved to 24.20 per cent in 2004-05. This seemingly stable share, however, conceals the inter year and inter plan variations at aggregate plan and at its sub component levels. The rate of growth of plan expenditure witnessed an acceleration of nearly six percentage points during the IX Plan (1997-2002), from an average of 7.53 per cent per annum during the VIII Plan (1992-1997) to 13.49 per cent. This acceleration was across its three sub components. Though the long-

term trend growth of non-plan expenditure was relatively higher, deceleration in rate of growth was observed during the IX Plan. In the last three years coinciding with the first three years of the X Plan (2002-05), 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 1985-2005 was 0.756 and 0.811 respectively. In case of non-plan expenditure, though the buoyancy coefficients were significantly higher, these were still below one (Buoyancy of non-plan expenditure for GDP and revenue receipt was 0.922 and 0.990 respectively).

3.10 Both for plan and non-plan expenditure, the revenue component remained not only the most predominant, but it was also relatively the most buoyant throughout 1985-2005. The share of revenue component in plan expenditure, which averaged 57.68 *per cent* during 1985-2005 increased to 65.82 *per cent* in 2004-05. Its share in non-plan expenditure increased from a trend average of 88.73 *per cent* during 1985-2005 to 94 *per cent* in 2003-04, though it got moderated to the trend level in the current year. Plan expenditure of capital nature and plan loans and advances recorded a much lower trend growth relative to its revenue component. Plan capital expenditure, however, gained significant acceleration in 2003-04 and 2004-05.

#### Buoyancy of Expenditure

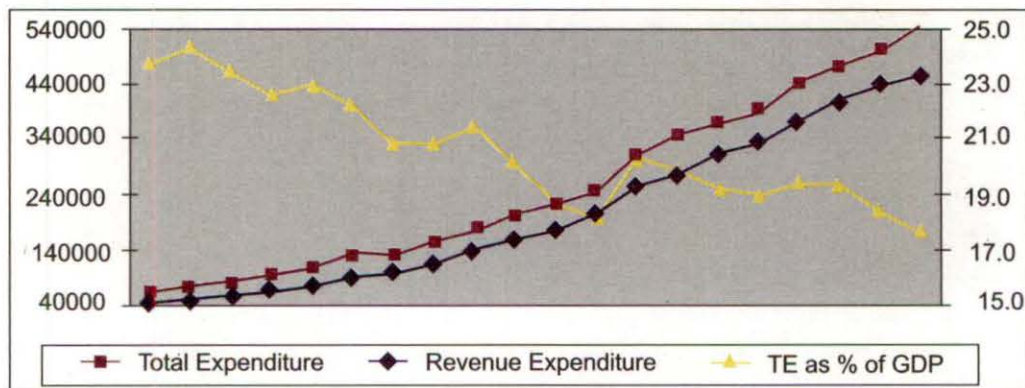
3.11 More important than the growth in nominal expenditure or its absolute volume is the buoyancy of its various components relative to the base. Table 3.6 below provides the buoyancy of various components of expenditure relative to revenue receipts and GDP. Relatively high buoyancy of revenue expenditure compared with total expenditure both with regard to GDP and revenue receipts indicated that moderation in rate of growth of total expenditure was achieved largely by squeezing capital expenditure and/or loans and advances. Buoyancy of capital expenditure with GDP and revenue receipt has been 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.

Table 3.6: Buoyancy of Expenditure- (1985-2005)

Type of expenditure	With GDP	With Revenue Receipt
Plan Expenditure	0.756	0.811
Non-Plan Expenditure	0.922	0.990
Revenue Expenditure	0.989	1.062
Capital Expenditure	0.558	0.599
Loans and Advances	0.445	0.478
Total Expenditure	0.880	0.944



3.12 Lower buoyancy of total expenditure with respect to GDP is also reflected in deceleration in the ratio of the total expenditure to GDP. Overall expenditure to GDP ratio declined from a peak of 24.4 per cent in 1986-87 to 17.69 per cent in 2004-05. Absolute figures of revenue and total expenditure along with the total expenditure GDP ratio are depicted in the graph below.



### Management of Subsidies

3.13 In any welfare state, it is not uncommon to provide subsidies/subventions and transfer payments to disadvantaged sections of the society and for merit goods<sup>1</sup>. 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 3.7 presents a picture of the subsidies, which the government provided explicitly during the VIII and IX Plans and in the last three years on major items.

Table 3.7: Explicit Subsidies in the Union Government Budget

Period	(Rupees in crore)						
	Food and Sugar	Fertilisers	Export Promotion	Others*	Total subsidies	Subsidies <sup>(A)</sup>	Subsidies <sup>(B)</sup>
<b>Average Annual Values</b>							
VIII Plan (1992-1997)	4976	6088	571	1834	13469	1.32	8.55
IX Plan (1997-2002)	11199	11376	552	2964	26091	1.36	8.33
2002-03	24176	7790	493	11549	44008	1.80	10.74
2003-04	25160	8521	712	10575	44968	1.63	10.22
2004-05	23280	10985	686	9388	44339	1.43	9.73

(A) As a percentage of GDP

(B) As a percentage of Revenue Expenditure

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

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



3.14 In absolute terms, explicit subsidies increased from an average of Rs. 13,469 crore during the VIII Plan (1992-1997) to an average of Rs. 26,091 crore during the IX Plan (1997-2002). Relative to GDP, subsidies marginally increased from 1.32 *per cent* during VIII Plan (1992-97) to an average of 1.36 *per cent* during the IX Plan (1997-2002). In the last three years, the total amount of subsidies given by the Union government were generally stable resulting in a deceleration in their share relative to GDP and revenue expenditure.

3.15 In addition to explicit subsidies, the Union Government also bears expenditure in the nature of implicit subsidies. Budgetary support to financial institutions and Banks, inadequate returns from its investment in PSUs and inadequate recovery of user charges from the social and economic services that are provided by the government, fall in the category of implicit subsidies. Table 3.8 below gives the return on investment and outstanding advances and user charges as percentage to revenue expenditure for social and economic services.

Table 3.8: Return on Investment and Advances and Recovery of User Charges (as a percentage of revenue expenditure for Social and Economic Services)

Period	(Per cent)			
	Loans & Advances	Investment	Social Services	Economic Services
1985-2005	12.96	5.72	4.36	53.26
VIII Plan (1992-1997)	11.23	2.35	9.57	57.22
IX Plan (1997-2002)	14.15	5.30	3.59	55.80
2003-04	15.91	9.84	1.91	45.27
2004-05	14.30	13.29	1.49	51.37
Average Annual Rate of change in returns				
1987-2005	4.36	13.31	-11.78	-1.00

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

3.16 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 13.29 *per cent* in 2004-05. 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 14.30 *per cent* during the same period. 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 5.72 *per cent* fell significantly short of the rate of interest (8.36 *per cent*) on government's borrowings. However, the rate of return on investment witnessed a significant acceleration and had a positive shift rate of 13.31 *per cent* during 1987-2005. At the current levels these exceeded the cost of raising

**Report of the CAG on  
Union Government Accounts 2004-05**

resources. 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. There was, therefore, no return on capital at charge or cumulative capital expenditure incurred on creation of this infrastructure.

**Expenditure on Social and Economic Services**

3.17 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 3.9 below indicates the trends in expenditure on social services and its various components.

**Table 3.9: Expenditure (Revenue and Capital) on Social services - Trends and Composition**

*(Rupees in crore)*

Period	Social Services	Education	Health	Water Supply	Information	Labour Welfare	Others
1987-2005	11693	4904	1651	2051	819	558	1710
VIII Plan (1992-1997)	6903	2696	901	887	986	465	968
IX Plan (1997-2002)	15998	6457	2227	3217	568	768	2761
2003-04	24593	10965	3907	4669	1219	823	3010
2004-05	31115	13997	4465	5997	1237	994	4425
<b>Average Annual Growth Rate (per cent)</b>							
1987-2005	15.26	15.56	15.91	23.56	0.00	9.85	18.69
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
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

3.18 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. The long-term trend rate of growth in expenditure on social services was 15.26 per cent, (1987-2005) higher than GDP, revenue receipt and revenue expenditure. There, however, was a sharp deceleration in these rates during the IX Plan and compared to the earlier plan, the squeeze was nearly 12 percentage points (from average annual growth of 19.61 per cent during the VIII Plan to an average of 7.96 per cent during the IX Plan). Expenditure on social services were particularly buoyant in the current year. Within social services, expenditure on education, health and water supply and sanitation (including housing and urban development) was

relatively buoyant. In the current year also, expenditure on Education and water supply showed higher buoyancy.

3.19 The expenditure on components of economic services is indicated in Table 3.10 below.

Table 3.10: 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
1987-2005	90337	15141	4408	6516	9709	33913	2764	7506	10381
VIII Plan (1992-1997)	69161	9665	3263	3061	7229	24246	1598	8417	11682
IX Plan (1997-2002)	121107	20048	5146	10158	12294	44714	3937	13554	11256
2003-04	166058	32911	12174	13664	16761	64379	5681	3102	17387
2004-05	165885	36366	9478	9897	17664	69578	5940	3579	13383
Average Annual Growth Rate (Per cent)									
1987-2005	11.31	15.70	23.78	10.74	7.78	11.74	13.87	4.59	6.84
VIII Plan (1992-1997)	9.35	14.89	81.37	4.36	2.17	9.22	13.62	26.75	-9.69
IX Plan (1997-2002)	6.36	18.28	2.79	1.23	-8.78	14.26	19.11	-27.41	-5.55
2003-04	7.80	5.82	3.72	12.76	20.02	6.56	4.89	-11.02	10.02
2004-05	-0.14	10.50	-22.15	-27.57	5.39	8.08	4.56	15.38	-23.03

3.20 The overall expenditure on economic services increased from an average of Rs. 69,161 crore during the VIII Plan (1992-1997) to Rs. 165,885 crore in 2004-05. The annual trend rate of growth of expenditure on economic services was 11.31 per cent during 1987-2005. 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 the current year, largely because of a decline in expenditure on rural development and energy sectors. There were wide inter-year and inter services variations in the growth rates. Expenditure on agriculture and allied activities (including irrigation and flood control) and rural development were relatively buoyant. 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) and a negative 22.15 per cent in the current year. Negative growth in expenditure on telecommunication during the IX Plan was expected consequent upon the corporatisation of the operations of the department. Expenditure base for the telecommunication services had shrunk to about a

**Report of the CAG on  
Union Government Accounts 2004-05**

quarter in 2003-04. The current year's growth was, therefore, on a narrow base.

**3.21** It is more important to look at the expenditure on social and economic services relative to GDP as that indicates the relative priorities assigned to these sectors and within these broad groups, priority given to a specific sector. Expenditure of the Union Government on social and economic services together averaged 7.18 *per cent* of GDP during 1987-2005. It, however, declined to 6.34 *per cent* of GDP in 2004-05. Expenditure on selected economic and social services relative to GDP is indicated in Table 3.11.

**Table 3.11: Expenditure on Social and Economic Services (Revenue and Capital)  
Relative to GDP**

(Per cent)

Period	Social Services				Economic Services				
	Total	Education	Health	Others	Total	Agriculture & Rural Development	Energy	Transport	Others
1987-2005	0.82	0.35	0.12	0.36	6.36	1.38	0.46	2.39	2.13
VIII Plan (1992-1997)	0.67	0.26	0.09	0.32	6.68	1.25	0.30	2.34	2.79
IX Plan (1997-2002)	0.84	0.34	0.12	0.38	6.33	1.32	0.53	2.34	2.14
2003-04	0.89	0.40	0.14	0.35	6.02	1.63	0.50	2.33	1.56
2004-05	1.00	0.45	0.14	0.41	5.34	1.48	0.32	2.24	1.31
<b>Average Annual Rate of Shift in Relative Share</b>									
1987-2005	1.47	1.73	2.04	0.94	-2.01	2.69	-2.51	-1.63	-5.08

**3.22** Expenditure on social services (excluding loans and advances in this sector) had a positive shift rate in their share relative to GDP during 1987-2005. Positive shift rate was also observed for two most important social services - education and health. However, despite a positive shift rate, overall allocation to social sectors was less than one *per cent* of GDP.

**3.23** Expenditure on economic services had a negative rate of shift in their share relative to GDP. Overall share of expenditure on economic services relative to GDP declined from an average of 6.68 *per cent* of GDP during the VIII Plan (1992-1997) to 5.34 in 2004-05. Within economic services, transport, energy and other economic services had a negative rate of shift in their relative share. In case of agriculture and rural development, the share of their combined expenditure improved from an average of 1.25 *per cent* of GDP during the VIII Plan (1992-1997) to 1.48 *per cent* in 2004-05.

## Chapter 4

### DEFICITS: MANAGEMENT OF FISCAL IMBALANCES

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

4.2 Revenue deficit is the excess of revenue expenditure of the Government over its revenue receipts. It represents net dis-saving of the Government and its shift to present consumption. 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. Section 4(1) of Fiscal Reforms and Budget Management (FRBM) Act 2003, accordingly provides that the Union Government shall take appropriate measures to reduce fiscal deficit and revenue deficit so as to eliminate revenue deficit by 31 March 2009.

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

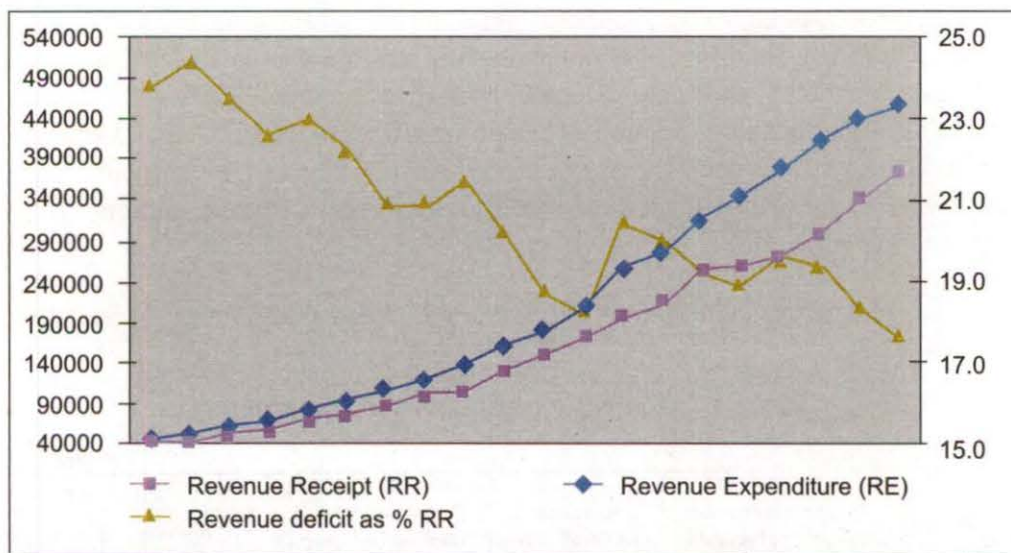
Table 4.1: Revenue Deficit and its parameters

*(Rupees in crore)*

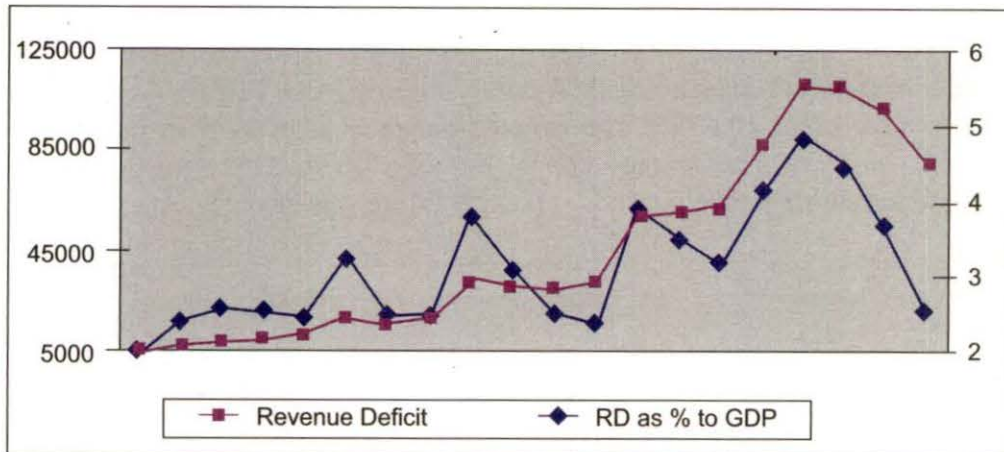
Period	Revenue Receipt	Revenue Expenditure	Revenue Deficit	Revenue Deficit as per cent of		
				GDP	Revenue Receipt	Revenue Expenditure
1985-2005	164051	208664	44613	3.41	27.19	21.38
VIII Plan (1992-1997)	131601	160541	28941	2.80	21.99	18.03
IX Plan (1997-2002)	237397	313109	75711	3.95	31.89	24.18
2003-04	339100	440086	100986	3.66	29.78	22.95
2004-05	376871	455571	78700	2.53	20.88	17.28
<b>Average Annual Rate of Growth (Per Cent)</b>						
1985-2005	12.94	13.74	17.10	2.80	3.67	2.94
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			
2003-04	13.10	7.45	-8.00			
2004-05	11.14	3.52	-22.07			



**4.4** Overall revenue deficit of the Union Government increased from an average of Rs. 28,941 crore during the VIII Plan (1992-1997) to Rs. 78,700 crore in 2004-05. The average annual rate of growth of revenue deficit was 17.10 *per cent*. A negative spread between the trend growth of revenue receipts and revenue expenditure contributed to the surge in revenue deficit. In last three years, however, rate of growth of revenue expenditure was lower than that of revenue receipt leading to a negative growth of revenue deficit. In relation to GDP, revenue deficit increased from an average of 2.8 *per cent* of GDP during the VIII Plan (1992-1997) to a peak of 4.80 *per cent* in 2001-02 before decelerating to its current level of 2.53 *per cent* in 2004-05. The average annual rate of shift in the share of revenue deficit to GDP was 2.80 *per cent*. As a proportion of revenue receipt, the level of revenue deficit in 2004-05 was close to the level that prevailed during the VIII Plan (1992-1997). During 1985-2005, on an average, revenue receipts fell short of revenue expenditure by around a quarter. As a proportion of revenue expenditure, revenue deficit averaged 21.38 *per cent* during 1985-2005, indicating the proportion of revenue expenditure that was debt financed.



**4.5** In the last three years, however, there was a decline in revenue deficit. In the year 2004-05, decline was of the order of 22.07 *per cent*. The ratio of revenue deficit to GDP, revenue receipt and revenue expenditure also got moderated because of this decline. These three years witnessed a positive spread of four to seven *per cent* between revenue receipt and revenue expenditure. A relatively buoyant revenue receipt and moderately growing revenue expenditure facilitated the decline in revenue deficit and decline in its ratio relative to the major fiscal aggregates. The rate of decline of revenue deficit needs to be maintained for the Government to be able to meet the objective of zero revenue deficits by March 2009 as set out in the FRBM Act.



### Fiscal Deficit

4.6 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)*

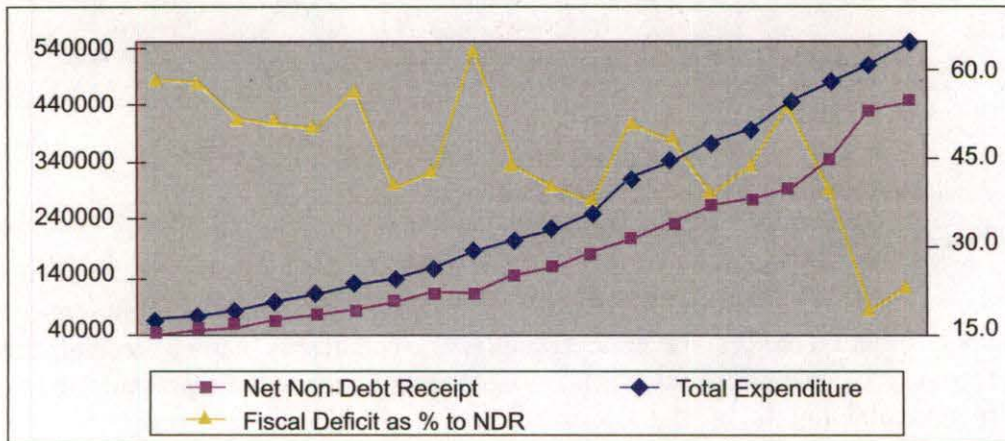
Period	Non-Debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as per cent to		
				GDP	Non-Debt Receipts	Total Exp.
1985-2005	182644	255895	73251	5.60	40.11	28.63
VIII Plan (1992-1997)	140973	203539	62565	6.04	44.38	30.74
IX Plan (1997-2002)	254827	374502	119675	6.25	46.96	31.96
2003-04	425880	506817	80937	2.93	19.00	15.97
2004-05	445535	549333	103798	3.34	23.30	18.90
<b>Average Annual Rate of Growth</b>						
1985-2005	13.23	12.22	9.55	-3.82	-3.25	-2.38
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			
2003-04	24.63	6.40	-39.86			
2004-05	4.62	8.39	28.25			

4.7 Overall fiscal deficit increased from an average of Rs. 62,565 crore during the VIII Plan (1992-97) to Rs. 103,798 crore in 2004-05. The trend rate of growth of fiscal deficit was 9.55 per cent during 1985-2005. A moderate positive spread between the rate of growth of non-debt receipts and total expenditure lead to relatively lower increase in fiscal deficit, compared to



**Report of the CAG on  
Union Government Accounts 2004-05**

these fiscal aggregates. The rate of growth of fiscal deficit was also lower than the rate of growth of GDP. The ratio of fiscal deficit to GDP, therefore, declined from an average of 6.04 per cent during the VIII Plan (1992-97) to 3.34 per cent in 2004-05. The average annual rate of shift in its share was (-) 3.8 per cent. The average annual rate of shift in the proportion of fiscal deficit to non-debt receipts and total expenditure was also negative.



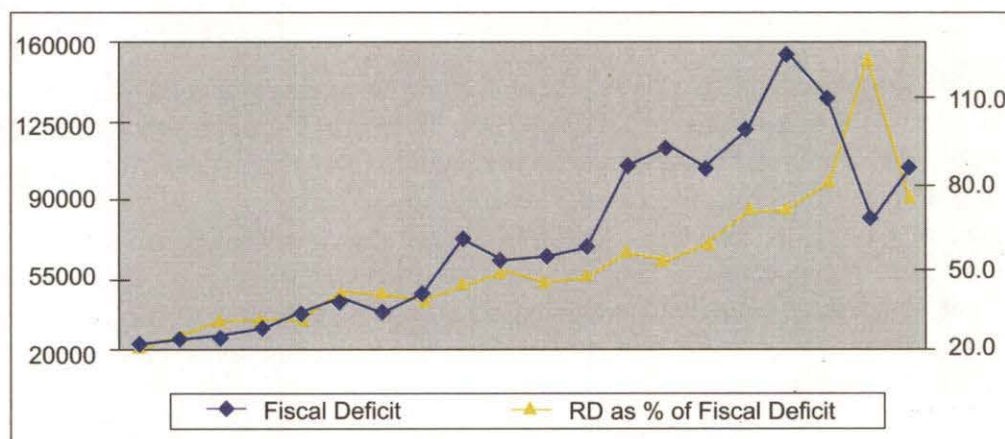
**4.8** It is not uncommon for governments to run fiscal deficit and borrow funds for capital/asset formation or for creation of economic and social infrastructure. The assets created through such borrowings could pay for themselves by generating an income stream. Capital formation may also increase 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 plan periods and the most recent two years.

**Table 4.3 Components of Fiscal Deficit**

Period	(Per cent)		
	Revenue Deficit	Net Capital Expenditure	Net Loans and Advances
1985-2005	60.90	25.92	13.18
VIII Plan (1992-1997)	46.26	28.25	25.49
IX Plan (1997-2002)	63.26	19.53	17.20
2003-04	124.77	22.79	-47.56
2004-05	75.82	47.43	-23.25
<b>Average Annual Rate of Change</b>			
1985-2005	6.88	-2.86	



4.9 Revenue deficit continued to be the dominant component of fiscal deficit, accounting for nearly 61 per cent of it during 1985-2005. 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 75.82 per cent in the current year. The ratio of revenue deficit to fiscal deficit had a positive shift rate of 6.88 per cent during 1985-2005. Net capital expenditure (capital expenditure- capital receipts) accounted for little over a quarter of fiscal deficit during 1985-2005. It also had a negative shift rate of 2.86 per cent. Fiscal deficit financed around 13 per cent of net loans and advances. In last three years, the recovery of loans and advances exceeded the issue of fresh loans and the surplus actually financed part of the fiscal deficit. Continuous use of borrowed funds for meeting current expenditure not only indicated erosion in asset back up, it made capital expenditure (inclusive of loans and advances) as variable of adjustment. Scarce borrowed resources could only be partly allocated for capital formation.



### Primary Deficit

4.10 While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments. Interest payments represent the expenditure of past obligations and are independent of current allocative priorities. To look at the imbalances of the current nature, these payments need to be separated and deducted from the total imbalances. Primary deficit, which represents the current imbalances net of interest payments, averaged Rs. 14,817 crore during 1985-2005, though it witnessed a decelerating trend. In 2003-04 and 2004-05, there was a primary surplus as interest payments exceeded the fiscal deficit. In relation to GDP, primary deficit declined from an average of 1.77 per cent during the VIII Plan (1992-1997) to 0.41 per cent in 2002-03. It later turned positive in 2003-04 and 2004-05. Trends in primary deficit and its parameters are indicated in table 4.4 below.

Report of the CAG on  
Union Government Accounts 2004-05

**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
1985-2005	44613	73251	58434	14817	1.13
VIII Plan (1992-1997)	28941	62565	44280	18285	1.77
IX Plan (1997-2002)	75711	119675	91102	28573	1.49
2003-04	100986	80937	128114	-47177	-1.71
2004-05	78700	103798	130958	-27160	-0.87
<b>Average annual trend rate of growth (per cent)</b>					
1985-2005	17.1	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		
2003-04	-8.00	-39.86	2.84		
2004-05	-22.07	28.24	2.22		

\* A negative figure indicates existence of primary surplus

**4.12** 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 and not because of any acceleration in revenue receipts. Recovery of loans or accruals of miscellaneous capital receipts indicate a decline in assets base of the government and at best could be viewed as a limited and a temporary option.

## Chapter 5

### MANAGEMENT OF FISCAL LIABILITIES

5.1 Internal debt, external debt and other liabilities are the three sets of liabilities that constitute the Union Government debt. Internal and external debts constitute public debt and are secured under the Consolidated Fund of India. Internal debt includes market loans, special securities issued by Reserve Bank of India and National Small Savings Fund, compensation and other bonds and other rupee securities. External debt represents the loans received from foreign governments and bodies. The other liabilities of the government arise more in its capacity as a banker or a trustee rather than a borrower and include employees' provident funds, reserve funds and sinking funds (created by charging an 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 1985-2005. Annual total liability in terms of its composition is indicated in Appendix-V-A.

Table 5.1: Aggregate Fiscal Liabilities- Trends & Composition

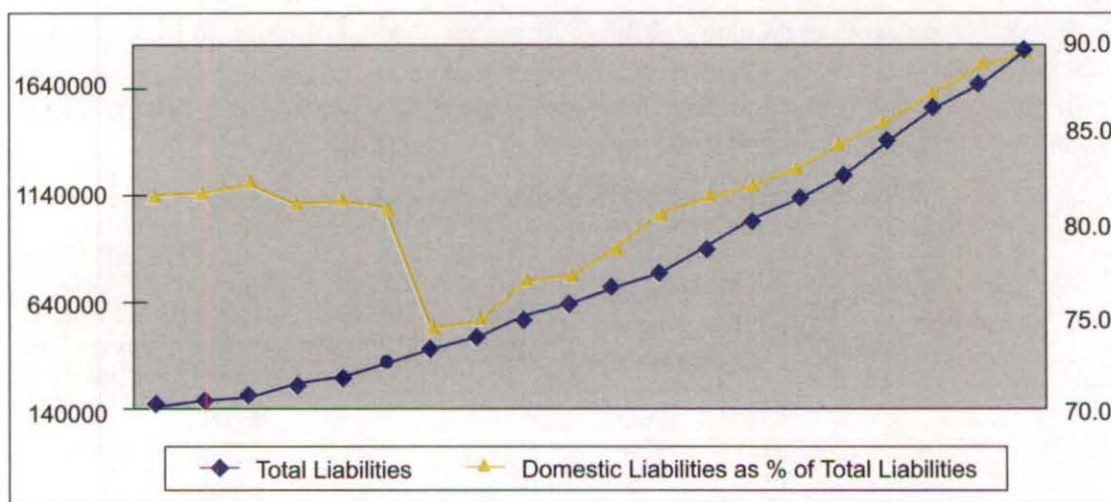
<i>(Rupees in crore)</i>						
Period	Internal Debt	External Debt at historic rates	Public Account	Total liabilities (at historic rates)	External Debt (at current rates)	Total liabilities (at current rates)
1985-2005	445607	45270	211226	702101	127399	784231
VIII Plan (1992-1997)	272725	49206	218152	540082	137732	628608
IX Plan (1997-2002)	655942	61703	292049	1009694	183073	1131064
2003-04	1141706	46125	333725	1521556	184203	1659634
2004-05	1275971	60877	356037	1692885	191271	1823279
Average annual Rate of Growth ( <i>per cent</i> )						
1985-2005	16.73	6.52	10.30	13.99	11.06	14.04
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
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

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

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



**5.4** Aggregate fiscal liabilities increased from an average of Rs. 628,608 crore during the VIII Plan (1992-1997) to Rs. 1823,279 crore in 2004-05. Average annual trend rate of growth of these liabilities was 14.04 *per cent* during 1985-2005. Internal debt was not only the most predominant component of the aggregate liabilities, accounting for around two thirds of these in 2004-05, but was also the fastest growing component with its growth averaging 16.73 *per cent*. Public account liabilities had the lowest growth of 10.30 *per cent*. These two components, which in terms of the origin are domestic liabilities, constituted around 90 *per cent* of the aggregate liabilities in 2004-05. Share of these two components in aggregate liabilities also improved from an average of 78 *per cent* during the VIII Plan (1992-1997) to the current level. External liabilities at the current exchange rate constituted a little over 10 *per cent* of the aggregate liabilities in 2004-05. Aggregate liabilities showed deceleration in their growth rates. 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. Total liabilities and the share of domestic liabilities in these is depicted in the following graph.



### Fiscal Liabilities relative to GDP

**5.5** Table 5.2 gives the aggregate fiscal liabilities of the Union Government relative to GDP. Aggregate fiscal liabilities-GDP ratio peaked during 1991-92 when it reached 65.43 *per cent* of GDP. This ratio decelerated to an average of 60.72 *per cent* during the VIII Plan (1992-1997) and further to an average of 59.08 *per cent* during the IX Plan (1997-2002). In the recent two years, while the ratio of fiscal liabilities to GDP increased to 60.13 *per cent* in 2003-04, it decelerated in the current year to 58.71 *per cent*, lower than the long-term trend levels. The long-term tendency of the ratio of fiscal liabilities to GDP was of stability with an average annual rate of shift of only 0.13 *per cent* during 1985-2005. While the average annual rate of shift in the ratio of internal debt-GDP was 2.49 *per cent*, a negative shift rate for the other two components more or less squared it to sustain debt-GDP at the trend level.



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
1985-2005	34.08	3.46	16.15	53.70	9.74	59.98
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
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
<b>Average Annual Rate of Shift in Relative Shares</b>						
1985-2005	2.49	-6.47	-3.16	0.23	-2.49	0.13

5.6 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 2004-05 would be 1796, 718 and 1249 respectively as against the index of GDP at 1117 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 1.20 and 1.01 respectively during 1985-2005.

5.7 It would be appropriate to look at the aggregate fiscal liabilities relative to the revenue receipts of the Union Government. This ratio is considered 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.

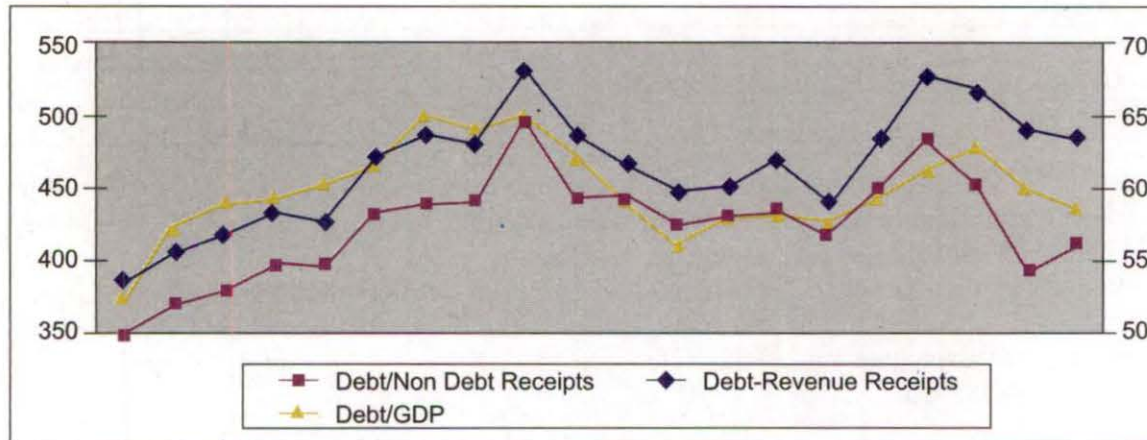
Table 5.3: Outstanding Fiscal Liabilities as a percentage of Non-Debt Receipts and Revenue Receipts

Period	Non-Debt Receipt	Revenue Receipt
1985-2005	429	478
VIII Plan (1992-1997)	446	478
IX Plan (1997-2002)	444	476
2003-04	390	489
2004-05	409	484
<b>Average Annual Rate of Shift in Relative Share</b>		
1985-2005	0.71	0.97
<b>Average Annual Rate of Growth of the Parameter</b>		
1985-2005	13.23	12.94

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

5.8 The ratio of fiscal liabilities to revenue and non-debt had a positive shift rate during 1985-2005. 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 current 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. In case of the ratio of aggregate fiscal liabilities to

revenue receipts, a similar trend was observed. Buoyancy of the aggregate fiscal liabilities to non-debt receipts and revenue receipts during 1985-2005 was 1.06 and 1.09 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 the following graph:



## Debt Sustainability

**5.9** Fiscal liabilities are considered sustainable if the government is able to service the stock of these liabilities over the foreseeable future and 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 does 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.

**5.10** 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

## Management of Fiscal Liabilities

1985-2005: However, the spread declined from an average of 8.63 *per cent* during the VIII Plan (1992-1997) to an average of 1.37 *per cent* during the IX Plan (1997-2002). The spread between GDP growth and interest rates became negative in 2002-03 but recovered later to a positive 3.77 *per cent* in 2003-04 and further 4.63 *per cent* in 2004-05.

**5.11** Average interest rates on fiscal liabilities, however, moved in a narrow range. Average annual rate of interest on external debt was 2.58 *per cent* during 1985-2005. It decelerated from an average of 3.07 *per cent* during the VIII Plan (1992-1997) to 1.52 *per cent* in 2004-05. For the domestic liabilities (public debt and public accounts) the average rate of interest was 10.42 *per cent* during the IX Plan (1997-2002), which got moderated to 9.24 *per cent* in 2003-04 and further to 8.69 *per cent* in 2004-05. The deceleration in the average rate of interest on domestic liabilities started in 2000-01 and in the last four years witnessed a decline of 210 basis points (the peak rate of interest was 10.79 *per cent* in 1999-2000).

**Table 5.4: Average interest rate on fiscal liabilities**

<i>(Per cent)</i>					
Period	Internal liabilities	External debt	Aggregate liabilities	Rate of growth of GDP	Interest spread
1985-2005	9.54	2.58	8.36	13.89	5.54
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
2003-04	9.24	1.60	8.28	12.04	3.77
2004-05	8.69	1.52	7.89	12.52	4.63
<b>Average Annual Rate of growth</b>					
1985-2005	1.93	-2.79	1.93		

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

**5.12** 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**

<i>(Rupees in crore, Ratio and Growth rates in per cent)</i>						
Period	Aggregate Liabilities	Aggregate Assets	Ratio of Assets to Liabilities	Annual Growth of Liabilities	Annual Growth of Assets	Buoyancy of Assets
1985-2005	784231	405600	51.72	14.04	10.00	0.71
VIII Plan (1992-1997)	628609	362555	57.68	12.48	10.31	0.83
IX Plan (1997-2002)	1131064	575689	50.90	11.85	8.28	0.70
2003-04	1659634	688434	41.48	7.20	-0.70	-0.10
2004-05	1823279	717675	39.36	9.86	4.25	0.43

5.13 The ratio of assets to liabilities witnessed a secular decline from an average of 57.68 *per cent* during the VIII Plan (1992-97) to 41.48 *per cent* in 2003-04 and further 39.36 *per cent* in 2004-05. Average annual rate of shift in this ratio was (-) 3.54 *per cent* during 1985-2005. By 2004-05, 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 0.43 in 2004-05 (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.

5.14 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 1985-2005 and other VIII and IX Plan periods along with the information of the two most recent years.

**Table 5.6 Ratio of Debt redemption to Debt Receipts**

Period	Debt Receipts	Debt Repayment		Debt Repayment (1)/Debt Receipts	Debt Repayment (2)/Debt Receipts
		Principal (1)	Principal+Interest (2)		
		<i>(Rs. in crore) (Annual Average)</i>			
1985-2005	384649	307434	365868	79.93	95.12
VIII Plan (1992-1997)	266443	203787	248066	76.48	93.10
IX Plan (1997-2002)	530341	411106	502208	77.52	94.70
2003-04	811010	726131	854245	89.53	105.33
2004-05	1070716	894577	1025535	83.55	95.78

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

5.15 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. Table 5.7 indicates the resource gap as defined above for the VIII and IX Plans and for the two recent years. It would be observed that during 1985-2005, incremental revenue receipts fell short of meeting the incremental revenue expenditure by about one third. This gap increased to over 45 *per cent* during the IX Plan (1997-2002). In the last two years, however, due to a moderate growth in expenditure and moderation in interest rates, there was a positive gap.



**Management of Fiscal Liabilities**

**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 Expenditure	
1985-2005	16737	15338	6700	22038	-5301
VIII Plan (1992-1997)	16887	13589	6576	20166	-3279
IX Plan (1997-2002)	18621	23212	10939	34151	-15530
2003-04	39274	26954	3541	30495	8779
2004-05	37771	12641	2844	15485	22286

**Cash Management**

5.16 With the Union Government entering into an agreement with the Reserve Bank of India in 1994, a system of automatic monetisation of budget deficit was phased out in 1997. Effective from April 1997, a new scheme of Ways and Means advances (WMA) was introduced to facilitate the government to overcome the temporary mismatches in its cash flows. This system had demanded greater skill in debt management and also cash management. While there was a need to avail WMA on a continuous basis, the system seems to have stabilised. There were no outstanding WMA balances after the year 2002-03 (Table 5.8).

**Table 5.8: Ways and Means Advances**

*(Rupees in crore)*

Year	Opening Balance	Addition during the Year	Discharge during the Year	Outstanding Ways and Means Advances
1999-00	3042	124972	127032	982
2000-01	982	131300	126887	5395
2001-02	5395	170953	171172	5176
2002-03	5176	118961	124137	Nil
2003-04	Nil	96615	96615	Nil
2004-05	Nil	62080	62080	Nil

**Unutilised Committed External Assistance**

5.17 As on 31 March 2005, unutilised committed external assistance was of the order of Rs. 68435 crore. Much of the unutilised external assistance was for projects in the infrastructure sector (details in Appendix-V-B). Table 5.9 shows the year-wise unutilised committed external assistance.

**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

5.18 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 2000-2005 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. 165.11 crore in 2004-05.

**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

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

### Growth in Contingent Liabilities of the Union Government

**5.19** 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 1999-2005.

**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	External Guarantees Outstanding as percentage of sums Guaranteed Outstanding
1999-2000	144438	83954	47663	56.77
2000-01	135678	86862	55664	64.08
2001-02	168712	96859	57006	58.65
2002-03	174487	90617	51097	56.39
2003-04	184420	87780	50328	57.33
2004-05	132728	107957	48276	44.72

**5.20** Total outstanding guarantees were 4.27 per cent of GDP and 35.22 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 2004-05: 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 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 Parliament under various grants in terms of Articles 114 and 115, and the disbursements, charged on the CFI in terms of Article 112 (3) as well as Article 293 (2) of the Constitution. The Government prepares Appropriation Accounts every year indicating the details of gross amounts on various services actually spent by Government vis-à-vis those authorised by the Appropriation Acts.

6.2 The Controller General of Accounts (CGA) prepares the Appropriation Accounts in respect of 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 2004-05 are as follows:

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

6.3 This Report contains audit observations on the Appropriation Accounts (Civil, Postal and Defence Services), including an analysis of expenditure in excess of allocation requiring regularisation by Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions made without requirement by some Ministries, unrealistic budgeting 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 2006.

### A summary

6.4 Table 6.1 gives the total provision (both charged and voted) and disbursement during 2004-05. 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 2004-05**

Departments	Total Provision	Disbursements	Unspent provision
Civil	982390	977196	5194
Posts	6220	6091	129
Defence Services	80960	78633	2327
Railways	83543	84229	(+ 686*
<b>Grand Total</b>	<b>1153113</b>	<b>1146149</b>	<b>6964</b>

\* Excess

6.5 The net unspent provision amounting to Rs. 5194 crore in respect of the Civil ministries/departments was due to overall excess expenditure of Rs. 33785 crore under two grants and one appropriation and overall unspent provision of Rs. 38979 crore in the grants/appropriations. Of the excess expenditure of Rs. 33785 crore, Rs. 33784 crore was on account of prepayment of high cost external loans under Grant No. 38 - Repayment of Debt. Out of the overall unspent provision of Rs. 38979 crore, Rs. 337 crore was on account of less than the budgeted discount payment on 91 days Treasury Bills. Excluding this, the gross unspent provision was Rs. 38642 crore.

6.6 There were net unspent provisions in 205 sections and excess in three sections under the grants/appropriations relating to Civil ministries, unspent provision in two sections and excess in one section of Posts, unspent provisions in ten sections and excess in two sections of Defence Services and unspent provision in 20 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 approved demands (grants and appropriations) of the Civil ministries for the years 1993-2005. During these years, 70 to 77 *per cent* of the total disbursements for the Civil ministries was charged on the Consolidated Fund of India.

6.8 During 2004-05, the total disbursements of Rs. 977196 crore under civil ministries were Rs. 146207 crore higher than the total disbursements of Rs. 830989 crore during 2003-04. It had increased by 260 *per cent* from Rs. 271118 crore in 1993-94. The charged disbursements increased by 284 *per cent* from Rs. 188621 crore in 1993-94 to Rs. 724942 crore in 2004-05 and voted disbursements increased by 206 *per cent* from Rs. 82497 crore to Rs. 252254 crore over the same period. The charged disbursements of Civil ministries during 2004-05 were mainly on account of interest payments (Rs. 130958 crore, which was two *per cent* higher than Rs. 128114 crore for 2003-04), repayment of debt (Rs. 556269 crore), transfers to State and Union Territory governments mainly on account of block grants, loans for State plan schemes, loans for rural electrification etc. and constituted 74 *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 26 *per cent* of the total disbursement in the civil ministries. However, viewed against the background of the total disbursements from the CFI (gross - Rs. 1146149 crore), the percentage of charged disbursements was 63 *per cent* (Rs. 725036 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 2005. 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, 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 the audit observation in January 2006 and stated that conscious efforts were being made from the next year to avoid rush of expenditure in the last quarter. The department of Economic Affairs (Grant No. 32) attributed the rush of expenditure in December 2005 to the issue of a global sanction order to release payment in the month of March 2005 under UNDP assisted projects. The Ministry of Finance (Grant No. 43) attributed (December 2005) the rush of the

expenditure to the clearance of proposals for purchase of ready built office accommodations at the end of the financial year. The Ministry of Finance (Grant No. 44) attributed (January 2006) the rush of expenditure to clearance of most of the purchase proposals in the month of March 2005. Ministry of Health & Family Welfare, Department of AYUSH (Grant No. 48) attributed (January 2006) it to the delay in execution of rent agreement with Red Cross Society, enhancement of funds at RE stage, disbursement of construction work payments in the last quarter as per terms and conditions etc. The rush of expenditure was attributed (January 2006) by the Ministry of Home Affairs (Grant No. 55) to receipt of bills and proposals for schemes from the state governments at the end of the financial year. The Ministry of Human Resource Development (Grant No. 58) stated (January 2006) that the Minister had discretionary powers to utilise funds at the end of the year and the rush of expenditure was due to delay in receipt of financial details from North Eastern Region Institute of Science and Technology, Itanagar, approval of funds in second batch of supplementary and late receipt of proposals, etc. The Ministry of Law and Justice (Grant No. 63) attributed (January 2006) the rush of expenditure to the implementation of project to computerisation of district and subordinate courts in the States and Union Territories, which was approved by the Cabinet Committee on Economic Affairs in March 2005, etc. The Ministry of Personnel, Public Grievances and Pension (Grant No. 70) attributed (January 2006) the rush to late receipt of demand for payment from DDA for purchase of ready built flats and late details of actual expenditure incurred by state governments. Ministry of Overseas Indian Affairs (Grant No. 66) attributed (December 2005) the rush of expenditure to allotment of land for office building in the last quarter etc.

## Chapter 7

### APPROPRIATION ACCOUNTS 2004-05: 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) 71 stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund. Table 7.1 contains the summary of total excess over the authorisation from the CFI. During 2004-05, there was an excess disbursement of Rs. 337845261673 (i.e. Rs. 33784.53 crore) in three segments of three grants/appropriations in Civil ministries, Rs. 2104.61 crore under 15 segments of 10 grants/appropriations of Railways, Rs. 41.99 crore in two segments of two grants in Defence and Rs. 0.05 crore in one segment of one 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	-	7145586950	419931967	-	
	Capital	-	13890900134	-	-	
<i>Charged</i>	Revenue	9769304	6434812	-	498909	
	Capital	337835492369	3181125	-	-	
No of Grants/ Appropriations		3	10	2	1	
<b>Total Excess</b>		337845261673	2104610302	419931967	498909	340370302851

**Table 7.2: Details of excess disbursement over grants/appropriations**

Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by Government
<b>Civil:</b>			
<b>Revenue (Charged)</b>			
1.	21- Ministry of Defence	Grant Expenditure Excess	8600000 15743011 7143011
			Due to finalisation of more number of Court/Central Administrative Tribunal cases in respect of Data Entry Operators.

**Report of the CAG on  
Union Government Accounts 2004-05**

Sl. No	Grant/ Appropriation		Rupees	Contributory reasons as stated by Government
2.	100- Department of Urban Development	Grant	229600000	Due to rising trend of increase in prices of raw material such as steel, cement etc. for maintenance work
		Expenditure	232226293	
		Excess	2626293	
<b>Capital (Charged)</b>				
3.	38-Repayment of Debt	Grant	5224852300000	Due to more redemption of treasury bills than anticipated and more investment in treasury bills by State Governments than anticipated.
		Expenditure	5562687792369	
		Excess	337835492369	
<b>Postal Services Revenue (Charged)</b>				
4.	14- Posts	Grant	2300000	Payment under judicial orders to avoid contempt of Court and interest
		Expenditure	2798909	
		Excess	498909	
<b>Defence Revenue (Voted)</b>				
5.	26-Defence Ordnance Factories	Appropriation	10189900000	Due to shortfall in issues by ordnance Factories to the Services under deduct head.
		Expenditure	10589908594	
		Excess	400008594	
6.	27-Defence Services- Research and Development	Appropriation	24198500000	Due to payment against outstanding commitments, higher booking than anticipated, more materialisation of certain commitments, more payment against Electricity Tariff and Wages than anticipated.
		Expenditure	24218423373	
		Excess	19923373	
<b>Railways: Revenue (Voted)</b>				
7.	3- General Superintendence & Services	Grant	18016872000	Details are in Report No. 6 of 2006 (Railways)
		Expenditure	18113311447	
		Excess	96439447	
8.	4-Repairs & Maintenance of Permanent Way	Grant	32997141000	-do-
		Expenditure	33233661623	
		Excess	236520623	
9.	5- Repairs & Maintenance of Motive Power	Grant	16691965000	-do-
		Expenditure	17045897816	
		Excess	353932816	
10.	6-Repairs & Maintenance of Carriages & Wagons	Grant	34606234000	-do-
		Expenditure	35165895544	
		Excess	559661544	
11.	9- Operating Expenses-Traffic	Appropriation	71220128000	-do-
		Expenditure	71686599007	
		Excess	466471007	



**Appropriation Accounts 2004-05: An analysis**

Sl. No.	Grant/ Appropriation		Rupees	Contributory reasons as stated by Government
12.	10- Operating Expenses-Fuel	Appropriation	87590756000	-do-
		Expenditure	88194086886	
		Excess	603330886	
13.	11- Staff Welfare & Amenities	Appropriation	13937016000	-do-
		Expenditure	13975292567	
		Excess	38276567	
14.	14- Appropriation to Funds-DRF, DF, Pension and CF	Appropriation	116543000000	-do-
		Expenditure	121333954060	
		Excess	4790954060	
<b>Capital (Voted)</b>				
15.	16- Assets-Acquisition, etc. Capital	Appropriation	216145271000	Details are in Report No. 6 of 2006 (Railways)
		Expenditure	230036171134	
		Excess	13890900134	
<b>Revenue (Charged)</b>				
16.	4- Repairs & Maintenance of Permanent Way	Appropriation	4253000	Details are in Report No. 6 of 2006 (Railways)
		Expenditure	4855713	
		Excess	602713	
17.	5- Repairs & Maintenance of Motive Power	Appropriation	139000	-do-
		Expenditure	180522	
		Excess	41522	
18.	6- Repairs & Maintenance of Carriage & Wagons	Appropriation	48950000	-do-
		Expenditure	48964763	
		Excess	14763	
19.	10- Operating Expenses – Fuel	Appropriation	83345000	-do-
		Expenditure	88345000	
		Excess	5000000	
20.	13-Prov.Fund, Pension and other retirement benefits	Appropriation	7366000	-do-
		Expenditure	8141814	
		Excess	775814	
<b>Capital (Charged)</b>				
21.	16- Assets-Acquisition, Construction, etc. Capital	Appropriation	209696000	-do-
		Expenditure	212877125	
		Excess	3181125	

**7.2** The details of excess disbursements and also other details relating to grants of the Railways are mentioned in Report No. 6 of 2006 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 2004-05 that in 24 cases of 10 grants and appropriations that though the expenditure of Rs. 43389.66 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 exceeding Rs two crore or more are given in **Appendix-VII-A**. The Ministry of Finance, Department of Revenue (Grant No.43) stated (December 2005) that excess expenditure was incurred in anticipation of the approval of Department of Expenditure and that the proposals for re-appropriation were not subsequently accepted by the Department of Expenditure, which resulted in excess expenditure. The reply is not tenable as incurring of excess expenditure in anticipation of approval was irregular.

#### **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 48 cases of 38 grants and one appropriation during 2004-05. Large unspent provisions were in areas like Agriculture, Power, Food and Public Distribution, Family Welfare, Petroleum and Natural gas, Road Transport and Highways, Drinking Water, Statistics & Programme Implementation and Shipping. The unspent provisions were attributed by the ministries/departments to some of the schemes failing to take off. **Appendix-VII-B** indicates the details of the unspent provisions.

#### **Surrender of unspent provision**

7.5 According to the provisions of GFR 69, unspent provisions in a grant or appropriation are to be surrendered to government as soon as these are foreseen without waiting for the last day of the year. Unspent provision should also not be held in reserve for possible future excess. During 2004-05, under 205 segments of 96 grants/appropriations of civil ministries, there was an unspent provision of Rs. 38978.59 crore. This was offset by excess under three segments of two grants and one appropriation resulting in a net unspent provision of Rs. 5194.06 crore.

The amounts surrendered are shown in Table 7.3.

**Table 7.3: Details of unspent provision and surrender**

*(Rupees in crore)*

	Net unspent provision	Amount surrendered	Amount surrendered on last date	Amount not surrendered
<b>Revenue</b>				
Voted	18236.16	15121.02	13944.40	3115.14
Charged	7108.03	7772.66	7772.08	-
<b>Total: Revenue</b>	<b>25344.19</b>	<b>22893.68</b>	<b>21716.48</b>	<b>-</b>
<b>Capital</b>				
Voted	8064.10	7025.80	6851.83	1038.30
Charged	(+) 28214.23	13549.70	13549.70	-
<b>Total: Capital</b>	<b>(+) 20150.13</b>	<b>20575.50</b>	<b>20401.53</b>	<b>-</b>
<b>Grand total</b>	<b>5194.06</b>	<b>43469.18</b>	<b>42118.01</b>	<b>-</b>

**7.6** Under the grants/appropriations pertaining to Interest Payment, Public Works, Ministry of External Affairs, Non-Conventional Energy Sources, Panchayati Raj, Overseas Indian Affairs, Statistics and Programme Implementation, Power, Social Justice and Empowerment and Defence Services-Navy, 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 2004-05 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 Agriculture (Rs. 510 crore), Department of Fertiliser (Rs. 269 crore), Ministry of Environment and Forest (Rs. 172 crore), Transfers to State and UT Governments (Rs. 7686 crore), Department of Heavy Industry (Rs. 593 crore), Department of Drinking Water Supply (Rs. 397 crore), Department of Road Transport & Highways (Rs. 413 crore), Department of Space (Rs. 284 crore), Interest Payments (Rs. 4175 crore), Department of Health (Rs. 631 crore), Department of Family Welfare

(Rs. 403 crore), Police (Rs. 505 crore), Department of Women Child Development (Rs. 462 crore) and Department of Rural Development (Rs. 1637 crore).

### **Injudicious re-appropriation to sub-heads**

7.9 Test check of the accounts revealed that in seven cases relating to seven grants/appropriations, re-appropriation aggregating Rs. 33.09 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 one 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. The reasons for re-appropriation were attributed by the Ministry of Finance (Grant No. 42) in December 2005, to utilisation of less quantity of opium than anticipated for extraction of alkaloids, non completion of conversion works of 11 KV to 33 KV power line, etc. Savings were attributed by the Ministry of Finance, Department of Revenue (Grant No. 44) in January 2006 to difficulties in making exact estimation of project requirements with proper accuracy as the estimated expenditure was intimated by field authorities, and also due to non-filling up of vacant posts, clearance of pending bills, etc.

### **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 one 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 2004-05 revealed that there were 501 sub-heads/cases under 77 grants/appropriations to which re-appropriation in excess of Rupees one crore was made. Out of these, in 258 sub-heads/cases involving 67 grants/appropriations, the re-appropriation exceeded 25 per cent of the budget provision and were required to be reported to Parliament through the last batch of supplementary demands for grants. Only in 74 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 one crore or more under a sub-head should be



made only with the prior approval of Secretary (Expenditure) even if the amount re-appropriated is within 25 per cent of the provision covered under the limit governing re-appropriation mentioned in the preceding paragraph. In the cases mentioned in Table 7.4, prior approval of Secretary (Expenditure) was not obtained for re-appropriations exceeding Rupees one crore. In reply, January, 2006, the Ministry of Finance (Grant No.44) while accepting the audit observation stated that approval of the appropriate authority would be obtained in future. The Ministry of Health and Family Welfare, Department of AYUSH (Grant No. 48) stated (January 2006) that re-appropriations to sub-heads were made from the Major Head-2552-North Eastern Areas for which the approval of Secretary (Expenditure) was not required. The reply is not tenable.

**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.	33 – Currency, Coinage & Stamps	4046- Capital Outlay on Currency, Coinage and Mint	Metals	O: 0.71 R: 2.07
2.	36 – Transfer to State and Union Territory Governments	2245- Relief on Account of Natural Calamities	Transfer to National Calamity Contingency Fund	O: 1600.00 R: 1000.00
3.	44 – Indirect Taxes	2037- Customs	Directorate of Revenue Intelligence	O: 25.04 S: 0.55 R: 1.50
4.	--do--	2038- Union Excise Duties	Commissionerates (including field offices)	O: 705.35 S: 36.97 R: 13.06
5.	--do--	--do--	Pay & Accounts Offices (Central Excise) of Principal Chief Controller of Accounts, CBEC	O: 13.25 R: 1.09
6.	--do--	--do--	Collection of Land Customs	O: 6.42 R: 1.05
7.	47 – Department of Health	2210- Medical and Public Health	Setting up of Dispensaries/Hospitals	O: 258.50 R: 79.65
8.	--do--	--do--	Dr. Ram Manohar Lohia Hospital, New Delhi	O: 68.60 R: 3.15

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Sl. No.	No. and name of grant	Major head	Sub-head	Amount
9.	--do--	--do--	Central Institute of Psychiatry, Ranchi	O: 12.10 R: 2.90
10.	--do--	--do--	Kalawati Saran Children's Hospital, New Delhi	O: 17.25 R: 1.02
11.	--do--	--do--	Hospital Waste Management	O: 4.50 R: 1.80
12.	--do--	--do--	Cancer Research	O: 46.50 R: 13.84
13.	--do--	--do--	Grants to North Eastern Indira Gandhi Regional Institute of Health & Medical Sciences, Shillong	R: 70.00
14.	--do--	--do--	Trachoma and Blindness Control Programme	O: 29.50 R: 18.91
15.	--do--	--do--	National T.B Control Programme	O: 89.00 S: 14.00 R: 21.61
16.	--do--	--do--	National AIDS Control Programme	O: 232.00 S: 190.00 R: 45.36
17.	--do--	--do--	Administration & Prevention of Food Adulteration	O: 27.10 R: 17.29
18.	--do--	--do--	Central Drugs Standards Control Organisation	O: 16.60 R: 11.52
19.	--do--	3601- Grants-in-aid to State Governments	National Anti-Malaria Programme (Rural) (General Component)	O: 40.26 R: 48.53
20.	48 - Department of AYUSH	2210- Medical and Public Health	Setting up of National Board of Medicinal Plants	O: 23.05 R: 4.51
21.	--do--	3601- Grants-in-aid to State Governments	State Drug Testing Laboratories/ Pharmacies	O: 3.00 R: 7.88
22.	--do--	--do--	Essential Drugs for Ayurveda, Siddha, Unani & Homoeopathy (ISM&H) dispensaries for rural & backward areas in various states.	O: 12.00 S: 8.50 R: 1.25

**Appropriation Accounts 2004-05: An analysis**

*(Rupees in crore)*

Sl. No.	No. and name of grant	Major head	Sub-head	Amount
23.	--do--	--do--	Setting up of ISM wing in district hospitals	O: 3.00 R: 7.70
24.	49- Department of Family Welfare	2211- Family Welfare	Activities at Headquarters	O: 4.50 S: 0.01 R: 6.98
25.	--do--	3601- Grants-in-aid to State Governments	Urban Family Welfare Centres	O: 58.82 R: 1.68
26.	--do--	--do--	Provision for POL/Procurement of Vehicles	O: 49.45 R: 1.15
27.	--do--	--do--	Compensation for Sterilisation	O: 195.15 R: 8.78
28.	--do--	--do--	Training of ANM/LHV	O: 65.62 R: 4.68
29.	--do--	--do--	Maintenance of State/District Family Welfare Bureau	O: 194.06 R: 12.10
30.	--do--	--do--	Sub-Centres	O: 1527.46 S: 190.00 R: 69.93
31.	57 - Department of Education and Literacy	2202- General Education	Sarva Shiksha Abhiyan	O: 3035.15 S: 1676.30 R: 409.29
32.	60 - Ministry of Information and Broadcasting	2220- Information and Publicity	Films Division	O: 23.85 R: 1.17
33.	--do--	--do--	Press Information Bureau	O: 19.09 R: 1.79
34.	--do--	--do--	Directorate Field Publicity	O: 21.28 R: 1.54
35.	--do--	--do--	Employment News Services	O: 20.00 R: 4.08
36.	--do--	2221- Broadcasting	Prasar Bharti	O: 975.22 S: 18.52 R: 17.04

**Report of the CAG on  
Union Government Accounts 2004-05**

*(Rupees in crore)*

Sl. No.	No. and name of grant	Major head	Sub-head	Amount
37.	90 – Ministry of Statistics and Programme Implementation	3454- Census, Surveys and Statistics	Subordinate office	O: 80.53 S: 0.64 R: 3.78
38.	94 – Ministry of Tribal Affairs	3601- Grants-in-aid to State Governments	Scheme of PMS, Book Bank and Upgradation of Merit of ST Students	O: 64.35 R: 12.00

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

**Unnecessary supplementary grant**

7.13 The position of original and supplementary grants obtained under Civil ministries and percentage of supplementary provision to the original provision from 1998-99 onwards is given in Appendix-VII-E. In 29 cases relating to 22 grants as detailed in Table 7.5, while supplementary provisions aggregating to Rs. 2259.81 crore were obtained during 2004-05 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 more than supplementary grant/appropriation**

*(Rupees in crore)*

Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
<b>Revenue – Voted</b>					
1.	1-Department of Agriculture and Co-operation	2782.77	397.06	2617.03	562.80
2.	34-Payments to Financial Institutions	3515.41	109.93	2091.33	1534.01
3.	49-Department of Family Welfare	6696.37	280.02	5816.96	1159.43
4.	50-Department of Heavy Industries	159.87	2.95	85.54	77.28
5.	52-Ministry of Home Affairs	707.21	8.87	698.99	17.09
6.	60-Ministry of Information and Broadcasting	1263.35	18.52	1248.96	32.91
7.	66-Ministry of Overseas Indian Affairs	6.00	3.00	5.84	3.16
8.	68-Department of Ocean Development	229.08	37.00	227.62	38.46



**Appropriation Accounts 2004-05: An analysis**

*(Rupees in crore)*

Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
9.	82-Department of Drinking Water Supply	3301.39	248.00	3283.51	265.88
10.	84-Department of Scientific and Industrial Research	1295.90	41.02	1283.93	52.99
11.	86-Ministry of Shipping	570.55	29.66	489.41	110.80
12.	90-Ministry of Statistics and Programme Implementation	1834.87	0.65	1531.41	304.11
13.	93-Ministry of Tourism	227.24	3.50	200.79	29.95
14.	98-Daman and Diu	247.50	8.11	247.36	8.25
15.	99-Lakshadweep	218.66	4.14	217.18	5.62
16.	104-Ministry of Water Resources	793.38	5.00	618.79	179.59
<b>Revenue Charged</b>					
17.	79-Ministry of Road Transport and Highways	0.40	0.10	0.22	0.28
<b>Capital Voted</b>					
18.	1-Department of Agriculture and Co-operation	94.73	20.91	88.68	26.96
19.	18-Department of Consumer Affairs	9.46	20.20	5.81	23.85
20.	54-Police	1501.95	6.00	1364.74	143.21
21.	83-Department of Science and Technology	70.70	9.01	45.63	34.08
22.	84-Department of Scientific and Industrial Research	4.10	9.00	2.06	11.04
23.	86-Ministry of Shipping	307.63	40.01	92.64	255.00
24.	93-Ministry of Tourism	314.50	2.00	298.33	18.17
25.	99-Lakshadweep	38.03	0.35	36.68	1.70
26.	104-Ministry of Water Resources	57.48	6.50	56.26	7.72
<b>Capital Charged</b>					
27.	36-Transfer to State and Union Territory Governments	26767.92	947.01	24040.57	3674.36
28.	100-Department of Urban Development	9.00	1.13	8.24	1.89
29.	104-Ministry of Water Resources	3.50	0.25	2.18	1.57
<b>Total</b>			<b>2259.81</b>		

**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. The Ministry of Finance (Grant No. 44) attributed (January 2006) the savings to non-filling up of vacant posts, delay in finalisation of computerisation proposals, etc. The reply is not tenable as it was irregular on the part of the Ministry to obtain large supplementary grant without anticipating the sequence of events. The reasons for saving were attributed by the Ministry of Health and Family Welfare (Grant No. 48) in January 2006 to non-creation of posts. The reply is not tenable as without anticipating this contingency, Ministry obtained supplementary grant.

**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	2061.00.798.02- Other International Organisations	1.39	0.87	0.36	1.90	Saving was due to some portion of the contributions not materialising
2.	--do--	3605.00.101.20- Aid to African Countries	104.54	2.30	75.80	31.03	Non release of payment for a Convention Centre in Mauritius and due to procedural problems
3.	34-Payment to Financial Institution	2416.00.800.01- Grants to National Bank for Agricultural and Rural Development (NABARD)	805.30	5.01	42.80	767.51	Saving was due to non-finalisation of report by task force on co-operatives
4.	38- Repayment of Debt	6001.00.112- 10% Relief Bonds, 1993	0.50	1.87	0.16	2.21	Saving was due to lesser claims by the holders than anticipated
5.	--do--	6001.00.106.15- 9% Relief Bonds 1987	5.00	13.67	0.47	18.20	Saving was due to lesser claims by the holders than anticipated
6.	--do--	6001.00.106.18- 9% Relief Bonds 1993	7.50	1.79	0.74	8.55	Saving was due to lesser claims by the holders than anticipated

Appropriation Accounts 2004-05: An analysis

*(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
7.	43-Direct Taxes	2020.00.101.01-Commissioners and their offices	1080.37	11.40	1058.62	33.15	Non-payment to supplier/vendors of computer hardware/software under the Comprehensive Computerisation Programme
8.	44-Indirect Taxes	2037.00.101.01-Sea Customs-Major Ports	159.07.	3.50	140.69	21.87	Non filling of vacant posts, delay in finalisation of major computerisation proposals and change in payment procedure
9.	44-Indirect Taxes	2037.00.102.01-Sea Customs-Major Ports	259.66	4.50	241.86	22.30	Non filling up of vacant posts, non finalisation of reward cases on account of change in reward policy
10.	47-Department of Health	3601.04.263.62-National Anti-Malaria Programme (Rural) (EAC)	86.00	23.00	30.38	78.62	Saving was due to delay in procurement of insecticide etc. on account of objection of the World Bank regarding mandatory clause on requirement, WHO-Goods Manufacturing Process in the bid document
11.	48-Department of AYUSH	2210.02.101.09-CGHS Ayurveda Hospital	1.03	0.19	0.92	0.30	Saving was due to non creation of requisite posts in CGHS, Ayurveda Hospital
12.	58-Department of Secondary Education & Higher Education	2251.00.090.17-Department of Secondary Education and Higher Education	27.54	1.67	27.26	1.95	Non filling up of vacant posts, economic measures, less foreign tours and less receipt of medical reimbursement claims
13.	--do--	2203.00.105.11-Setting up of New Polytechnics	--	14.40	--	14.40	Non implementation of projects owing to technical problem
14.	--do--	2203.00.105.12-Infrastructure Development Programme in Polytechnics	--	8.11	--	8.11	Non implementation of projects owing to technical problem

Report of the CAG on  
Union Government Accounts 2004-05

(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
15.	--do--	2552.00.800.14- Provision for Projects/Schemes North Eastern Areas and Sikkim	--	10.51	--	10.51	Re-appropriation of part funds to functional heads for utilisation in the schemes for benefit of North Eastern Areas and surrender of balance amount

**Irregular re-appropriation of funds**

7.15 Ministry of Finance, Department of Expenditure had issued instructions in March 2005 to all Ministries/Departments of the Government of India that lump-sum provision for projects/scheme for North Eastern Region and Sikkim made under Major Heads '2552' and '4552' for revenue and capital expenditure respectively should be re-appropriated to the functional heads of the scheme/project for the benefit of North Eastern Region including Sikkim.

7.16 Test check of the appropriation accounts, Grant No. 16 – Department of Information Technology revealed that DIT re-appropriated funds aggregating Rs. 13.40 crore from Major Heads '2552' and '4552' for meeting salary and other administrative expenses of DIT and NIC respectively, which was irregular.

**Postal Services (Grant No. 14)**

7.17 Persistent savings were noticed under Capital Section of the grant having only one head i.e. 'Mechanisation and Modernisation of Postal Services' for the last four years 2001-05 as per details in Table 7.7.

Table 7.7: 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
2003-04	129.18	48.16	81.02	63
2004-05	178.75	126.29	52.46	29



7.18 The reasons advanced by the department for savings under the Revenue (Voted) and Capital (Voted) sections were as under:

Table 7.8 : Savings in Grant

*(Rupees in crore)*

Grant No.14	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Posts
Revenue (Voted)	6041.14	5964.26	76.88	<ul style="list-style-type: none"> <li>- Less expenditure under salaries, medical, office and travel expenses than anticipated.</li> <li>- Less receipt of claims under retirement benefits than anticipated.</li> <li>- Less supply of papers and bills from paper mills than anticipated.</li> <li>- Less receipt of claims from the Government Press than anticipated.</li> <li>- Non completion of building work by contractors in Bihar, Gujarat, Karnataka and Maharashtra.</li> <li>- Less training activity under the Plan than anticipated.</li> <li>- Non materilisation of system study with consultant for Research and Development under 'Mechanisation and Modernisation'.</li> </ul>
Capital (Voted)	178.75	126.29	52.46	- Non receipt of bills from suppliers in time
<b>Total</b>	<b>6219.89</b>	<b>6090.55</b>	<b>129.34</b>	

### Defence Services

7.19 Scrutiny of Appropriation Accounts of Defence Services disclosed a persistent trend of unspent provision during the year 2002-05 under voted segment of three grants as per details in table 7.9.

Table 7.9 : Persistent unspent provision

*(Rupees in crore)*

Grant No Sub-Major/ Minor Head	2002-03	2003-04	2004-05	Reasons for unspent amount given in Appropriation Accounts
<b>23- Defence Services-Army</b>				
110-Stores	62.63	198.30	266.20	Non-materialisation of complete supplies of certain provision stores, oil/lubricants, chemicals less than anticipated deliveries of Bullet Proof Jackets and less supply of Ammunition by Ordnance Factories.
800-Other Expenditure.	19.12	11.87	32.84	Procedural delays in procurement of certain materials and laying of Astro Turf.

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Grant No Sub-Major/ Minor Head	2002-03	2003-04	2004-05	Reasons for unspent amount given in Appropriation Accounts
<b>25- Defence Services-Air Force</b>				
110-Stores	6.75	93.15	172.61	Non-materialisation of contracts for spares, delay in payment claimed by vendors and non-supply of stores in time by Ordnance Factories.
111-Works	19.82	23.15	55.67	Less utilisation of funds on maintenance of building, communication furniture etc.
<b>26- Defence Ordnance Factories</b>				
110-Stores	173.20	31.18	10.43	Non-materialisation of certain purchases and non-raising of Bills by Railways.
800-Other Expenditure	43.51	24.22	8.43	Reduced requirement of Electricity and Water, postponement of TOT payment of AMR of OFT.

7.20 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.

## Chapter 8

### REVIEW OF SELECTED GRANTS

#### Grant No. 19 – Department of Food and Public Distribution

(Ministry of Consumer Affairs, Food and Public Distribution)

#### Introduction

8.1 The Department of Food and Public Distribution is concerned with the formulation of policies concerning the food grains sector- procurement, storage movement and distribution. It implements the scheme of minimum support price to the producers of wheat, paddy and coarse grains. It supplies the foodgrains at reasonable prices to the consumers through the public distribution system.

#### Overall position

8.2 The overall position of budget provisions, actual disbursements and unspent provisions under the voted portion of the grant 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
2002-03	24410.78	260.71	24293.64	139.67	117.14	121.04
2003-04	28377.07	362.33	25644.31	105.77	2732.76	256.56
2004-05	26628.59	472.22	26335.38	262.44	293.21	209.78

#### Persistent unspent provision

8.3 There were persistent unspent provisions under revenue and capital sections of the grant for the last three years. A few instances of unspent provisions and excess expenditure during the above three years are given in Appendix VIII-A.

#### Surrender of unspent provision

8.4 Test check revealed that contrary to the rule 69 of the GFR, Department surrendered the unspent provision towards the end of financial years 2002-05. The details of amounts under Revenue and Capital surrendered during 2002-05 are as under:-

**Report of the CAG on  
Union Government Accounts 2004-05**

**Table 8.2: Surrender of Unspent Provision**

<i>(Rupees in crore)</i>			
Year	Unspent provision	Amount surrendered	Date of surrender
2002-03	238.18	233.01	31.3.2003
2003-04	2989.33	2951.81	31.3.2004
2004-05	502.99	454.13	31.3.2005

**Rush of expenditure**

**8.5** Rush of disbursement particularly, in the closing month of the financial year, is to be regarded as a breach of financial regularity and should be avoided. Contrary to this, large disbursements were made in the month of March as well as in the last quarter of the financial year 2002-05. A few instances are given below:

**Table 8.3 Rush of expenditure**

<i>(Rupees in crore)</i>				
Year	Major Head	Total expenditure	Expenditure incurred in March	Percentage of expenditure during the month of March of the year
2002-03	3456	1.38	0.66	48
	4408	30.08	14.78	49
2003-04	3456	0.40	0.22	55
	4408	39.49	13.54	34
	6860	66.16	34.59	52
2004-05	3456	0.77	0.72	94

**Excess expenditure over appropriation/re-appropriation**

**8.6** 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 department controlling the grant that necessary funds to accommodate the disbursement will be provided by issue of re-appropriation orders etc.

Test check of head-wise appropriation accounts for the years 2002-05 revealed that in the following cases though the payments made were in excess of 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 8.4: Excess expenditure over appropriation / re-appropriation

(Rupees in lakh)

Sl. No.	Major Head and Sub-Head	Original (O) Re-appropriation (R)	Total grant	Actual expenditure	Excess (+)
<b>2002-03</b>					
1	3456.00.800.01 Scheme relating to Training Research and Monitoring for Public Distribution System	O 35.00 R 3.22	38.22	38.40	0.18
<b>2003-04</b>					
2	2408.01.800.03- Departmental Canteen National Sugar Institute	O 10.50 R (-) 0.80	9.70	13.36	3.66
3	2408.02.003.01 Save Grain Campaign	O 586.00 R (-) 13.05	572.95	584.14	11.19
4	2408.02.004.02 Central Grain Analysis Laboratory	O 2.00 R (-) 1.05	0.95	0.96	0.01
<b>2004-05</b>					
5	2408.01.798.01- Contribution to International Sugar Council	O 25.00 R (-) 3.29	21.71	22.17	0.46
6	2408.02.004.01-Indian Grain Management and Research Institute	O 325.00 R (-) 27.72	297.28	338.06	40.78
7	2408.02.004.03- Quality Control Cell	O 49.00 R 1.98	50.98	52.80	1.82
8	6860.04.190.04-Sugar Mills for Cane Development	O 2500.00 R (-) 732.00	1768.00	1953.30	185.30
9	6860.04.190.07-Sugar factories for production of anhydrous alcohol or ethanol from alcohol	O 10000.00 R (-) 8052.00	1948.00	1948.10	0.10

#### Unrealistic budgeting

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

Scrutiny of the Appropriation Accounts for the years 2002-05 revealed that under a number of sub heads provisions remained unutilized during these years and were re-appropriated to other heads defeating the original purpose for which the budget provision were passed by the Parliament. A few instances are given in Appendix. VIII-B

### Non-utilisation of entire funds

8.8 Scrutiny of Appropriation Accounts for the years 2002-05 revealed that entire provisions under 14 sub-heads remained unutilized. A few instances of Rupees two crore or more are given in Appendix-VIII-C. It was, thus, indicative of the fact that the budget estimates/supplementaries were not prepared/based on adequate review of the trend of disbursement during the previous years.

### Grant No 30 – Ministry of Environment & Forests.

#### Introduction

8.9 The Ministry of Environment & Forests is primarily concerned with the implementation of policies and programmes relating to conservation of the country's natural resources including lakes and rivers, its biodiversity, forests and Wildlife and prevention and abatement of pollution.

#### Overall position

8.10 The overall position of budget provisions, actual disbursements and unspent provisions under the voted portion of the grant for last three years is given below: –

Table 8.5 Overall position

Year	Total Provision		Actual Disbursement		Unspent Provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2002-2003	1106.13	22.79	1034.83	22.69	71.30	0.10
2003-2004	1129.60	30.46	1011.93	24.26	117.67	6.20
2004-2005	1284.50	22.76	1136.27	17.82	148.23	4.94

*(Rupees in crore)*

#### Persistent unspent provision

8.11. There were persistent unspent provisions under revenue and capital sections during the last three years. The unspent provisions increased from Rs. 71.40 crore during 2002-03 to Rs. 153.17 crore during 2004-05.

#### Surrender of unspent provision

8.12. Test check revealed that contrary to rule 69 of GFR, the Ministry every year surrendered unspent provisions towards the end of the financial years. The details of amounts surrendered during 2002-2005 are given below:

Table 8.6: Surrender of unspent provision

(Rupees in crore)

Year	Unspent Provision		Amount Surrendered		
	Revenue	Capital	Revenue (Percentage)	Capital (Percentage)	Date of Surrender
2002-03	71.30	0.10	64.56 (91)	---	31.03.2003
2003-04	117.67	6.20	105.64 (90)	6.06 (98)	31.03.2004
2004-05	148.23	4.94	140.10 (95)	4.29 (87)	31.03.2005

**Excess expenditure over the available provisions**

8.13 In cases where the existing provisions are not sufficient to cover payment, the 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.

Test check of head-wise appropriation accounts for the year 2002-05 revealed that in the following cases shown in table though the expenditure had exceeded the available provisions under the sub-heads concerned, the authority administering the grant / appropriation did not issue re-appropriation orders to adequately accommodate the final excess expenditure over the available provision. This was indicative of deficient budgetary control.

Table 8.7: Excess expenditure over appropriation/re-appropriation

(Rupees in crore)

Year	Sub-Head	Provisions	Actual expenditure	Excess
2002-03	3435.03.101.06 Assistance for Regional Botanic Gardens	O 2.00	1.22	0.22
		R (-) 1.00		
2003-04	3435.02.001.01 Head Quarters Office	O 2.56	2.56	0.20
		R (-) 0.20		
	3435.02.004.02 Regional Offices	O 3.52	3.37	0.27
		R (-) 0.43		
	3435.03.003.01 Environmental Education and Training Scheme	O 17.02	19.01	0.17
		R 1.82		
3435.03.102.02 Centres of Excellence	O 9.35	9.08	0.19	
	S 0.13			
	R (-) 0.59			
3601.04.660.01 Assistance for Development of National Park	O 29.00	43.19	0.19	
	R 14.00			

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Year	Sub-Head	Provisions	Actual expenditure	Excess
2004-05	2406.01.003.04 State Forest Service and Ranger College	O 3.33	4.10	0.50
		R 0.27		
	2406.01.004.01 Indian Council of Forestry Research and Education	O 40.28	42.28	0.15
		R 1.85		
	2406.01.101.02 Strengthening of Forests Division	O 4.00	4.67	0.42
		R 0.25		

### Injudicious re-appropriation of funds

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

Table 8.8: Injudicious re-appropriation of funds

(Rupees in crore)

Year	Sub-Heads	Provision	Actual Expenditure	Saving
2002-03	3435.03.102.01 Environmental Information System	O 2.24	2.20	0.35
		R 0.32		
2003-04	3435.03.102.01 Environmental Information System	O 2.71	2.46	0.48
		R 0.23		
	3435.04.101.04 National River Conservation Directorate	O 6.00	5.45	1.28
		R 0.73		
	3435.04.104.01 Environmental Impact Assessment Programme	O 2.85	2.76	0.38
		R 0.29		
3435.60.800.06 Bio-Diversity Conservation	O 3.50	3.14	0.41	
	R 0.05			
2004-05	3435.02.001.01 Head Quarters Office	O 2.76	2.74	0.12
		R 0.10		

### Unrealistic budgeting

8.15 Rule 53 of the General Financial Rules provides that the Ministries/Departments are required to prepare their estimates keeping in view the trends of disbursements during the previous years and other relevant factors like economy instruction issued by the Ministry of Finance. Scrutiny of the Appropriation Accounts for the period 2002-05 revealed that under the sub-heads shown below, 51 to 100 per cent of the provisions remained unutilised and were re-appropriated to other heads defeating the purpose for which the original budget provision were passed by the Parliament.



Review of Selected Grants

Table 8.9: Unrealistic budgeting

*(Rupees in crore)*

Year	Sub-Heads	Original Provision	Actual Expenditure	Saving	Percentage of Saving
<b>Revenue Section</b>					
2002-03	2406.02.110.13 Protection of Wild Life outside Protected Area	5.00	---	5.00	100
	2406.04.101.06 National Action Programme to Combat Desertification	1.50	---	1.50	100
	2552.00.800.14 Lump-Sum provision for Project/Scheme of North Eastern Region including Sikkim	99.00	---	99.00	100
	3601.03.663.07 National Action Programme to Combat Desertification	1.50	---	1.50	100
	3601.03.663.08 Greening India	1.50	---	1.50	100
2003-04	2406.01.101.07 Integrated Forest Protection Scheme	3.50	1.42	2.08	59
	2406.02.110.13 Protection of Wild Life outside Protected Area	5.00	---	5.00	100
	2406.04.101.06 National Action Programme to Combat Desertification	1.00	---	1.00	100
	2552.00.800.14- Lump-sum provision for Project/Scheme of North Eastern Region including Sikkim	100.00	---	100.00	100
	3601.03.663.07 National Action Programme to Combat Desertification	1.00	---	1.00	100
	3601.04.654.02 Taj Protection Mission	33.00	---	33.00	100
	3601.04.654.06 Prevention of Air and Water Pollution Promotion of Common Effluent Treatment of Plants	5.00	---	5.00	100
	3602.03.657.06 Integrated Forests Protection Scheme	2.00	---	2.00	100
	3602.04.654.01 National River Conservation Plan (Externally Aided Scheme)	75.00	---	75.00	100
	3602.04.660.01 Assistance for Development of National Park	1.00	---	1.00	100

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Year	Sub-Heads	Original Provision	Actual Expenditure	Saving	Percentage of Saving
2004-05	2406.01.101.07 Integrated Forest Protection Scheme	5.10	0.77	4.33	85
	2406.04.101.01 National Forestation and Eco Development Board	22.80	11.06	11.74	51
	2552.00.800.14 Lump-sum provision for Projects/schemes of North Eastern Region including Sikkim.	115.00	---	115.00	100
	3435.04.104.02 Development and Promotion of Clean Technology	2.00	0.76	1.24	62
	3435.60.800.16 India Environment Management Capacity Building Technical Assistance Project	25.26	6.99	18.27	72
	3601.04.654.02 Taj Protection Mission.	1.00	---	1.00	100
	3602.04.660.01 Assistance for Development of National Park.	1.00	---	1.00	100
<b>Capital section</b>					
2003-04	4552.00.800.14 Lump-Sum provision for Project/Scheme of North Eastern Areas including Sikkim	1.00	---	1.00	100

### Utilisation certificate

8.16 As per Rule 151(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 2003-2004 by the Ministry of Environment & Forests revealed that utilisation certificates amounting to Rs. 849.21 crore were outstanding as of June, 2005 as shown in **Appendix VIII-D**:

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

### Deficient internal audit system

8.17 The Internal Audit wing of the Ministry of Environment and Forests is under the Administrative Control of the Accounts of the Ministry and is responsible for conducting Internal Audit of the Units under this Ministry. There are 35 units under the jurisdiction of Internal Audit wing; only 18 units had been inspected during 2002-2005 as detailed below:

**Table 8.10: Functioning of Internal Audit**

Year	Total No. of Units	Units Actually Inspected	Percentage of Units Inspected
2002-03	35	5	14
2003-04	35	4	11
2004-05	35	9	26

The above table indicates that the position of Internal Audit of the Ministry was not satisfactory. Keeping in view the large amount of funds handled 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. 49 – Department of Family Welfare**

**(Ministry of Health & Family Welfare)**

**Introduction**

8.18 Department of Family Welfare is one of the three constituent Departments of the Ministry of Health & Family Welfare. Its main functions are to (i) formulate plans, policies and programmes for reducing the population growth birth rate, (ii) Assess the needs for reproductive and child health and provide need based client centered and demand driven Reproductive and Child Health (RCH) care, (iii) Strengthen the infrastructure for service delivery and bridging the gap in essential infrastructure and manpower, (iv) providing additional assistance to poorly performing districts by ensuring uninterrupted supply of essential drugs and contraceptives and (v) promoting male participation in the Planned Parenthood.

**Overall position**

8.19 The overall position of budget provisions, actual disbursements and unspent provisions under the voted portion of the grant for the last three years is given below.

**Table 8.11: Overall position**

*(Rupees in crore)*

Year	Total Provision	Actual Disbursement	Unspent Provision
	Revenue	Revenue	Revenue
2002-03	5849.83	4661.51	1188.32
2003-04	5986.14	5194.83	791.31
2004-05	6976.39	5816.96	1159.43

### Persistent unspent provision

**8.20** There were persistent unspent provisions under revenue section of the grant during the last three years. No steps have been taken by the Ministry to arrest this trend despite the fact that this was pointed out earlier also in the Audit Reports of the Comptroller and Auditor General of India published in the years 1997 and 2000. On the other hand, there was substantial excess expenditure under some sub-heads. A few instances of persistent unspent provisions and excess expenditure during the above three years are given in **Appendix VIII-E & F**.

There was, thus, a need for review of budgetary assumptions and efficiency of the programme management.

### Excess expenditure over appropriation/re-appropriation

**8.21** 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 department controlling the grant that necessary funds to accommodate the disbursement will be provided by issue of re-appropriation orders etc.

Test check of head-wise appropriation accounts for the years 2002-05 revealed that in the following cases shown in table 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: 8.12: Excess expenditure over appropriation/re-appropriation**

*(Rupees in crore)*

Year	Sub-Head	Original/re-appropriation	Actual Expenditure	Final excess expenditure
(1)	(2)	(3)	(4)	(5)
2002-03	2211.00.001.01 – Technical wing at Headquarter	O 4.25	4.32	0.11
		R (-) 0.04		
	2211.00.200.05 – Social Marketing of Oral pills	O 18.00	19.14	0.34
		R 0.80		
	2211.00.800.07 – Travel of experts/conferences/Meetings etc.	O 1.50	0.47	0.07
		R (-) 1.10		
3601.04.238.03 – Provisions for POL/Procurement of vehicles.	O 100.90	112.98	0.58	
	R 11.50			
3602.04.237.07 – Strengthening of National Immunisation Programme and Polio Eradication	O 6.00	6.35	0.16	
	R 0.19			

Review of Selected Grants

*(Rupees in crore)*

Year	Sub-Head	Original/re-appropriation	Actual Expenditure	Final excess expenditure
(1)	(2)	(3)	(4)	(5)
2003-04	2211.00.800.09 – Measures under National Population Policy	O 262.00 R (-) 16.29	246.93	1.22
	3601.04.237.09 – Strengthening of National Immunisation Programme and Polio Eradication	O 507.25 R (-) 35.10	478.78	6.63
	3601.04.238.03 – Provision for POL/Procurement of vehicles.	O 48.80 R 24.65	79.80	6.35
	3601.04.240.03 - Free supply of Family Planning Material	O 162.30 R (-) 23.49	138.83	0.02
	3602.04.240.02 – Free supply of Family Planning Material	O 5.85 R (-) 2.41	3.59	0.15
2004-05	2211.00.101.01 – Expenditure in Union Territories without Legislature	O 3.43 R (-) 0.50	3.65	0.72
	3601.04.238.03 – Provision for POL/Procurement of vehicles	O 49.45 R 1.15	54.72	4.12

### Unrealistic budgeting

8.22 Rule 53 of the General Financial Rules provides that the Ministries/Departments should prepare their estimates keeping in view the trends of disbursements during the previous years and other relevant factors like economy instructions issued by the Ministry of Finance. Scrutiny of the Appropriation Accounts for the period 2002-05 revealed that apart from cases of persistent savings discussed in sub-para 3 above, provisions under a number of heads remained unutilised and were re-appropriated to other heads defeating the purpose for which the original budget provision were passed by the Parliament. Instances of large savings have been detailed in **Appendix-VIII-G**.

### Unrealistic estimation of supplementary demands

8.23 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 far less than even the original grants. This indicates lack of monitoring and expenditure control.



**Report of the CAG on  
Union Government Accounts 2004-05**

**Table 8.13: Unspent supplementary grants**

*(Rupees in crore)*

Year	Sub-head	Provision	Actual Disbursement	Unspent Provision
2003-04	2211.00.103.04 Reproductive & Child Health Project	O 1307.92 S 0.02	1080.95	226.99
2004-05	2211.00.105.01 Expenditure in Union Territories without Legislature	O 1.00 S 0.01	0.08	0.93
2004-05	2211.00.800.09 Measures under National Population Policy	O 258.90 S 40.00	224.68	74.22

**Surrender of unspent provision**

8.24 Surrender is a budgeting device by which the portion of grant or appropriation not utilised by the spending department is communicated to the Ministry of Finance and accepted by the latter, for being reallocated to any other sector. Rule 69 of the General Financial Rules provides that unspent provisions in a grant or appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the end of the financial year. Unspent provision should also not be held in reserve for any possible future excess. Test check revealed that contrary to the rule, the Ministry surrendered unspent provision every year towards the end of the financial year and that too partially despite approval of the Revised Estimates in the month of January. The details of amounts surrendered during 2002-05 are given in the following table: -

**Table 8.14: Surrender of unspent provision**

*(Rupees. in crore)*

Year	Unspent Provision	Amount Surrendered	Date of Surrender
	Revenue	Revenue	
2002-03	1188.32	960.12	31.03.2003
2003-04	791.31	504.99	31.03.2004
2004-05	1159.43	724.39	30.03.2005

**Deficient internal audit system**

**8.25** The Internal Audit Wing of the Ministry of Health and Family Welfare is looked after by the Chief Controller of Accounts of the Ministry with his Headquarter at New Delhi. Four regional Internal Audit Parties function at Mumbai, Kolkata, Bangalore and Chandigarh. There were 1732 units under the audit jurisdiction of the Wing out of which 172 pertained to Department of Health and AYUSH and 1560 to the Department of Family Welfare.

No audit plan for conducting the audit of units pertaining to Department of Family Welfare during the year was on record. However, against 344 units to be taken up annually as per the periodicity prescribed in the Audit Manual, the number of units actually audited during 2002-05 were as under: -

**Table 8.15: Shortfall in internal audit**

Year	No. of units required to be audited	No. of units actually audited	Percentage shortfall
2002-03	344	134	61
2003-04	344	65	81
2004-05	344	73	79

Audit Manual of the Internal Audit Wing, prescribed that inspection report in respect of audits conducted were required to be issued within one month after completion of the Audit. No audit control register to watch receipt and timely issue of inspection reports was maintained by Internal Audit Wing. Consequently, delay in issue of inspection reports during the last three years could not be ascertained in audit. However, detail of 78 available inspection reports in respect of internal audits conducted during last 3 years compiled at the instance of audit revealed that inspection reports were issued after a delay up to 10 months as indicated below:

**Table 8.16: Delay in issue of Inspection Reports**

Delay in issue of Inspection Reports	No. of Units		
	2002-03	2003-04	2004-05
Less than 1 month	-	1	2
1 to 3 months	-	6	16
3 to 6 months	1	8	26
Above 6 months	1	4	13

Internal audit of the Ministry of Health & Family Welfare, which was required to be conducted annually, was actually carried out only once during the last three years. Inspection report for the audit conducted in August-September 2004 for the period 2001-2004 has not been issued as of August 2005 even after a delay of one year. Scrutiny of the report revealed that the Internal Audit covered only the transactions generated through the drawing and disbursing offices. Formulation of budget, expenditure control, excess

expenditure, unspent provision, monitoring and implementation of schemes etc. were not commented upon in the Inspection report although such comments could have helped in giving timely warning signals on crucial aspects.

### Outstanding utilisation certificates

8.26 As per Rule 151(1) of General Financial Rules, 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.

Audit noted from a report furnished by the Controller of Accounts, 1152 utilisation certificates against grant-in-aid of Rs. 674.81 crore remained outstanding as of August 2005 as detailed below: -

Table 8.17: Awaited utilisation certificates

Year of sanction of grant	Due		Received		Outstanding	
	UCs	Amount	UCs	Amount	UCs	Amount
1982-2001	699	592.53	192	491.22	507	101.31
2002-02	281	313.76	177	228.60	104	85.16
2002-03	467	527.73	216	412.54	251	115.19
2003-04	423	1139.12	133	765.97	290	373.15
<b>Total</b>	<b>1870</b>	<b>2573.14</b>	<b>718</b>	<b>1898.33</b>	<b>1152</b>	<b>674.81</b>

*(Rupees in crore)*

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

Test check of grant-in-aid registers maintained in the Pay and Accounts Office (Secretariat) revealed that dates of receipt of utilisation certificates had not been recorded in the registers in the absence of which the correctness of the figures of outstanding UCs furnished by the PAO could not be ensured in audit. The Department stated that the records of outstanding utilisation certificates was maintained in a computerised environment and as and when outstanding certificate was received it was struck off there from without making any entry in the Grant-in-aid register. The reply is not tenable as provision for the particular column in the register is for watching timely furnishing of utilisation certificates which the Pay and Accounts Office failed to ensure.

**Schemes affected by unspent provision**

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

**(i) Social marketing area projects**

With a view to making concerted efforts in selected regions/districts through area specific projects, social marketing endeavors were initiated by the Ministry in the states of Madhya Pradesh, Haryana, Andhra Pradesh, Bihar, Jharkhand and Orissa. The Ministry entrusted the projects of strengthening of social marketing of contraceptives to Hindustan Latex Family Planning Promotion Trust (HLFPPT), a non-profit organization under Hindustan Latex Limited and the Society for Women and Child Health, an NGO during 1998-99. However, entire budget provision amounting to Rs. 22.10 crores under the project remained unspent during 2002-05 as discussed under: -

**Table 8.18: Budget provision and savings**

*(Rupees in crore)*

Year	Budget Provision	Actual Disbursement	Savings
2002-03	9.00	-	9.00
2003-04	3.60	-	3.60
2004-05	9.50	-	9.50

The Department attributed the entire unspent provision to non- finalisation of the National Strategy/guidelines on Social Marketing of contraceptives and funding of existing projects through external aids. The reply indicates lack of focus in implementing the scheme as the provisions remained unspent year after year.

**(ii) Reproductive and Child Health (RCH) Programme**

Reproductive and Child Health Programme was launched in October, 1997 after amalgamating the erstwhile programmes of Maternal and Child Health (MCH), Child Survival and Safe Motherhood (CSSM) and Family Planning with the broad objectives of reproductive health, child survival and fertility regulation. The overall goals of the programme are to reduce maternal and infant mortality, morbidity, unwanted fertility and contribute to the population stabilisation. The programme is primarily offered through Primary Health Infrastructure and is funded by support from World Bank, European Commission, UNFPA and other bilateral donors. However, it was noticed that out of a total budget provision of Rs 5129.71 crore, Rs 1455.91 crore remained unutilized during 2002-05. Table below depicts the details:

Report of the CAG on  
Union Government Accounts 2004-05

Table 8.19 Budget provision and unspent provision

<i>(Rupees in crore)</i>				
Year	Head	Budget Provision	Actual Disbursement	Unspent Provision
2002-03	2211.00.103.04 *	1293.37	824.60	468.77
	3601.04.237.07 **	225.00	128.22	96.78
	3602.04.237.05 ***	4.00	0.58	3.42
2003-04	2211.00.103.04	1307.94	1080.95	226.99
	3601.04.237.07	261.39	114.05	147.34
	3602.04.237.05	2.15	0.57	1.58
2004-05	2211.00.103.04	1809.29	1416.87	392.42
	3601.04.237.07	222.87	105.94	116.93
	3602.04.237.05	3.70	1.92	1.78
	<b>Total</b>	<b>5129.71</b>	<b>3673.80</b>	<b>1455.91</b>

\* Grant released at the Central level, \*\* Grant released to State Governments,

\*\*\* Grant released to UT Governments.

The Department attributed the large unspent balances to less proposals received from States and UTs, non-receipt of UCs from them for earlier releases and non/less supply of RCH material/drugs by HSCC/HLL. This indicates of lack of planning and monitoring on the part of the Department in ensuring timely supply of RCH material and timely submission of utilisation certificates by the State/UT Governments.

### Grant No. 57 – Department of Elementary Education & Literacy

(Ministry of Human Resource Development)

#### Introduction:

8.28 The Department of Elementary Education and Literacy is one of the three constituent Departments of the Ministry of Human Resource Development. Its main function is to formulate education policy, determine standards of elementary education, to promote non-formal and adult education and to conduct seminars to spread awareness of issues relating to these areas.

#### Overall position

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

Table 8.20: Overall position

<i>(Rupees in crore)</i>			
Year	Total provision	Actual disbursement	Unspent provision
	Revenue	Revenue	Revenue
2002-03	4904.87	4475.27	429.60
2003-04	5454.63	5437.16	17.47
2004-05	8004.71	7950.65	54.06



Rush of expenditure

8.30 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 the month of March as well as last quarter of the financial year 2004-05. A few instances are given below:

Table 8.21: Rush of expenditure

(Rupees in crore)

Year	Major Head	Disbursements	
		Total during the year	During March (percentage)
2002-03	2202 General Education	4255.72	727.56 (17)
	2251 Secretariat Social Services	7.57	3.54 (47)
2003-04	2202 General Education	5263.52	817.94 (16)
	3601 Grants-in-Aid to State Governments	146.78	24.51 (17)
	3602 Grants-in-aid to Union Territories	4.23	1.87 (44)
	2251 Secretariat Social Services	22.62	5.28 (23)
2004-05	2202 General Education	7726.99	1605.19 (21)
	3601 Grants-in-Aid to State Governments	197.13	43.84 (22)
	3602 Grants-in-Aid to Union Territories	5.40	5.31 (98)
	2251 Secretariat Social Services	21.12	6.62 (31)

Since the funds released in March of the financial year to various organisations cannot be constructively spent during the year, it is not possible to conclude whether these funds were applied during the year for the purpose for which these were authorised.

Unrealistic budgeting

8.31 Rule 53 of the General Financial Rules provides that the Ministries/Departments should prepare their estimates keeping in view the trends of disbursements during the previous year and other relevant factors like economy instructions issued by the Ministry of Finance. Scrutiny of the appropriation accounts for the period 2002-05 revealed that under the sub-head shown below the entire provision remained unutilised which resulted in non-implementation of the scheme/programme and defeating the purpose for which the original budget provisions were approved by the Parliament. A few instances exceeding rupees two crore or more are given below.

**Report of the CAG on  
Union Government Accounts 2004-05**

**Table 8.22: Unrealistic budgeting**

*(Rupees in crore)*

Sl. No.	Major Head/Sub Head	Total provisions	Amount re-appropriated to other Heads	Reasons given by the Ministry
<b>2002-03</b>				
1	3601.04.165.07 Kasturba Gandhi Swantantra Vidyalaya	6.65	6.65	It was decided to restructure the scheme. Seeking mandatory approval of Expenditure Finance Committee/ Cabinet might take time, it was not possible to utilise the Budget Estimate Provision.
<b>2003-04</b>				
1	3601.04.165.07 Kasturba Gandhi Swantantra Vidyalaya	7.50	7.50	It was decided to restructure the scheme. Seeking mandatory approval of Expenditure Finance Committee/Cabinet might take time, it was not possible to utilise the Budget Estimate Provision.
<b>2004-05</b>				
1	2202.01.107.01 Strengthening of Teachers Training Institutions	8.00	8.00	Due to non-formulation of National component under the scheme.
2	2202.01.107.04 National Council for Teacher Education	7.75	7.75	Due to non-release of fund owing to increase of Council's own revenue on account of increase in application fees for recognition of institutions and also non-starting of its own building.
3	3601.04.165.07 Kasturba Gandhi Swantantra Vidyalaya	95.00	95.00	Due to re-appropriation of funds to Major Head 2202 as the funds were released as per the Sarva Shiksha Abhiyan pattern to the states SSA Societies.
4	3601.04.184.06 Continuing Education for Neo-Literates	2.00	2.00	Due to non-receipt of viable proposals from State Governments.

Review of Selected Grants

(Rupees in crore)

Sl. No.	Major Head/Sub Head	Total provisions	Amount re-appropriated to other Heads	Reasons given by the Ministry
5	3602.04.178.07 Kasturba Gandhi Swatantra Vidyalaya	5.00	5.00	Due to re-appropriation of funds to Major Head 2202 as the funds were released as per the Sarva Shiksha Abhiyan pattern to the states SSA Societies.

Persistent saving and unrealistic budgeting

8.32 There were persistent unspent provisions under some heads during the last three years. No steps have been taken by the Ministry to arrest this trend. Large unspent provisions under the grant not only reflected poorly on the budgeting of the Department but also adversely effected the implementation of various Elementary Education and Literacy programme like Mahila Samakhya and Strengthening of Teachers Training Institutions, and Kasturba Gandhi Sawantantra Vidyalaya, etc. A few instances of persistent unspent provisions during the years 2002-05 are given in Appendix-VIII-H.

Surrender of unspent provision

8.33 Rule 69 of the General Financial Rules provides that unspent provisions in a grant or appropriation are to be surrendered to the Government as soon as these are anticipated so that such amount can be used for other sectors. Unspent provision should also not be held in reserve for any possible future excess. Test check reveled that contrary to the rules, the Ministry every year surrendered unspent provisions towards the end of the financial years. The details of amounts surrendered during 2002 to 2005 are given below:

Table 8.23: Surrender of unspent provision

(Rupees in crore)

Year	Unspent provision	Amount surrendered	Date of surrender
2002-03	429.60	424.90	31.3.2003
2003-04	17.47	14.41	31.3.2004
2004-05	54.06	48.81	31.3.2005

### Unspent provisions

8.34 Scrutiny of the Appropriation Accounts for the years 2002-05 revealed that there were with large unspent provisions under various heads, which were indicative of unrealistic budgeting assumption and slackness in implementing the Schemes/activities of the Ministry. Cases where unspent provisions were more than rupees two crore are shown below:-

Table 8.24: Unspent provision

*(Rupees in crore)*

Sl. No.	Major Head & Sub Heads	Total provision	Actual disbursement	Unspent provision	Percentage	Reasons given by the Ministry
<b>2002-03</b>						
1.	2202.01.105.02 Shiksha Karmi Project in Rajasthan	40.00	15.02	24.98	62	Due to plan ceiling in State Government of Rajasthan.
2.	2202.01.800.19 District Primary Education Programme	1328.00	1285.02	42.98	3	Due to reduction in Annual Plan allocation of the department.
3.	2202.01.800.28 Joint Government of Indian UN System Education Programme	20.00	13.50	6.50	33	Due to integration of the schemes with Sarva Shiksha Abhiyan.
4.	3601.04.165.03 Operation Black Board	58.25	27.79	30.46	52	Due to non-receipt of comprehensive proposals from Chandigarh & Assam.
<b>2003-04</b>						
1.	2202.01.800.19 District Primary Education Programme	1198.00	791.19	406.81	34	Due to slow pace of expenditure, closure of Phase I and Phase II.
2.	2202.01.800.28 Joint Government of Indian UN System Education Programme	5.00	0.94	4.06	81	Due to reduction of UNDP's contribution.

**Review of Selected Grants**

*(Rupees in crore)*

Sl. No.	Major Head & Sub Heads	Total provision	Actual disbursement	Unspent provision	Percentage	Reasons given by the Ministry
3.	3601.04.188.01 Strengthening of Teacher Training Institution	192.70	145.20	47.50	25	Dues to non-receipt of prospecting Plans from various State Governments as per new guidelines.
<b>2004-05</b>						
1.	2202.01.800.23 National Programme of Nutritional Support to Primary Education	1675.00	1588.55	86.45	5	Due to non-receipt of sufficient number of viable and "in order" proposals and available savings were reappropriated to Major head "2552"
2.	2202.04.101.01 Support to Non-Governmental Organisation in the field of Adult Education	25.00	17.81	7.19	29	Due to receipt of less number of viable and "in order" proposals from Non-Government Organisations.



**Schemes affected by unspent provision**

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

**(i) Strengthening of teachers training institutions**

Strengthening of Teachers' Training Institutions is a centrally sponsored scheme of restructuring and reorganisation of teachers' education. It was taken up in 1987 to create a viable institutional infrastructure academic and technical resource base for orientation training and continuous upgradation of knowledge, competence and pedagogical skills of elementary school teachers in the country. The sanctioned provisions, actual expenditure and unspent provisions for the last 3 years are below:

**Table 8.25: Unspent provisions**

*(Rupees in crore)*

Year	Sanctioned provision	Actual expenditure	Unspent provision	Reasons
2002-03	25.00	0.52	24.48	Due to discontinuation of Special Orientation Programme for Primary Teachers.
2003-04	8.00	0.12	-7.88	Due to slow pace in activities for Teacher Education Resource Group.
2004-05	8.00	-	8.00	Entire provision remained unutilised due to non-formulation of National Component under the scheme.

**(ii) National Literacy Mission Authority**

National Literacy Mission Authority was set up as an independent and autonomous wing of the Department of Education vested with executive and financial powers in its sphere of work to promote literacy and adult education and achieve the goals as spelt out in National Literacy Mission. The sanctioned provisions, actual expenditure and unspent provision during the last 3 years are as under:

**Table 8.26: Unspent provisions**

*(Rupees in crore)*

Year	Sanctioned provision	Actual expenditure	Unspent provision	Reasons
2002-03	0.60	0.03	0.57	Saving was due to economy in expenditure.
2003-04	0.30	0.07	0.23	Due to release of less fund to the Institution.
2004-05	0.30	--	0.30	Not recorded.

(iii) The National Council for Teachers' Education

The National Council for Teachers' Education (NCTE) was established as an autonomous organisation with effect from 17.08.1995 with the objectives of achieving planned and coordinated development of teachers' education. The financial outlays of the programme for the last 3 years were as under:

Table 8.27 Unspent provision

(Rupees in crore)

Year	Sanctioned provision	Actual expenditure	Unspent provision	Reasons
2003-04	6.25	4.65	1.60	Due to release of less funds to the Institution.
2004-05	7.75	--	7.75	Entire provision remained unutilised due to increase of Council's own revenue.

(iv) Adult Education

The National Literacy Mission (NLM) was launched on May 5, 1988 as a Technology Mission to impart functional literacy to non-literates in the age group of 15-35, which had been the focus of attention as this is the productive and reproductive period of life. National Literacy Mission seeks to achieve full literacy i.e. on sustainable threshold level of 75 per cent literacy by 2007. The sanctioned provision, actual expenditure and unspent balances for the last three year are given below:

Table 8.28: Unspent provision

(Rupees in crore)

Year	Budget estimate	Actual expenditure	Unspent provision	Reasons
2002-03	14.65	12.31	2.34	Due to economy in expenditure and non-receipt of bills.
2003-04	12.43	12.25	0.18	-
2004-05	13.23	9.95	3.28	Due to non-filling up of posts and slow pace of expenditure.

Outstanding Utilisation Certificates

§.36 Rule 151 (1) of the General Financial Rules stipulates that a certificate of actual utilisation of the grant for the purpose for which it was received will be specifically insisted upon in respect of non-recurring grant and should be submitted within 18 months of the closure of the financial year by the institution concerned. The sanctioning authority is required to satisfy itself that the conditions attached to the grant have been fulfilled.

It was, however, noticed that Utilisation Certificates in respect of 3857 cases involving grant of Rs. 1648.93 crore sanctioned by the Department of

Elementary Education & Literacy during the period 1977-78 to 2003-04 had not been received.

### Deficient internal audit system

8.37 The internal audit wing of the Ministry of Human Resource Development functions under the administrative control of the Chief Controller of Accounts of Ministry and is responsible for conducting internal audit of the units under this Ministry which, *inter alia*, includes Department of Education, Department of Culture, Department of Youth Affairs and Sports, Department of Women and Child Development, Ministry of Social Justice and Empowerment and attached subordinate offices/Autonomous Bodies under these departments. Currently there are 189 units under the jurisdiction of Internal Audit Wing including 27 units pertaining to the Department of Education. Only 12 units had been inspected by wing during 2001 to 2005 as shown below:

**Table 8.29: Shortfall in internal audit**

Year	Total No of units		Units actually inspected	
	Regular audit	Special audit	Regular audit	Special audit
2001-02	27	8	2	8
2002-03	27	12	3	12
2003-04	27	2	5	2
2004-05	27	8	2	8

Keeping in view the large amount of funds handled by the Department and its range of 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.

### Grant No. 61 – Ministry of Labour and Employment

#### Introduction

8.38 The Ministry of Labour formulates plans to protect and safeguard the interests of workers in general and the disadvantaged sections of the society, to create a healthy work environment. These objectives are sought to be achieved through enactment and implementation of various labour laws, which regulate the terms and, conditions of service and employment of workers.

#### Overall position

8.39 The overall position of budget provisions, actual disbursements and unspent balances under the voted portion of the grant for the last three years is given below. The Ministry stated (January 2006) that effective steps were being taken to reduce unspent provisions.

Review of Selected Grants

Table 8.30: Overall position

*(Rupees in crore)*

Year	Total provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2002-03	998.00	14.37	838.78	NIL	159.22	14.37
2003-04	970.87	0.16	918.51	0.01	52.37	0.15
2004-05	1137.17	0.06	1095.92	NIL	41.25	0.06

Persistent Unspent provisions

8.40 There were persistent unspent provisions under both revenue and capital sections of the grant during the last three years. The large unspent provisions during the previous years had also been pointed out in the Reports of the Comptroller and Auditor General of India from 1996 onwards. However, effective steps have not been taken by the Ministry to arrest the persistent trend of leaving large unspent provisions at the end of the financial year. On the other hand, there was substantial excess expenditure over the provisions under some sub-heads. Cases of unspent provisions of 25 per cent and above and excess expenditure of 25 per cent and above during 2002-05 are given in Appendix-VIII I and J.

Surrender of unspent provision

8.41 Rule 69 of the General Financial Rules provides that unspent provisions in a grant or appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the end of the financial year. Unspent provision should also not be held in reserve for any possible future excess. Test check of appropriation accounts revealed that contrary to the rules, the Ministry every year surrendered unspent provisions towards the end of the financial years. Public Account Committee (PAC) in its 110<sup>th</sup> Report (10<sup>th</sup> Lok Sabha) on Appropriation Accounts of the Union Government has taken a serious view on the deviation from the prescribed procedure laid down vide Rule 69 of GFR (regarding surrender of savings in a grant/appropriation) and also the time frame set by the Ministry of Finance for intimation of surrenders before the close of the financial year. The PAC had recommended that the budget should be prepared on absolutely realistic basis. The Controller of Accounts had issued instructions in this regard to the departments functioning under the control of Ministry of Labour during September 1998. Ministry, while accepting (January 2006) the audit observation stated that the observations had been noted for future compliance.

**Report of the CAG on  
Union Government Accounts 2004-05**

The details of amounts surrendered during 2002-05 as mentioned in the table.

**Table: 8.31 Surrender of unspent provision**

*(Rupees in crore)*

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2002-03	159.22	14.37	141.50	14.36	28 <sup>th</sup> March 2003
2003-04	52.37	0.15	43.26	0.15	19 <sup>th</sup> March 2004
2004-05	41.25	0.06	24.07	0.06	23 <sup>rd</sup> March 2005

**Excess expenditure over appropriation/re-appropriation**

8.42 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 disbursements will be provided by issue of re-appropriation orders etc.

Test check of head-wise appropriation accounts for the year 2002-05 revealed that in the cases mentioned in table 8.32 though 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. Bypassing of this internal control mechanism resulted in poor expenditure control.

**Table 8.32: Excess provision over appropriation/re-appropriation**

*(Rupees in crore)*

Year	Sub head	Excess provision		
		Original /Re-appropriation	Expenditure	Final excess expenditure
2002-03	2330.03.102.02- Central Instructional Media Institute at Chennai	O 0.12	2.04	1.92
	2230.03.102.04- Enhancement of related instructions charges on Apprentices	R 0.14	0.36	0.22
	2230.03.003.04- Training of Highly Skilled Craftsman and Supervisors	O 5.08 R (-) 0.25	6.01	1.18
	2230.01.110.02- Administration	O 0.01	0.24	0.23
	2230.01.101.08- Strengthening of Chief Labour Commissioner and Regional Labour Commissioner	O 1.60 R (-) 1.20	1.87	1.47
	2230.03.102.06- Regional Directorate of Apprenticeship	O 2.28 R (-) 0.10	2.21	0.03



Review of Selected Grants

*(Rupees in crore)*

Year	Sub head	Excess provision		
		Original /Re-appropriation	Expenditure	Final excess expenditure
2003-04	2230.01.102.09- Director General of Mines safety (main)	O 16.08	14.81	0.14
		R (-) 1.41		
	2230.01.102.12- Research & Training	O 6.08	5.42	0.12
		R (-) 0.78		
	2230.01.106.04- Education	O 1.91	2.03	0.31
R (-) 0.19				
2230.01.107.05- Education	O 1.12	1.33	0.15	
	R 0.06			
2230.01.110.03- Education	O 0.32	0.40	0.08	
	R 0.01			
2004-05	3601.04.321.03- Other Schemes	O 1.42	15.82	15.57
		S 0.01		
R (-) 1.19				
2230.01.111.02- Employee's Pension Scheme, 1995	O 500.00	600.00	0.01	
	S 91.45			
	R 8.54			

**Injudicious re-appropriation of funds**

8.43 According to Rule 72 (2) of General Financial Rules, re-appropriation of funds shall be made only when it is known that transferred funds will not be utilised in full or that savings can be effected in appropriation for the said unit. Test check of head-wise appropriation accounts for 2002-05 revealed that the re-appropriation to the following sub-heads was injudicious as the original provision under the sub-heads, to which the funds were transferred by re-appropriation, was more than adequate. Consequently, the final savings under the sub-heads were more than the amount re-appropriated to these heads. Few instances are given below in table. The Ministry stated that the observations had been noted for compliance in future.

Table 8.33: Injudicious re-appropriation of funds

*(Rupees in crore)*

	Sub-head	Original (O) Re-appropriation @	Actual Expenditure	Saving(-)/ Excess(+)
2002-03	2230.01.101.05 Other items	O 2.92	1.83	(-) 1.89
		R 0.80		
	2230.01.101.06-Labour Tribunal Court of Enquiry and Conciliation Boards	O 1.67	1.47	(-) 0.31
		R 0.11		
	2230.01.110.03-Education	O 0.25	0.01	(-) 0.25
R 0.01				
2230.01.277.02-Grants to V.V. Giri National Labour Institute	O 4.35	4.35	(-) 0.20	
	R 0.20			
2230.02.004.01-Assistance to Physically Handicapped	O 6.72	6.61	(-) 0.32	
	R 0.21			

**Report of the CAG on  
Union Government Accounts 2004-05**

(Rupees in crore)

	Sub-head	Original (O) Re- appropriation ®	Actual Expen- diture	Saving(-)/ Excess(+)
	2230.01.101.08- Strengthening of Chief Labour Commissioner (Central) and Regional Labour Commissioner	O 1.60 R (-) 1.20	1.87	(+ 1.47)
	2230.01.107.04- Housing	O 1.32 R 0.92	0.42	(+ 0.02)
	2230.03.003.04- Training of Highly skilled Craftsmen and Supervisors	O 5.08 R (-) 0.25	6.01	(+ 1.18)
	2230.03.102.06- Regional Directorates of Apprenticeship Training	O 2.28 R 0.10	2.21	(+ 0.03)
2003-04	2230.03.004.01-Central Staff Training and Research Institute (C.S.T.R.I.) at Kolkata	O 1.67 R 0.13	1.67	(-) 0.13
	2230.01.105.02-Health	O 0.51 R 0.03	0.49	(-) 0.05
	2230.01.102.09- Director General of Mines Safety (Main)	O 16.08 R 1.42	14.81	(+ 0.14)
	2230.01.102.12- Research and Training	O 6.08 R 0.78	5.42	(+ 0.12)
	2230.01.106.04- Education	O 1.91 R 0.19	2.03	(+ 0.31)
	2230.01.109.03- Education	O 34.72 R 0.42	39.06	(+ 4.76)
2004-05	2230.01.101.05- other items	O 1.82 R 0.04	1.66	(-) 0.20
	2230.01.105.03-Education	O 0.38 R 0.02	0.27	(-) 0.12
	2230.03.800.05-Vocational Training Projects	O 2.87 R 0.05	2.74	(-) 0.18
	2230.01.102.10-Director General of Factory Advice Service and Inspectorates of Dock Safety (Main	O 2.62 R 0.06	2.59	(-) 0.09

**Persistent saving/excess and unrealistic budgeting**

8.44 According to Rule 63 of the General Financial Rules, ministries/departments are required to prepare their estimates, keeping in view the trends of disbursements during the previous years and other relevant factors like economy instructions issued by the Ministry of Finance. Ministry in its Action Taken Note submitted to PAC stated that in the Budget Circular for 1998-99, the divisions were requested to formulate Budget estimate on realistic basis. However, scrutiny of the Appropriation Accounts for the period 2003-05 revealed that there was persistent underutilisation of provisions under certain heads as detailed below.

Review of Selected Grants

Table 8.34: Persistent Savings

(Rupees in crore)

Sl. No.	Sub-head	2002-03	2003-04	2004-05	Main reasons given by the Ministry for unspent provision
1.	2230.01.101.06-Labour Tribunals Courts of Enquiry & Conciliation Boards	0.20	0.52	0.21	Saving was due to vacant posts and non-becoming fully functional of five new Central Govt. Tribunal cum-Labour Courts
2.	2230.01.101.07-Chief Labour Commissioner (Central) and Regional Labour Commissioners	1.89	1.52	0.67	Saving was due to non-filling up of vacant posts and less expenditure on tours, rent, rates taxes and professional services
3.	2230.01.102.03-Plan Schemes of Directorate General of Mines Safety (DGMS)	2.03	1.86	2.00	Saving was due to non-filling up of vacant posts and non-approval of two new schemes by expenditure Finance Committee/Sanding Finance Committee
4.	2230.01.102.08-Plan Schemes of Directorate General of Factory Advice Services	2.56	0.54	0.45	Saving was due to non-filling up of vacant posts and non-functioning of Regional Labour Institute and cut imposed by ministry of Finance.
5.	2230.01.106.02-Health	2.23	1.41	0.95	Saving was due to non-filling up vacant posts, non-payment of arrears non-purchase of Ambulances and material for hospital
6.	2230.01.109.01-Beedi Workers Welfare Fund Housing	4.19	2.42	4.48	Saving was due to non-receipt of progress report on construction of houses for Beedi Workers
7.	2230.01.109.04-Health	9.87	7.64	0.98	Saving was due to non-filling vacant posts, curtailment in tours, non-purchase of Mobile Vans, etc.
8.	2230.01.113.02-Child Labour Cell	15.03	5.09	5.91	Saving was mainly due to non-approval of Indo US project by Planning Commission
9.	2230.01.797.03-Transfer to Iron, Manganese Chrome Ore Labour Welfare Fund	5.00	2.74	2.78	Saving was due to collections being less than anticipated
10.	3601.01.325.01-Housing Scheme for Economically Weaker Section of Beedi Workers	10.88	2.25	2.94	Savings was due to non-receipt of complete application and documents from beneficiaries, non-receipts of claim for grants-in-aid etc.

### Non-utilisation of entire funds or appropriation thereof

8.45 The entire provision under 31 sub-heads shown in **Appendix-VIII-K** during 2002-2005 either remained unutilised or were 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. Savings were attributed by the Ministry (January 2006) to non-receipt of proposals and claims for grant-in-aid from state governments. The Ministry's reply is not tenable as without anticipating various events it was irregular to make token provisions to meet these contingencies.

### Utilisation certificates

8.46 As per Rule 151(1) of General Financial Rules, the certificates of utilisation of grants are required to submit by the sanctioning authority to the Controller of Accounts. The purpose of furnishing the certificates is to ensure that the grant had been utilised properly and the purpose for which they were sanctioned and where the grants were released with certain conditions, the prescribed conditions had been fulfilled.

Scrutiny of records pertaining to utilisation certificates for the grants released during 2001-02 to 2003-04 by the Ministry of Labour and Employment revealed that 699 utilisation certificates pertaining to Rs. 38.40 crore were outstanding as on 14-7-05. Out of which 576 utilisation certificates amounting Rs. 37.65 crore for the period 1979-80 to 2003-04 pertains to Child Labour Cell Scheme. Details are given below: -

**Table 8.35: Awaited utilisation certificate**

Year of sanction of grant	<i>(Rupees in crore)</i>					
	Due		Received		Outstanding	
	UCs	Amount	UCs	Amount	UCs	Amount
1979-2002	534	13.37	26	1.80	508	11.57
2002-03	135	20.74	75	14.18	60	6.56
2003-04	325	67.45	194	47.18	131	20.27
						<b>38.40</b>

In the absence of utilisation certificates it could not be ascertained the grants were actually utilised for the purpose for which they were sanctioned. In their reply (January 2006) the Ministry stated that matter regarding submission of pending utilisation certificates was being pursued regularly.

### Scheme affected by persistent unspent provisions

8.47 Integrated Housing Scheme for Beedi, IRON ORE and Manganese Ore (IOMC) and Limestone and Dolomite Mines Workers

The Scheme is intended for easing the housing shortage among the Beedi, IOMC and LSDM Workers. A subsidy at the uniform rate of Rs. 20,000 per worker or 50% of the actual cost of the construction per tenement whichever is less is given, through State, UT Governments. During 2002-03, entire original provision of Rs. 10.88 crore remained unutilized and in subsequent years funds were not utilised to a larger extent as per details given below:

Table 8.36: Persistent unspent provision

<i>(Rupees in crore)</i>					
Sl. No.	Year	Provision	Expenditure	Saving	Percentage
1.	2002-03	10.88	NIL	10.88	100
2.	2003-04	3.50	1.25	2.25	64
3.	2004-05	3.60	0.66	2.94	82

As funds ranging from 64 to 100 *per cent* remained unutilised, the aims and objectives of the Scheme could not be achieved and the very purpose of the scheme was defeated. The savings were attributed (January 2006) by the Ministry to non-receipt of proposals from the state governments. The reply is not tenable as it was irregular on the part of the Ministry to make provisions of funds in anticipation of proposals for the same.

#### Under utilisation of labour welfare funds

8.48 Government of India attaches high priority to the welfare of workers in unorganised sector, particularly those engaged in beedi, mines and cinema industries. Welfare Funds have been established by the Ministry for the following schemes

- (a) The Mica Mines Labour Welfare Fund
- (b) The Limestone & Dolomite Mines Labour Welfare Fund
- (c) The Iron Ore, Manganese Ore and Chrome Ore Mines Labour Welfare Fund
- (d) The Beedi Workers Welfare Fund
- (e) The Cine Workers Welfare Fund

Levy of cess on consumption of export of minerals, manufactured beedis and production of feature films finances these Funds. The welfare measures financed out of these Funds relates to the provision of medical facilities, housing, supply of drinking water, support to education of dependants of beneficiaries, recreation of workers etc.

In the following three major funds, large amounts have remained unspent at the end of the year, defeating the objectives for which these funds have been created. The Ministry needs to take immediate steps to properly use the funds.



Report of the CAG on  
Union Government Accounts 2004-05

Table 8.37: Workers' Welfare Funds

*(Rupees in crore)*

	Year	Opening balance	Receipt	Expenditure	Closing balance
Beedi Workers Welfare Fund	2002-03	31.93	84.15	65.82	50.26
	2003-04	50.26	85.83	82.14	53.95
	2004-05	53.95	72.39	88.83	37.51
Lime Stone & Dolomite Mines Workers Welfare Fund	2002-03	21.13	10.13	6.22	25.03
	2003-04	25.03	10.08	6.50	28.61
	2004-05	28.61	12.09	7.51	33.19
Iron Ore, Manganese Ore and Chrome Ore Workers Welfare Fund	2002-03	115.87	15.08	7.96	122.99
	2003-04	122.99	12.28	9.16	126.11
	2004-05	126.11	11.56	9.85	127.82

### Deficient internal audit system

8.49 The internal audit wing of the Ministry of Labour & Employment 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 Directorate General of Employment & Training (DGE&T), office of the Chief Labour Commissioner (Central), Directorate General of Factory Advice Service and Labour Institutes (DGFASLI), Directorate General of Mines Safety (DGMS) attached offices and eighteen subordinate offices, Autonomous Bodies and one arbitration body. Currently there are 214 units under the jurisdiction of internal audit wing.

As on 31<sup>st</sup> March 2005, 2331 observations of the audit parties of the Controller General of Accounts were pending. These related mainly to cases of non-recovery of dues, overpayments, irregular purchases, non-adjustment of advances, blocking of funds etc. Also, as pointed out in the preceding paragraphs, there was large number of cases of savings, excess, re-appropriation etc. However, these deficiencies had not been pointed out by internal audit. Thus, the Ministry needs to make the internal audit system effective. In their reply (January 2006) the Ministry stated that instruction of audit had been brought to the notice of Internal Audit Wing.

### Excess drawal of housing subsidy

8.50 Scrutiny of records relating to the scheme 'Integrated Housing Scheme for Beedi, Iron, Ore, Mines, Manganese Ore Mines and Chrome Mines and Lime Stone and Dolomite Mines Workers,' revealed that Andhra Pradesh Housing Corporation Limited had drawn excess subsidy amounting to Rs. 25.47 lakh without constructing the houses. The department is yet to

intimate the action taken in the matter. The Ministry, in their reply (January 2006) accepted the observation and stated that necessary action for recovery of the excess amount drawn would be taken.

## Chapter 9

### MANAGING GOVERNMENT FINANCES: A GENERAL EVALUATION

#### Summary Indicators of Fiscal Performance

**9.1** This chapter presents a summarised position of government finances over 1985-2005, 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 1985-2005, the VIII and IX Plans (1992-1997 and 1997-2002) and the two most recent years.

**Table 9.1: Indicators of Resource Mobilisation**

Indicator	<i>(Per cent)</i>				
	1985-2005	VIII Plan (1992-1997)	IX Plan (1997-2002)	2003-04	2004-05
Revenue Receipt/GDP	12.55	12.71	12.40	12.29	12.14
Tax Receipt/GDP	9.21	9.32	8.68	9.22	9.82
Revenue Buoyancy*	0.93	0.94	0.78	1.09	0.89
Tax Buoyancy*	0.91	0.96	0.86	1.46	1.59
Return on Advances	12.96	11.23	14.15	15.91	14.30
Return on Investment	5.72	2.35	5.30	9.84	13.29
User Charges Recovery-Social Services	4.36	9.57	3.59	1.91	1.49
User Charges Recovery-Economic Services	53.26	57.22	55.80	45.27	51.37

\* Revenue and Tax buoyancy coefficients are in ratios.

9.3 Compared to the values during the VIII Plan (1992-1997), the ratio of revenue receipt was lower in 2004-05. This ratio witnessed a continuously decelerating trend. Tax collections, however, remained buoyant in the last two years and that was reflected in an increase in tax-GDP ratio. In the current year, tax-GDP ratio improved to 9.82, which is the highest achieved after 1992-93. Though there was an improvement in tax buoyancy in the last two years, this needs to be sustained. Revenue buoyancy, which declined to below unity in 2004-05 would also need to be stepped up for achieving FRBM targets. Buoyancy coefficients of both these variables were less than one, during the VIII and IX Plan periods but acceleration in this was observed in the last two years. There appeared a positive improvement in return from investment and loans and advances, but recovery of user charges witnessed significant decline over the years. Resource mobilisation efforts, therefore, presented a somewhat mixed picture.

#### Management of Expenditure

9.4 In expenditure management, 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)				
	1985-2005	VIII Plan (1992-1997)	IX Plan (1997-2002)	2003-04	2004-05
Total Expenditure/GDP	19.57	19.66	19.56	18.36	17.69
Revenue Expenditure/GDP	15.96	15.51	16.36	15.95	14.67
Revenue Expenditure/Total Expenditure	81.54	78.88	83.61	86.83	82.93
Plan Expenditure/Total Expenditure	23.15	23.68	20.99	24.13	24.20
Capital Expenditure/Total Expenditure	8.42	9.61	7.00	6.98	9.77
Development Expenditure/ * Total expenditure	44.32	42.24	40.40	40.10	38.69
Buoyancy of Total Expenditure with Revenue Receipts (Ratio)	0.94	0.76	1.09	0.49	0.75
Buoyancy of Revenue Expenditure with Revenue Receipts (Ratio)	1.06	0.94	1.28	0.57	0.32

\* 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 witnessed a contraction over time, development expenditure



declined; plan expenditure remained stable and revenue expenditure increased. In the current year, however, there was an improvement in terms of an increase in the ratio of capital expenditure to total expenditure, decline in the proportion of revenue expenditure and decline in the ratio of revenue and total expenditure to GDP.

### 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 has also mandated government to take appropriate steps to eliminate revenue deficit by 31 March 2009 and thereafter build adequate revenue surplus. The values of these parameters over the specified periods as mentioned above are indicated in Table 9.3.

**Table 9.3: Indicators of Management of Fiscal Imbalances**

Indicator	<i>(Per cent)</i>				
	1985-2005	VIII Plan (1992-1997)	IX Plan (1997-2002)	2003-04	2004-05
Revenue Deficit/GDP	3.41	2.80	3.95	3.66	2.53
Fiscal Deficit/GDP	5.60	6.04	6.25	2.93	3.34
Primary Deficit/GDP	1.13	1.77	1.49	-1.71	-0.87
Revenue Deficit/Fiscal Deficit	60.90	46.26	63.26	124.77	75.82
Balance From Current Revenue (BCR) <i>(Rupees in crore)</i>	-10450	-2191	-28622	-22348	8794

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



first time in over 30 years in 2003-04 continued to exist in the current year as well. 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 the current year. On fiscal management front, therefore, there was greater optimism.

#### Management of Fiscal Liabilities

9.8 Sustainability of debt is the key issue in the assessment of government finances. The higher the debt to GDP ratio, larger is likely to be the cost at which the government is able to borrow. Average rate of interest, difference between the interest 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

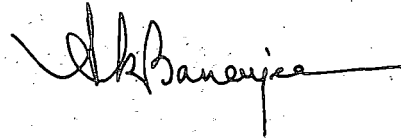
Indicator	(Per cent)				
	1985-2005	VIII Plan (1992-1997)	IX Plan (1997-2002)	2003-04	2004-05
Fiscal Liabilities/GDP	59.98	60.72	59.08	60.13	58.71
Average Interest Rate-Internal Liabilities	9.54	9.37	10.42	9.24	8.69
Average Interest Rate-Total Liabilities	8.36	7.91	9.06	8.28	7.89
Ratio of Assets to Liabilities	51.72	57.68	50.90	41.48	39.36
Fiscal Liabilities/Revenue Receipt	478	478	476	489	484
Domar Gap	5.54	8.63	1.37	3.77	4.63
Buoyancy of Assets	0.71	0.83	0.70	-0.10	0.43

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 2002-03. However, while the ratio got moderated in the last two 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 from an average of

Report of the CAG on  
Union Government Accounts 2004-05

57.68 per cent during the VIII five year plan to 39.36 per cent in 2004-05 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 1985-2005 was 0.71 indicating that for each one per cent increase in liabilities, assets had grown only at 0.71 per cent. Buoyancy of assets continued to decelerate over the years.

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.



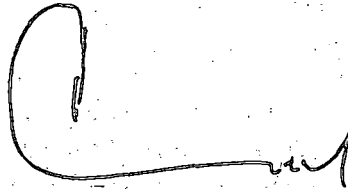
(Dr. A.K. BANERJEE)  
Director General of Audit  
Central Revenues

New Delhi

Dated

10 MAR 2006

Countersigned



(VIJAYENDRA N. KAUL)

New Delhi

Dated

10 MAR 2006

Comptroller and Auditor General of India

LIST OF APPENDICES

Sl. No.	Appendix No.		Page No.
1.	III-A	Total Expenditure of Union Government	106
2.	V-A	Total liability of Union Government	107
3.	V-B	Unutilised external assistance-sectorwise	108
4.	VI-A	Authorisation and Disbursements	109
5.	VI-B	Net unspent provision in grants/appropriations.	111
6.	VI-C	Proportion of Charged and Voted Disbursements under Civil Ministries	112
7.	VI-D	Rush of Expenditure during the month of March 2005	113
8.	VII-A	Statement showing cases of disbursement without re-appropriation of funds (exceeding Rs two crore or more)	121
9.	VII-B	Details of unspent provision exceeding Rs 100 crore under a grant/appropriation	123
10.	VII-C	Instances of cases where the amounts surrendered were more than the unspent provision	125
11.	VII-D	Significant Cases of Major Re-appropriations which were Injudicious on Account of Non-utilisation (Cases of re-appropriation of amount more than Rupees two crore only mentioned)	126
12.	VII-E	Position of Original and Supplementary Grants/ Appropriations	127
13.	VIII-A	Statement of unspent provisions	128
14.	VIII-B	Unrealistic budgeting	131
15.	VIII-C	Non-utilisation of entire funds	132
16.	VIII-D	Awaited utilisation certificates	133
17.	VIII-E	Persistent unspent provision	134
18.	VIII-F	Persistent excess	139
19.	VIII-G	Cases of major unspent provisions	141
20.	VIII-H	Persistent unspent provision	144
21.	VIII-I	Unspent provisions	146
22.	VIII-J	Excess provision under sub-heads	148
23.	VIII-K	Entire budget provision remained unutilised	149

Report of the CAG on  
Union Government Accounts 2004-05

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

Report of the CAG on  
Union Government Accounts 2004-05

**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 <sup>1</sup>	
		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

\* Current rate of exchange is not available.



Report of the CAG on  
Union Government Accounts 2004-05

APPENDIX-V-B  
(Refers to paragraph 5.17)  
Unutilised external assistance – Sector-wise

(Rupees in crore)

Sl. No.	Sector	Unutilised external assistance at current rate
1.	Power	13464.23
2.	Roads	15573.94
3.	Social	5210.34
4.	Urban Development	9104.30
5.	Water Resources Management	6243.11
6.	Agriculture and Rural Development	4438.90
7.	Environment and Forestry	2555.24
8.	Infrastructure sector (General)	3281.50
9.	Others	3513.85
10.	Railways	1902.00
11.	Energy (Non-conventional)	840.27
12.	Structure adjustment/Fast disb.	350.08
13.	Health	1374.33
14.	Industry and Finance	159.89
15.	Infrastructure sector (Telecom)	50.61
16.	Energy sector	8.41
17.	Fertilizer	0.66
18.	Coal	0.40
19.	Water Supply and Sanitation	362.52
	<b>Total</b>	<b>68434.58</b>

Report of the CAG on  
Union Government Accounts 2004-05

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
<b>A – Civil</b>					
<b>Voted</b>					
I. Revenue	215854.55	22539.01	238393.56	220157.40	18236.16
II. Capital	23148.30	599.45	23747.75	16167.46	7580.29
III. Loans and Advances	14668.66	1744.35	16413.01	15929.20	483.81
<b>Total</b>	<b>253671.51</b>	<b>24882.81</b>	<b>278554.32</b>	<b>252254.06</b>	<b>26300.26</b>
<b>Charged</b>					
IV. Revenue	151299.69	77.53	151377.22	144269.19	7108.03
V. Capital	31.55	1.38	32.93	10.97	21.96
VI. Public Debt	342119.51	180365.72	522485.23	556268.78	*(+)33783.55
VII. Loans and Advances	28898.92	1041.01	29939.93	24392.57	5547.36
<b>Total</b>	<b>522349.67</b>	<b>181485.64</b>	<b>703835.31</b>	<b>724941.51</b>	<b>*(+)21106.20</b>
<b>Grand Total</b>	<b>776021.18</b>	<b>206368.45</b>	<b>982389.63</b>	<b>977195.57</b>	<b>5194.06</b>
Recoveries in reduction of disbursements			13514.03	13399.45	
<b>Total Net Provision</b>			<b>968875.60</b>		
<b>Total Net Disbursement</b>				<b>963796.12</b>	
<b>B – Posts</b>					
<b>Voted</b>					
I. Revenue	6030.35	10.79	6041.14	5964.26	76.88
II. Capital	178.74	0.01	178.75	126.29	52.46
<b>Total</b>	<b>6209.09</b>	<b>10.80</b>	<b>6219.89</b>	<b>6090.55</b>	<b>129.34</b>
<b>Charged</b>					
III. Revenue	0.02	0.21	0.23	0.28	*(+)0.05
IV. Capital	-	-	-	-	-
<b>Total</b>	<b>0.02</b>	<b>0.21</b>	<b>0.23</b>	<b>0.28</b>	<b>*(+)0.05</b>
<b>Grand Total</b>	<b>6209.11</b>	<b>11.01</b>	<b>6220.12</b>	<b>6090.83</b>	<b>129.29</b>
Recoveries in reduction of disbursements			98.60	150.84	
<b>Total Net Provision</b>			<b>6121.52</b>		
<b>Total Net Disbursement</b>				<b>5939.99</b>	

\*Excess

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Nature of disbursements	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual disburse- ments	Unspent provision	
<b>C - Defence Services</b>						
<b>Voted</b>						
I. Revenue	45946.32	1506.77	47453.09	46627.73	825.36	
II. Capital	33472.99	-	33472.99	31987.45	1485.54	
<b>Total</b>	<b>79419.31</b>	<b>1506.77</b>	<b>80926.08</b>	<b>78615.18</b>	<b>2310.90</b>	
<b>Charged</b>						
III. Revenue	19.00	0.14	19.14	11.35	7.79	
IV. Capital	9.86	5.17	15.03	6.34	8.69	
<b>Total</b>	<b>28.86</b>	<b>5.31</b>	<b>34.17</b>	<b>17.69</b>	<b>16.48</b>	
<b>Grand Total</b>	<b>79448.17</b>	<b>1512.08</b>	<b>80960.25</b>	<b>78632.87</b>	<b>2327.38</b>	
Recoveries in reduction of disbursements			317.40	282.01		
<b>Total Net Provision</b>			<b>80642.85</b>			
<b>Total Net Disbursement</b>				<b>78350.86</b>		
<b>D - Railways</b>						
Voted	79044.52	4416.16	83460.68	84152.42	*(+) 691.74	
Charged	46.55	35.60	82.15	76.48	5.67	
<b>Total</b>	<b>79091.07</b>	<b>4451.76</b>	<b>83542.83</b>	<b>84228.90</b>	<b>* (+) 686.07</b>	
Recoveries in reduction of disbursements			25156.64	26714.34		
<b>Total Net Provision</b>			<b>58386.19</b>			
<b>Total Net Disbursement</b>				<b>57514.56</b>		
<b>Total</b>	<b>Voted</b>	<b>418344.43</b>	<b>30816.54</b>	<b>449160.97</b>	<b>421112.21</b>	<b>28048.76</b>
<b>CFI</b>	<b>Charged</b>	<b>522425.10</b>	<b>181526.76</b>	<b>763951.86</b>	<b>725035.96</b>	<b>* (+) 21084.10</b>
<b>Grand Total CFI</b>		<b>940769.53</b>	<b>212343.30</b>	<b>1153112.83</b>	<b>1146148.17</b>	<b>6964.66</b>
<b>Total recoveries in reduction of expenditure</b>				<b>40546.64</b>		
<b>Total CFI as per Finance Account</b>				<b>1105601.53</b>		

\* 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

Report of the CAG on  
Union Government Accounts 2004-05

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
<b>A - Civil</b>						
Voted	18236.16	8064.10	-	-	18236.16	8064.10
No. of grants	92	65	-	-	-	-
Charged	7109.01	5569.32	0.98	33783.55	7108.03	* (+) 28214.23
No. of Appropriations	37	11	2	1		
<b>B - Posts</b>						
Voted	76.88	52.46	-	-	76.88	52.46
No. of grants	1	1	-	-	-	-
Charged	-	-	0.05	-	(+) 0.05	-
No. of Appropriations			1			
<b>C - Defence Services</b>						
Voted	867.35	1485.54	41.99	-	825.36	1485.54
No. of grants	3	1	2	-	-	-
Charged	7.79	8.69	-	-	7.79	8.69
No. of Appropriation	5	1	-	-	-	-
<b>D - Railways</b>						
Voted	762.99	648.90	714.56	1389.09	48.43	* (+) 740.19
No. of grants	7	4	8	1		
Charged	4.96	1.69	0.64	0.32	4.32	1.37
No. of Appropriations	6	3	5	1		

\* EXCESS

**Report of the CAG on  
Union Government Accounts 2004-05**

**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.	1993-94	88069	203866	291935	82497	188621	271118	30	70
2.	1994-95	94380	254781	349161	87054	216958	304012	29	71
3.	1995-96	96720	282079	378799	90196	231831	322027	28	72
4.	1996-97	107583	313320	420903	96316	280355	376671	26	74
5.	1997-98	145613	486038	631651	132239	452232	584471	23	77
6.	1997-98	145613	486038	631651	132239	452232	584471	23	77
7.	1999-2000	157780	512075	669855	148642	453196	601838	25	75
8.	2000-01	173677	530530	704207	160753	405289	566042	28	72
9.	2001-02	218136	481679	699815	201574	473950	675524	30	70
10.	2002-03	230649	547152	777801	213833	504119	717952	30	70
11.	2003-04	254328	564275	818603	231100	599889	830989	28	72
12.	2004-05	278555	703835	982390	252254	724942	977196	26	74



Report of the CAG on  
Union Government Accounts 2004-05

APPENDIX-VI-D  
(Refers to paragraph 6.10)

Rush of Expenditure during the month of March 2005

				(Rupees in crore)
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
<b>1 - Department of Agriculture and Co-operation</b>				
1.	2070 - Other Administrative Services	7.25	2.85	39
2.	2425 - Cooperation	66.17	39.32	59
3.	3601 - Grants-in-aid to State Governments	1195.18	298.25	25
4.	4401 - Capital Outlay on Crop Husbandry	4.99	2.51	50
5.	7601 - Loans and Advances to State Governments	230.43	61.83	27
<b>3 - Department of Animal Husbandry and Dairying</b>				
6.	3602 - Grants-in-aid to UT Government	4.28	1.56	36
7.	4404 - Capital Outlay on Dairy Development	3.48	1.34	39
8.	4405 - Capital Outlay on Fisheries	14.90	--	--
<b>4 - Ministry of Agro and Rural Industries</b>				
9.	6851 - Loans for Villages and small Industries	1.61	1.16	72
<b>5 - Atomic Energy</b>				
10.	4859- Capital Outlay on Tele-Communication and Electronics Industries	9.00	9.00	100
11.	5401 - Capital Outlay on Atomic Energy Research	408.21	154.71	38
<b>6 - Nuclear Power Schemes</b>				
12.	2801 - Power	569.87	193.58	34
13.	6801 - Loans for Power Projects	1444.99	744.99	52
<b>7 - Department of Chemicals and Petro Chemical</b>				
14.	2852 - Industries	243.54	67.51	28
15.	6857 - Loans for Chemicals and pharmaceuticals Industries	25.57	9.96	39
<b>8 - Department of Fertilizers</b>				
16.	4855 - Capital Outlay on Fertilizers Industries	445.00	445.00	100
<b>16 - Department of Information Technology</b>				
17.	2852- Industries	430.04	242.22	56
18.	3453- Foreign Trade and Export Promotion	3.10	3.10	100
19.	4859- Capital Outlay on Telecommunications and Electronic Industries	8.39	4.18	50

**Report of the CAG on  
Union Government Accounts 2004-05**

				<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
20.	7425- Loans for other Scientific Research	0.26	0.26	100
<b>18 – Department of Consumer Affairs</b>				
21.	3456 – Civil Supplies	37.50	25.98	69
22.	3601 – Grants-in-aid to State Governments	10.20	10.20	100
23.	5475 – Capital Outlay on other General Economic Services	0.65	0.20	31
24.	7475 – Loans for other General Economic Services	2.96	1.00	34
<b>19 – Department of Food and Public Distribution</b>				
25.	2408 – Food Storage and warehousing	2.38	2.38	100
26.	3456 – Civil Supplies	0.77	0.72	94
<b>20 – Ministry of Culture</b>				
27.	3601- Grants – in - aid to State Governments	2.28	1.11	49
<b>29 – Ministry of Development of North Eastern Region</b>				
28.	2250 – Other Social Services	4.58	2.59	57
29.	6851 – Loans for Village and Small Industries	4.76	2.62	55
<b>30 – Ministry Environment and Forests</b>				
30.	3601 – Grants-in-aid to State Government	165.37	53.23	32
31.	4406 – Capital Outlay on Forestry and Wildlife	4.49	1.73	39
32.	6406 – Loans for Forestry and Wildlife	6.00	6.00	100
<b>32 – Department of Economic Affairs</b>				
33.	2075 – Miscellaneous General Services	1.95	1.94	99
34.	3054 – Roads and Bridges	802.00	802.00	100
35.	3075 – Other Transport Services	954.33	954.33	100
36.	3475 – Other General Economic Services	70.93	41.08	58
<b>33 – Currency, Coinage and Stamps</b>				
37.	2046- Currency, Coinage and Mint	611.30	227.84	37
38.	2047 – Other Fiscal Services	251.19	85.24	34
<b>34 – Payments to Financial Institutions</b>				
39.	2075- Miscellaneous General Services	125.00	125.00	100
40.	2235-Social Security & Welfare	279.44	279.44	100

**Report of the CAG on  
Union Government Accounts 2004-05**

				<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
41.	2416- Agricultural Financial Institutions	65.54	42.80	65
42.	2885- Other Outlays on Industries and Minerals	785.25	305.25	39
43.	3465- General Financial and Trading Institutions	811.83	551.17	68
44.	3466- International Financial Institutions	16.79	7.69	46
45.	3475- Other General Economic Services	7.48	7.48	100
46.	4885- Other Capital outlay on Industries and Minerals	200.00	200.00	100
47.	5465- Investment in General Financial and Trading Institution	150.00	150.00	100
48.	7465-Lons to General Financial Trading Institution	350.00	350.00	100
<b>36 – Transfer to State and Union Territory Governments</b>				
49.	2075- Miscellaneous General Services	200.00	100.00	50
50.	3602 – Grants- in – aid to Union Territory Governments	325.00	101.56	31
<b>43- Direct Taxes</b>				
51.	4059 – Acquisition of Ready-built Accommodation	36.30	27.68	76
52.	4216 – Acquisition of Ready-built Flats	0.43	0.38	88
<b>44 – Indirect Taxes</b>				
53.	4216- Capital Outlay on Housing	4.83	2.76	57
<b>45 – Department of Disinvestments</b>				
54.	3451 – Secretariat Economic Services	28.86	11.70	41
<b>47 – Department of Health</b>				
55.	3601- Grants-in-aid to State Governments	247.94	131.50	53
56.	3602- Grants -in - aid to Union Territory Governments	2.48	0.97	39
57.	3606- Aid, Materials and Equipments	29.96	11.97	40
58.	4210- Capital Outlay on Medical and Public Health	238.46	85.58	36
<b>48 – Department of AYUSH</b>				
59.	4210-Capital Outlay on Medical and Public Health	0.51	0.51	100

**Report of the CAG on  
Union Government Accounts 2004-05**

				<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
<b>50 – Department of Heavy Industries</b>				
60.	2852 – Industries	79.11	53.89	68
<b>52 – Ministry of Home Affairs</b>				
61.	2250 – Other Social Services	0.34	0.11	32
<b>53 – Cabinet</b>				
62.	4055- Capital Outlay on Police	0.05	0.05	100
<b>54 – Police</b>				
63.	3601- Grants- in - aid State Governments	638.29	395.96	62
64.	3602 – Grants-in-aid to UT Governments	1.12	1.12	100
65.	4055 – Capital Outlay on Police	1364.74	467.30	34
66.	7601 – Loans and Advances to State Governments	11.87	11.87	100
<b>55 – Other Expenditure of the Ministry of Home Affairs</b>				
67.	2250- Other Social Services	0.05	0.04	80
68.	3475- Other General Economic Services	0.11	0.11	100
69.	3601- Grants -in -aid to state Governments	386.46	131.67	34
<b>57 – Department of Elementary Education and Literacy</b>				
70.	2251- Secretariat - Social Services	21.12	6.62	31
71.	3602- Grants- in-aid to Union Territory Governments:	5.40	5.31	98
<b>58 – Department of Secondary Education &amp; Higher Education</b>				
72.	2013- Council of Ministers	0.01	0.01	100
73.	2552- North Eastern Areas	13.50	6.00	44
74.	3601- Grants- in- aid to State Governments	167.23	119.37	71
75.	3602- Grants-in- aid to Union Territory Governments	0.12	0.10	83
<b>63 – Ministry of Law and Justice</b>				
76.	3601- Grants –in- aid to State Government	104.17	103.92	100
<b>65 – Ministry of Non-Conventional Energy Sources</b>				
77.	6810 – Loans for Non-conventional sources of Energy	10.00	10.00	100
<b>66 – Ministry of Overseas Indian Affairs</b>				
78.	2052- Secretariat General Services	2.79	0.92	33
79.	2061 – External Affairs	3.05	2.18	71

Report of the CAG on  
Union Government Accounts 2004-05

<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
80.	4059 – Capital Outlay on Public Works	0.32	0.32	100
<b>67 – Ministry of Panchayati Raj</b>				
81.	2515 – Other Rural Development Programme	5.65	3.92	69
82.	3601 – Grants-in-aid to State Governments	3.06	0.92	30
<b>70 – Ministry of Personnel, Public Grievances</b>				
83.	4055- Capital Outlay on Police	1.00	1.00	100
84.	4059- Capital Outlay on Public works	1.07	0.55	51
85.	7601- Loans and Advances to State Governments	9.00	9.00	100
<b>71 – Ministry of Petroleum and Natural Gas</b>				
86.	6802 – Loans for Petroleum	2.00	2.00	100
<b>72 – Ministry of Planning</b>				
87.	3475 – Other General Economic Services	18.27	6.18	34
88.	3601– Grants- in-aid to State Governments	3.14	3.14	100
<b>73 – Ministry of Power</b>				
89.	2801 – Hydel Generation	2123.30	892.27	42
90.	4801 – Capital Outlay on Power Projects	2233.86	808.72	36
<b>79 – Ministry of Road Transport and Highways</b>				
91.	3055 – Road Transport	36.09	13.54	38
92.	3602 – Grants-in-aid to UT Governments	1.64	1.31	80
93.	5054- Capital Outlay on Roads and Bridges	5032.21	1944.88	39
<b>80 – Department of Rural Development</b>				
94.	3054 – Roads and Bridges	4606.21	3425.41	74
95.	4216 – Capital Outlay on Housing	5.00	5.00	100
<b>81 – Department of Land Resources</b>				
96.	2506 – Land Reforms	0.23	0.23	100
<b>82 – Department of Drinking Water Supply</b>				
97.	3602 – Grants-in-aid to Union Territory Governments	0.26	0.26	100
<b>83 – Department of Science and Technology</b>				
98.	5425 – Capital Outlay on Other Scientific and Environmental Research	11.48	9.40	82
99.	7425 – Loans for OSR	9.00	9.00	100



Report of the CAG on  
Union Government Accounts 2004-05

<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
<b>84 – Department of Scientific and Industrial Research</b>				
100.	5425 – Capital Outlay on Other Scientific and Environmental Research	0.06	0.06	100
101.	6859 – Loans for Telecommunication and Electronics Industries	2.00	2.00	100
<b>85 – Department of Bio Technology</b>				
102.	3425 – Other Scientific Research	328.04	80.79	25
<b>86 – Ministry of Shipping</b>				
103.	2852 – Industries	16.21	6.40	39
104.	3051 – Ports and Lighthouses	353.80	196.18	55
105.	3601 – Grants-in-aid to State Governments	16.18	16.18	100
106.	3605 – Technical and Economic Cooperation with other Countries	1.46	1.46	100
107.	4858 – Capital Outlay on Engineering Industries	8.30	5.80	70
108.	5052 – Capital Outlay on Shipping	2.28	2.28	100
109.	5056 – Capital Outlay on Inland Water Transport	2.50	2.50	100
110.	6858 – Loans for Engineering Industries	13.81	6.73	49
<b>88 – Ministry of Social Justice and Empowerment</b>				
111.	2013-Council of Ministers	0.04	0.02	50
112.	2225- Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	53.94	21.71	40
113.	2235- Social Security and Welfare	278.01	99.35	36
114.	4225- Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	172.60	106.50	62
<b>89 – Department of Space</b>				
115.	3252 – Satellite Systems	308.49	127.67	41
116.	3402 – Space Research	1658.44	564.69	34
117.	5252 – Capital Outlay on Satellites Systems	28.63	14.26	50
118.	5402 – Outlay on Space Research	533.81	335.87	63
<b>90 – Ministry of Statistics and Programme Implementation</b>				
119.	5475- Capital Outlay on Other General Economic Services	6.86	4.24	62

Report of the CAG on  
Union Government Accounts 2004-05

<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
<b>91 – Ministry of Steel</b>				
120.	2852 – Industries	106.65	34.74	33
<b>92 – Ministry of Textiles</b>				
121.	3601 – Grants-in-aid to State Governments	148.19	76.69	52
122.	4851 – Capital Outlay on village and small Industries	5.51	5.45	99
123.	4860 – Capital Outlay on Consumer Industries	27.00	13.50	50
<b>93 – Ministry of Tourism</b>				
124.	2075- Miscellaneous General Services	0.24	0.21	88
125.	7452- Loans for Tourism	2.50	2.50	100
<b>94 – Ministry of Tribal Affairs</b>				
126.	2225 – Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes.	58.81	21.70	37
127.	4225 – Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes.	24.75	24.75	100
<b>100 – Department of Urban Development</b>				
128.	2215 – Water Supply and Sanitation	191.24	70.11	37
129.	2217 – Urban Development	16.24	5.51	34
130.	4216 – Capital Outlay on Housing	160.54	48.56	30
131.	6217 – Loans for Urban Development	1050.10	270.10	26
<b>101 – Department of Public Works</b>				
132.	4885 – Capital Outlay on Industries and Minerals	3.03	2.13	70
133.	5052 – Capital Outlay on Shipping	4.80	2.93	61
134.	4059 – Capital Outlay on Public Works	152.03	48.72	32
135.	4210 – Capital Outlay on Medical and Public Health	27.68	9.08	33
<b>104 – Ministry of Water Resources</b>				
136.	2705 – Command Area Development	1.26	0.44	35
137.	3601 – Grants-in-aid to State Governments	221.05	84.69	38
138.	4702 – Capital Outlay on Minor Irrigation	3.02	1.60	53
139.	6701 – Loans for Major and Medium Irrigation	15.80	6.80	43

Report of the CAG on  
Union Government Accounts 2004-05

<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
140.	7601 – Loans and Advances to State Governments	1.50	1.50	100
<b>105 – Ministry of Youth Affairs &amp; Sports</b>				
141.	3602- Grants- in-aid to Union Territory Governments	0.14	0.14	100

Report of the CAG on  
Union Government Accounts 2004-05

APPENDIX-VII-A  
(Refers to paragraph 7.3)

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

				<i>(Rupees in crore)</i>	
Sl. no.	Sub-head	Provision	Actual expenditure	Final excess expenditure	
<b>Civil</b>					
<b>31 – Ministry of External Affairs</b>					
1.	Ministry of External Affairs	O 129.80 R (-) 23.75	114.32	8.27	
2.	Expenditure on Haj	O 2.60 R 0.26	5.11	2.25	
<b>38 – Repayment of Debt</b>					
3.	Market Loans	O 34315.97 R (-) 5000.00	29318.46	2.49	
4.	14 Days Treasury Bills	O 125000.00 S 83262.14 R 57737.86	308895.96	42895.96	
5.	Special Central Government Securities issued against outstanding balances of small savings as on 31.03.1999	S 32665.00	32675.00	10.00	
6.	International Monetary Fund	S 648.27 R 6.64	788.01	133.09	
<b>43 – Direct Taxes</b>					
7.	Organisation and Management Services	O 7.79 S 7.55 R 5.89	26.35	5.12	
<b>53 – Cabinet</b>					
8.	Cabinet Ministers	O 40.00 S 32.43 R (-) 6.70	72.72	6.99	
<b>60 – Ministry of Information and Broadcasting</b>					
9.	Ministry of Information and Broadcasting	O 15.85 R (-) 0.34	20.79	5.28	

**Report of the CAG on  
Union Government Accounts 2004-05**

<i>(Rupees in crore)</i>					
Sl. no.	Sub-head		Provision	Actual expenditure	Final excess expenditure
<b>Defence Services</b>					
<b>23- Defence Services -Army</b>					
10.	Pay & Allowances and Miscellaneous expenditure of Auxiliary Forces	O	177.39	223.93	6.83
		S	39.70		
		R	0.01		
11.	Rashtriya Rifles	O	1225.86	1228.09	6.21
		R	(-) 3.98		
12.	National Cadet Corps	O	297.66	324.18	10.84
		S	15.64		
		R	0.04		
<b>24- Defence Services- Navy</b>					
13.	Pay & Allowances of Navy	O	808.54	822.24	5.71
		R	7.99		
14.	Store	O	2350.44	2486.56	23.48
		R	112.64		
<b>25- Defence Services- Air Force</b>					
15.	Pay & Allowances of Air Force	O	2003.10	2010.65	7.65
		R	(-) 0.10		
<b>26- Defence Ordnance Factories</b>					
16.	Deduct- Recoveries for supplies to Army, Navy and Air Force etc.	O	(-) 5921.06	(-) 5330.35	62.97
		S	75.45		
		R	452.29		
<b>28- Capital Outlay on Defence Services</b>					
<b>01-Army</b>					
17.	Heavy and Medium Vehicles	O	412.10	326.57	52.48
		R	(-) 138.01		
18.	Other Equipments	O	6521.53	5015.69	15.87
		R	(-) 1521.71		
19.	Rashtriya Rifles	O	10.00	55.47	20.33
		R	25.14		
20.	Construction Works	O	1366.20	1222.28	35.86
		R	(-) 179.78		
<b>02-Navy</b>					
21.	Naval Dockyards	O	948.47	473.50	6.96
		R	(-) 481.93		
<b>03- Air Force</b>					
22.	Aircraft and Aero-engine	O	12825.66	13282.52	17.96
		R	438.90		
<b>04- Defence Ordnance Factories</b>					
23.	Machinery and Equipment	O	49.26	27.98	22.94
		R	(-) 44.22		
<b>05- Research and Development Organisation</b>					
24.	Works	O	396.01	381.07	24.12
		R	(-) 39.06		

**Report of the CAG on  
Union Government Accounts 2004-05**

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

		<i>(Rupees in crore)</i>
Sl. No	Grant No. and Controlling Ministry/Department	Amount of unspent provision
<b>Civil</b>		
<b>Revenue - Voted</b>		
1.	1-Department of Agriculture & Co-operation	562.80
2.	6-Nuclear Power Schemes	743.14
3.	7-Department of Chemical & Petro Chemicals	132.88
4.	12-Department of Commerce	154.40
5.	16-Department of Information Technology	107.39
6.	19-Department of Food & Public Distribution	293.21
7.	21-Ministry of Defence	278.72
8.	30-Ministry of Environment & Forests	148.23
9.	31-Ministry of External Affairs	123.60
10.	32-Department of Economic Affairs	578.60
11.	34-Payments to Financial Inst	1534.01
12.	47-Department of Health	166.47
13.	49-Department of Family welfare	1159.43
14.	54-Police	127.76
15.	58-Department of Secondary & Higher Education	313.95
16.	65-Ministry of Non-Conventional Energy Sources	328.96
17.	71-Ministry of Petroleum & Natural Gas	607.59
18.	72-Ministry of Planning	6373.03
19.	73-Ministry of Power	322.25
20.	79-Ministry Road Transport & Highway	427.31
21.	81-Department of Land Resources	250.89
22.	82-Department of Drinking Water supply	265.88
23.	83-Department of Science & Technology	173.80
24.	86-Ministry of Shipping	110.80
25.	88-Ministry of Social Justice Empowerment	145.92
26.	89-Department of Space	195.34
27.	90-Ministry of Statistics & Programme Implementation	304.11
28.	92-Ministry of Textiles	239.55
29.	104-Ministry of Water Resources	179.59
<b>Revenue - Charged</b>		
30.	35-App.- Interest Payments	2541.64
31.	36-Transfer to State & UT Governments	4538.77



**Report of the CAG on  
Union Government Accounts 2004-05**

		<i>(Rupees in crore)</i>
Sl. No	Grant No. and Controlling Ministry/Department	Amount of unspent provision
<b>Capital - Voted</b>		
32.	5-Atomic Energy	298.60
33.	19-Department of Food & Public Distribution	209.78
34.	21-Ministry of Defence	118.44
35.	32-Department of Economic Affairs	1278.60
36.	33-Currency, Coinage & Stamps	243.09
37.	37-Loan to Govt. Servants	200.85
38.	44-Indirect Taxes	170.90
39.	47-Department of Health	117.24
40.	54-Police	143.21
41.	60-Ministry of Information and Broadcasting	155.39
42.	72-Ministry of Planning	1823.00
43.	73-Ministry of Power	403.75
44.	79-Ministry Road Transport & Highway	1840.25
45.	86-Ministry of Shipping	255.00
46.	103-Ministry of Urban Employment & Poverty Alleviation	125.00
<b>Capital - Charged</b>		
47.	36-Transfer to State & UT Governments	3674.36
48.	72-Ministry of Planning	1861.00
<b>Defence Services</b>		
<b>Revenue - Voted</b>		
49.	23- Defence Services- Army	522.16
50.	24- Defence Services- Navy	114.77
51.	25- Defence Services- Air Force	230.42
<b>Capital - Voted</b>		
52.	28- Capital Outlay on Defence Services	1485.54
<b>Railway</b>		
<b>Revenue - Voted</b>		
53.	12- Miscellaneous Working Expenses	137.71
54.	15- Dividend to General Revenues	453.43
<b>Capital - Voted</b>		
55.	16- Railway Safety Fund	199.45
56.	16- Special Railway Safety Fund	418.47

Report of the CAG on  
Union Government Accounts 2004-05

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
<b>Civil</b>			
<b>Revenue - Voted</b>			
1.	36-Transfer to State and Union Territory Government	38.33	38.35
2.	65-Ministry of Non-Conventional Energy Sources	328.96	329.65
3.	66- Ministry of Overseas Indian Affairs	3.16	3.27
4.	67- Ministry of Panchayati Raj	22.14	22.41
5.	90- Ministry of Statistics and Programme Implementation	304.11	304.19
6.	101-Public Works	5.91	9.76
<b>Revenue - Charged</b>			
7.	35-Appropriation Interest Payment	2541.64	3208.63
<b>Capital - Voted</b>			
8.	31-Ministry of External Affairs	14.21	18.94
9.	73-Ministry of Power	403.75	403.78
10.	88-Ministry of Social Justice and Empowerment	6.15	6.16
<b>Defence Services</b>			
<b>Revenue - Voted</b>			
11.	24- Defence Services- Navy	114.77	125.88

Report of the CAG on  
Union Government Accounts 2004-05

APPENDIX-VII-D

(Refers to paragraph 7.9)

**Significant cases of major re-appropriations which were injudicious on account of non-  
utilisation**

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

(Rupees in crore)

Sl. no.	Number and nature of grant	Major head	Sub-head	Amount of re- appropriation to the sub- head	Final unspent provision under the sub-head after re-appropriation
<b>Civil</b>					
1.	12 – Ministry of Commerce	3453 – Foreign Trade and Export Promotion	3453.00.102.01 – Trade Commissioners	2.00	3.12
2.	42 – Department of Revenue	2875- Other Industries	2875.01.109.03-Other Expenditure	1.18	2.99
3.	44 – Indirect Taxes	2038- Union Excise Duties	2038.00.101.01 – Commissionerates (including field offices)	13.07	14.03
4.	54 – Police	2055- Police	2055.00.103.01- Establishment and Administration	8.75	16.87
5.	63 – Ministry of Law and Justice	2020- Collection of Taxes on Income and Expenditure	2020.00.001.05 - Income Tax Appellate Tribunal	1.11	2.67
<b>Defence Services</b>					
6.	26- Defence Ordnance Factories	2079- Defence Services- Ordnance Factories	054- Manufacture	4.84	6.62
				<b>30.95</b>	

Report of the CAG on  
Union Government Accounts 2004-05

APPENDIX-VIII-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	
1998-99	Original	109434	105200	18600	6724	359080	16	29687	628741
	Supplementary	3329	32	43	953	-	23	10068	14448
	Percentage	3	0.03	0.23	14	-	144	34	2
1999-00	Original	118638	121084	18582	5638	360893	107	17963	642905
	Supplementary	12780	8438	1545	597	-	16	3573	26949
	Percentage	11	7	8	11	-	15	20	4
2000-01	Original	132204	153591	14185	5775	354767	25	21216	681763
	Supplementary	19672	19	486	1355	-	6	906	22444
	Percentage	15	-	3	23	-	24	4	3
2001-02	Original	158814	131178	20389	5215	285150	35	21339	622120
	Supplementary	20256	13	3842	9620	40628	1	3334	77694
	Percentage	13	-	19	184	14	3	16	13
2002-03	Original	183815	140769	18672	4914	321155	23	26842	696190
	Supplementary	18187	12	684	4376	56787	1	1564	81611
	Percentage	10	-	4	89	18	4	6	12
2003-04	Original	208340	143833	19634	7086	367079	36	25763	771771
	Supplementary	15888	4744	1862	1517	21702	4	1115	46832
	Percentage	8	3	9	21	6	11	4	7
2004-05	Original	215854	151300	23148	14669	342119	32	28899	776021
	Supplementary	22539	78	599	1744	180366	1	1041	206368
	Percentage	10	-	3	13	58	3	4	27

Report of the CAG on  
Union Government Accounts 2004-05

**APPENDIX-VIII-A**  
(Refers to paragraph 8.3)  
**Statement of unspent provisions**

(Rupees in crore)

Sl. No.	Name of the sub head	Total provision	Actual Disbursement	Unspent provision	Reasons advanced for unspent provisions by the department
<b>2002-03</b>					
<b>I-Revenue Section (Voted)</b>					
1.	2408.01.102.02 Subsidy payable to Food Corporation of India and others on Foodgrains Transactions	23296.67	22673.72	622.95	Less procurement through Food Corporation of India under Decentralized Procurement Scheme.
2.	2408.01.102.04 Sugar subsidy payable to FCI and others on account of levy sugar import of sugar etc.	10.00	Nil	10.00	Entire provision remained un-utilised due to the reason that the price of free sale sugar in open market was almost the same as the retail price.
3.	2408.01.797.01 Transfer to/from Sugar Development Fund	180.00	80.00	100.00	Due to less requirement for Sugar Development Fund as decided during pre-budget discussion with Ministry of Finance.
4.	3456.00.800.16-Scheme relating to strengthen Public Distribution System	4.41	0.56	3.85	Due to delay in finalization of scheme to select best fair price shops etc. in respect of performance of Public Distribution System.
<b>Capital Section (Voted)</b>					
5.	4408.02.190.04 Food Corporation of India	33.47	28.00	5.47	Delay in acquiring of land and slow pace of construction.
6.	6860.04.190.03- Rehabilitation/ Modernisation of Sugar Mills	200.00	92.19	107.81	Non-completion of formalities for obtaining loans by some Sugar Mills.
7.	6860.04.190.04-Sugar Mills for Cane Development	20.00	15.76	4.24	Non-completion of formalities for obtaining loans by some Sugar Mills.
<b>II-Revenue Section (Excess)</b>					
8.	2408.01.102.05-Subsidy to State governments on Decentralised procurement of foodgrains	877.00	1502.73	(+) 625.73	Excess was due to increase in distribution of foodgrains by State Governments under decentralized procurement scheme.
<b>2003-04</b>					
<b>I-Revenue Section (Voted)</b>					
9.	2408.01.003.01-National Sugar Institute	9.97	7.65	2.32	Non-filling up of vacant posts, some of the work of providing and fixing of PVC tanks could not be taken up by CPWD.
10.	2408.01.102.02-Subsidy payable FCI and others on Foodgrains transactions and decentralized procurement of foodgrains.	27750.00	25160.00	2590.00	Due to reduction of food subsidy.
11.	2408.01.102.03-Subsidies Payable for Settlement of claims on account of Re-fixation of Ex-factory Price Levy sugar for 1974-75	30.00	1.70	28.30	Due to the fact that claimants of Sugar Factory did not come forward with the relevant papers.
12.	2408.01.800.01-Subsidy for maintenance of Buffer Stocks of Sugar	300.00	206.02	93.98	Non-receipt of required document from some sugar mills to process their buffer subsidy claims.

**Report of the CAG on  
Union Government Accounts 2004-05**

(Rupees in crore)

Sl. No.	Name of the sub head	Total provision	Actual Disbursement	Unspent provision	Reasons advanced for unspent provisions by the department
13.	2408.01.800.06-Reimbursement of Internal Transport and Freight charges to Sugar Factories on export shipment	50.00	31.86	18.14	Due to the fact that decision regarding payment of ocean freight charges to Sugar Mills was pending.
<b>Capital Section (Voted)</b>					
14.	6860.04.190.03-Rehabilitation/Modernisation of Sugar Mills	150.00	44.36	105.64	Non-completion of formalities for obtaining loans by some Sugar Mills to complete the pre-disbursal requirement.
15.	6860.04.190.04-Sugar Mills for Cane Development	20.00	9.70	10.30	Non-furnishing of bank guarantee by some sugar mills that was required as mode of security for SDF loans.
16.	6860.04.190.06-Sugar factories for bagasse based cogeneration power project	100.00	10.60	89.40	Non-execution of the Tripartite Agreement (TPA) in time by some applicant.
17.	6860.04.190.07-Sugar factories for production of anhydrous alcohol or ethanol from alcohol	50.00	Nil	50.00	Certain aspects regarding interpretation of the relevant SDF rules cropped up and were sorted out in Feb., 2004.
<b>II-Revenue Section (Excess)</b>					
18.	2408.01.001.02- Other offices	5.69	9.67	3.98	Excess was due to providing of Agency Commission Arrears to NCDC and IFCI as well as additional expenditure on account of publicity by FCI.
<b>2004-05</b>					
<b>I-Revenue Section</b>					
19.	2408.01.003.01-National Sugar Institute	10.30	6.88	3.42	Saving was mainly due to non-filling up of vacant post and due to non-finalisation of purchase of various stores.
20.	2408.01.800.01-Subsidy for maintenance of Buffer Stock of Sugar	400.00	198.90	201.10	Saving was due to the fact that some claims from Sugar Mills could not be processed during the year
21.	2408.01.800.06-Reimbursement of Internal Transport and Freight charges to sugar factories on export-shipments and payment of other permissible claims	125.00	46.09	78.91	Saving was mainly due to non-furnishing of papers/replies by the sugar mills and delay in finalization of decision on ocean freight, marketing & handling charges.
22.	6860.04.190.03-Rehabilitation/Modernisation of Sugar Mills	150.00	103.90	46.10	Saving was due to the number of applications received were less than the Budget Estimates and in most of the cases the applications received do not contain complete information as required under Sugar Development Rules. In some cases applicants did not execute the Tripartite Agreement (TPA) in time.



Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Sl. No.	Name of the sub head	Total provision	Actual Disbursement	Unspent provision	Reasons advanced for unspent provisions by the department
23.	6860.04.190.06-Sugar factories for bagasse based cogeneration power project	150.00	72.92	77.08	Saving was due to non-execution of Tripartite Agreement (TPA) in time.
24.	6860.04.190.07-Sugar factories for production of anhydrous alcohol or ethanol from alcohol	100.00	19.48	80.52	Saving was due to non-execution of Tripartite Agreement (TPA) in time.
<b>Revenue Section (Excess)</b>					
25.	4408.02.800.02 Construction of food storage godowns in North-Eastern Region by FCI	Nil	4.86	4.86	Excess was due to re-appropriation funds from major head to functional head for utilisation of the scheme for the NE Region & Sikkim.

Report of the CAG on  
Union Government Accounts 2004-05

APPENDIX VIII B  
(Refers to paragraph 8.7)  
Unrealistic budgeting

<i>(Rupees in crore)</i>				
Sl. No	Major Head/sub-head	Total Provision	Amount re-appropriated to other head	Percentage of re-appropriation
<b>2002-03</b>				
1.	2408.01.102.04 Sugar subsidy payable to FCI and others on account of levy sugar, import of sugar etc.	10.00	10.00	100
2.	2408.01.797.01 Transfer to/from Sugar Development Fund	180.00	100.00	56
3.	2408.01.800.02 Grants-in-aid for Development of Sugar Industry	2.00	1.96	98
4.	3456.00.800.16 Scheme relating to strengthening Public Distribution System	4.40	3.42	78
5.	4408.01.800.01 National Sugar Institute	1.02	0.80	78
6.	6860.04.190.03 Rehabilitation/Modernization of Sugar Mills	200.00	107.79	54
<b>2003-04</b>				
7.	2408.01.102.03 Subsidy Payable for Settlement of claims on account of Re-fixation of Ex-factory Price Levy sugar for 1974-75	30.00	25.00	83
8.	2408.01.800.02 Grants-in-aid for Development of Sugar Industry	1.00	0.86	86
9.	3456.00.800.16 Scheme relating to strengthening Public Distribution System	2.40	2.30	96
10.	4408.01.800.09 National Sugar Institute	1.00	0.83	83
11.	6860.04.190.03 Rehabilitation/Modernization of Sugar Mills	150.00	98.30	66
12.	6860.04.190.06 Sugar factories for bagasse based cogeneration power project	100.00	89.34	89
13.	6860.04.190.07 Sugar factories for production of anhydrous alcohol or ethanol from alcohol	50.00	50.00	100
<b>2004-05</b>				
14.	2408.01.800.01-Subsidy for maintenance of Buffer Stocks of Sugar	400.00	200.00	50
15.	2408.01.800.02-Grants-in-aid for Development of Sugar Industry	2.50	2.27	91
16.	2408.01.800.06-Reimbursement of Internal Transport and freight charges to sugar factories on export-shipments and payment of other permissible claims	1.25	0.75	60
17.	3456.00.800.16-Scheme relating to strengthening Public Distribution System	2.75	2.21	80
18.	6860.04.190.07- Sugar factories for production of anhydrous alcohol or ethanol from alcohol	100.00	80.52	81

**Report of the CAG on  
Union Government Accounts 2004-05**

**APPENDIX VIII-C  
(Refers to paragraph 8.8)  
Non-utilisation of entire funds**

*(Rupees in lakh)*

Sl. No.	Major Head/Sub-head	Total Provision	Amount Re-appropriated	Percentage of Re-appropriation
<b>2002-03</b>				
1.	2408.01.101.01-(Charged)	2.00	2.00	100
2.	2408.01.102.04	1000.00	1000.00	100
3.	2852.08.101.01	2.00	2.00	100
<b>2003-04</b>				
4.	2408.01.101.01-(Charged)	2.00	2.00	100
5.	2408.01.101.01	5.00	5.00	100
6.	2852.08.101.01	2.00	2.00	100
7.	6860.04.190.07	5000.00	5000.00	100
<b>2004-05</b>				
8.	2408.01.101.01-(Charged)	2.00	2.00	100
9.	2852.08.101.01	2.00	2.00	100

**Report of the CAG on  
Union Government Accounts 2004-05**

**APPENDIX VIII-D  
(Refers to paragraph 8.16)  
Awaited utilisation certificates**

*(Rupees in crore)*

Name of Ministry/ Department Sanctioning the Grants-in-aid	Year of sanction of grant	Due		Received		Outstanding	
		UCs	Amount	UCs	Amount	UCs	Amount
Ministry of Environment & Forests	1981-82	15	0.06	--	--	15	0.06
	1982-83	21	0.41	--	--	21	0.41
	1983-84	90	0.59	--	--	90	0.59
	1984-85	143	2.30	--	--	143	2.30
	1985-86	121	4.95	--	--	121	4.95
	1986-87	74	5.34	--	--	74	5.34
	1987-88	290	89.10	12	23.79	278	65.31
	1988-89	359	25.43	--	--	359	25.43
	1989-90	549	1.94	4	0.02	545	1.92
	1990-91	70	1.23	--	--	70	1.23
	1991-92	91	15.40	10	1.01	81	14.39
	1992-93	232	30.26	16	22.90	216	7.36
	1993-94	64	0.74	--	--	64	0.74
	1994-95	142	12.04	7	0.58	135	11.46
	1995-96	12	0.25	2	0.04	10	0.21
	1996-97	488	158.19	48	0.87	440	157.32
	1997-98	642	99.24	41	1.82	601	97.42
	1998-99	472	9.47	170	6.33	302	3.14
	1999-00	995	256.13	482	212.14	513	43.99
	2000-01	934	233.55	402	183.63	532	49.91
	2001-02	1256	531.23	650	418.69	606	112.55
2002-03	1574	635.73	867	515.44	707	120.29	
2003-04	1892	543.60	892	420.71	1000	122.89	
	<b>Total:-</b>	<b>10526</b>	<b>2657.18</b>	<b>3603</b>	<b>1807.97</b>	<b>6923</b>	<b>849.21</b>

**Report of the CAG on  
Union Government Accounts 2004-05**

**APPENDIX – VIII-E  
(Refers to paragraph 8.20)  
Persistent unspent provision**

*(Rupees in crore)*

Sl. No.	Sub-head	Year	Provision	Actual Expenditure	Unspent Provision (Percentage)	Reasons
1.	2211.00.001.02 Direction and Administration – Expenditure in Union Territories without Legislature.	2002-03	3.00	1.43	1.57 (52)	Non-filing up of vacant posts and less booking of expenditure by Union Territories.
		2003-04	3.30	1.82	1.48 (45)	-do-
		2004-05	2.68	2.00	0.68 (25)	Non-implementation of revised norms and non-filing up vacant posts.
2.	2211.00.001.03 Regional Health Offices	2002-03	3.00	2.17	0.83 (28)	Non-filing up of vacant posts.
		2003-04	3.15	2.22	0.93 (30)	Non-filing up of vacant posts, non-finalisation of recommendations of Screening Committee, delay in fixation of rent and non-materialisation of purchase of new vehicles.
3.	2211.00.003.03 Family Welfare Training and Research Centre, Mumbai	2002-03	2.39	1.62	0.77 (32)	Mandatory cut in the revised estimates and unspent balances of previous years lying with the Institute.
		2003-04	2.41	0.93	1.48 (61)	Delay in construction of new building of the office, non-receipt of bills for corporation and property taxes, non-filing up of vacant posts, non-procurement of vehicles.
		2004-05	2.39	1.06	1.33 (56)	Non-filing up of posts, less expenditure on tours, non-settlement of Motor Accident claims and non-finalisation of building plans.
4.	2211.00.003.08 Expenditure in Union Territories without Legislature	2002-03	0.47	0.17	0.30 (64)	No reasons given.
		2003-04	0.37	0.14	0.23 (62)	No reasons given.
		2004-05	0.37	0.16	0.21 (57)	No reasons given.

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Sl. No.	Sub-head	Year	Provision	Actual Expenditure	Unspent Provision (Percentage)	Reasons
5.	2211.00.102.01 Urban Family Welfare Services - Expenditure in Union Territories without Legislature	2002-03	0.42	0.20	0.22 (52)	No reasons given.
		2003-04	0.46	-	0.46 (100)	-do-
		2004-05	0.58	0.06	0.52 (90)	-do-
6.	2211.00.103.04 Reproductive and Child Health Project	2002-03	1293.37	824.60	468.77 (36)	Receipt of less proposals from State Governments, non-extension of RCH sub-projects beyond 31.3.2002, non-receipt of utilisation certificates for earlier releases, carrying out of information, education and communication activities at Headquarter instead of through district authorities and reduction of provision at RE stage by Ministry of Finance.
		2004-05	1809.29	1416.87	392.42 (22)	Incurring of expenditure from the external funds instead of from domestic funds, less demand from UTs without Legislature, non-receipt of utilisation certificates and new proposals from States, non-receipt of approval from the Planning Commission for revised guidelines on Urban Slum Health Project, non-conducting of training to doctors and procurement of less RCH material.
7.	2211.00.104.02 Transport - Expenditure in Union Territories without Legislature	2002-03	0.40	0.06	0.34 (85)	No reasons given.
		2003-04	0.30	0.07	0.23 (77)	-do-
		2004-05	0.15	0.07	0.08 (53)	-do-



**Report of the CAG on  
Union Government Accounts 2004-05**

*(Rupees in crore)*

Sl. No.	Sub-head	Year	Provision	Actual Expenditure	Unspent Provision (Percentage)	Reasons
8.	2211.00.105.01 Expenditure in Union Territories without Legislature	2002-03	3.00	0.34	2.66 (89)	Less booking on account of low performance achieved in sterilisation.
		2003-04	3.00	0.04	2.96 (99)	Less expenditure by UTs than anticipated.
		2004-05	O 1.00 S 0.01	0.08	0.93 (92)	No reason given.
9.	2211.00.108.01 Selected Area Programmes (including India Population Project) – Activities at Headquarters	2002-03	1.40	0.36	1.04 (74)	Non-filling up of posts and less than anticipated expenditure.
		2003-04	0.60	0.41	0.19 (32)	No reasons given.
		2004-05	0.50	0.36	0.14 (28)	-do-
10.	2211.00.200.02 Family Welfare Programme in Other Ministries	2002-03	1.00	0.46	0.54 (54)	Low level of performance achieved in sterilisation.
		2003-04	1.20	0.78	0.42 (35)	No reasons given
		2004-05	1.00	0.19	0.81 (81)	Delay in communication of allocation to Ministries of Railways/Defence and delay in verification of bills on account of new procedure.
11.	2211.00.798.02 Delegation to International Bodies	2002-03	0.66	0.20	0.46 (70)	No reasons given
		2003-04	0.65	0.35	0.30 (46)	-do-
		2004-05	0.66	0.19	0.47 (71)	-do-
12.	2211.00.800.07 Travel of Experts/ Conferences/Meetings etc.	2002-03	1.50	0.47	1.03 (69)	Less number of meetings/ conferences.
		2003-04	1.00	0.20	0.80 (80)	-do-
		2004-05	1.00	0.53	0.47 (47)	No reasons given.
13.	2211.00.800.09 Measures under National Population Policy	2002-03	232.70	58.43	174.27 (75)	Non-submission of utilisation certificates by district authorities and delay in approval of scheme by EFC/SFC.
		2004-05	O 258.90 S 40.00	224.68	74.22 (25)	Non-placement of orders of items, restriction imposed by Ministry of Finance to release funds to State Institute of Health & Family Welfare in Uttranchal, non-receipt of utilisation certificate and fresh proposals from district authorities.

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Sl. No.	Sub-head	Year	Provision	Actual Expenditure	Unspent Provision (Percentage)	Reasons
14.	3601.04.237.07 Reproductive and Child Health Project	2002-03	225.00	128.22	96.78 (43)	Reduction of provision at revised estimates stage by Ministry of Finance, less proposals received from states due to non-extension of RCH sub-projects beyond 31.3.2002 and non-dispatch of RCH drugs supplied to states from HSCC/HLL.
		2003-04	261.39	114.05	147.34 (56)	Less procurement of RCH supplies, unspent balances with States and short supply of RCH drugs to States by HSCC/HLL.
		2004-05	222.87	105.94	116.93 (52)	Non-supply of RCH drugs by HSCC and non-adjustment of advances paid to them.
15.	3601.04.243.02 Family Welfare – Selected Area Projects (including India Population Projects) – externally Aided component	2002-03	24.40	17.78	6.62 (27)	Unspent balance and less expenditure in area projects.
		2004-05	4.00	-	4.00 (100)	Unspent balances lying with the States.
16.	3602.04.237.05 Reproductive and Child Health Project	2002-03	4.00	0.58	3.42 (85)	Reduction of provision of RE stage by Ministry of Finance and non-despatch of RCH drugs supplied to UTs from HSCC/HLL.
		2003-04	2.15	0.57	1.58 (73)	Unspent balances lying with UT governments.
		2004-05	3.70	1.92	1.78 (48)	Non-supply of RCH drugs by HSCC.
17.	3602.04.238.03 Provision for POL/Procurement of vehicles	2002-03	0.40	0.03	0.37 (92)	Reasons not given
		2003-04	0.40	0.08	0.32 (80)	-do-
		2004-05	0.40	0.20	0.20 (50)	-do-
18.	3602.04.239.02 Compensation of Sterilisation	2002-03	6.00	0.48	5.52 (92)	Unspent balances lying with UTs
		2003-04	7.30	4.77	2.53 (35)	-do-

**Report of the CAG on  
Union Government Accounts 2004-05**

*(Rupees in crore)*

Sl. No.	Sub-head	Year	Provision	Actual Expenditure	Unspent Provision (Percentage)	Reasons
19.	3602.04.240.02 Free supply of Family Planning Material	2002-03	6.52	4.47	2.05 (31)	Unspent balances lying with UTs and non-receipt of consignee report against good received.
		2003-04	5.85	3.59	2.26 (39)	Loss demand from the UT governments
		2004-05	3.67	1.78	1.89 (51)	Reasons not given
20.	3602.04.244.02 Maintenance of State/ District Family Welfare Bureau	2002-03	10.00	2.72	7.28 (73)	Unspent balances lying with UTs.
		2003-04	11.00	8.32	2.68 (24)	-do-
21.	3602.04.245.04 Family Welfare – Rural Family Welfare Services – Sub-Centres	2002-03	2.36	0.78	1.58 (67)	Unspent balances lying with UTs.
		2003-04	1.82	1.30	0.52 (29)	-do-
		2004-05	1.82	1.43	0.39 (21)	Reasons not given.

**Report of the CAG on  
Union Government Accounts 2004-05**

**APPENDIX VIII-F  
(Refers to paragraph 8.20)  
Persistent excess**

*(Rupees in crore)*

Sl. No.	Head	Year	Original Provisional	Expenditure	Excess	Reasons
1.	2211.00.106.01 Activities at Headquarters	2002-03	7.24	7.32	0.08	-
		2003-04	6.00	7.21	1.21	Carrying out more publicity activities under RCH, Immunisation, etc. through media units of Ministry of Information & Broadcasting
		2004-05	O 4.50 S 0.01	10.91	6.40	Extensive publicity in connection with launch of National Rural Health Mission and Printing of messages on postal stationery by Postal Department.
2.	2211.00.106.03 Expenditure through Media Units of Ministry of Information and Broadcasting	2003-04	15.03	19.14	4.11	Carrying out more publicity activities under RCH, Immunisation, etc. through media units of Ministry of Information & Broadcasting
		2004-05	15.55	21.24	5.69	Carrying out more publicity activities under RCH, Immunisation, etc. through media units of Ministry of Information & Broadcasting and more publicity through print and electronic media in connection with launching of National Rural Health Mission.
3.	2211.00.200.05 Social Marketing of Oral Pills	2003-04	19.80	23.45	3.65	More expenditure through Social Marketing Organisation on account of more emphasis on Social Marketing of contraceptives and diversion of funds from Major Head 2552.
4.	3601.04.236.01 Urban Family Welfare Centres	2002-03	51.86	53.45	1.59	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552.
		2004.05	58.82	60.50	1.68	-do-
5.	3601.04.238.03 Provision for P.O.L./Procurement of vehicles	2002-03	100.90	112.98	12.08	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552.

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Sl. No.	Head	Year	Original Provisional	Expenditure	Excess	Reasons
		2003-04	48.80	79.80	31.00	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552 and clearing of past liabilities due to decentralization of the scheme.
		2004-05	49.45	54.72	5.27	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552.
6.	3601.04.239.02 Compensation for Sterilisation	2002-03	134.00	149.76	15.76	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552.
		2003-04	172.96	193.96	21.00	-do-
		2004-05	195.15	203.93	8.78	-do-
7.	3601.04.242.01 Training of ANM/LHV	2002-03	59.68	61.93	2.25	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552.
		2003-04	64.83	67.58	2.75	-do-
		2004-05	65.62	70.30	4.68	-do-
8.	3601.04.244.02 Maintenance of State/Distt. Family Welfare Bureau	2002-03	164.00	179.28	15.28	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552.
		2003-04	180.07	202.04	21.97	-do-
		2004-05	194.06	206.16	12.10	-do-
9.	3601.04.245.01 Sub-Centres	2002-03	1711.65	1845.05	133.40	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552.
		2003-04	1557.15	1709.64	152.49	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552 and release of more grants to offset less allocation made in the beginning of the year.
		2004-05	O 1527.46 S 190.00	1787.39	69.93	Expenditure of North Eastern States including Sikkim by transfer of funds from Major Head 2552.

Report of the CAG on  
Union Government Accounts 2004-05

APPENDIX - VIII-G  
(Refers to paragraph 8.22)  
Cases of major unspent provisions

(Rupees in crore)

Sl. No.	Name of the Sub-Head	Total Provision	Actual Disbursement	Unspent Amount	Reasons advanced by the Department
(1)	(2)	(3)	(4)	(5)	(6)
<b>2002-03</b>					
<b>Major Head 2211 – Family Welfare</b>					
1.	National Institute of Health & Family Welfare, New Delhi	11.86	10.41	1.45	Late releases on account of mandatory cut in the Revised Estimates and unspent provisions of previous years lying with the Institute.
2.	Social Marketing through NGOs	9.00	-	9.00	Receipt of less proposals and non-finalisation of projects under the scheme.
3.	Demographic and other Communication Research	7.70	5.71	1.99	-
4.	Innovation in Family Planning Services project for Uttar Pradesh	59.40	40.24	19.16	Release of less grant owing to unspent balances lying with the organisation and also fluctuation in exchange rates.
5.	Male Participation	1.80	-	1.80	Delay in approval of scheme by EFC/SFC.
6.	Logistics Improvement	9.00	-	9.00	Delay in approval of scheme by EFC/SFC.
<b>Major Head 3601 – Grants-in-aid to State Governments</b>					
1.	Strengthening of Basic Training Schools	1.60	0.22	1.38	Procedural delay in approval of schemes by Expenditure Finance Committee/Standing Finance Committee.
<b>Major Head 3602 – GRANT-in-aid to Union Territory Governments</b>					
1	Urban Family Welfare Centres	5.54	-	5.54	Unspent balances lying with Union Territory Governments.
2	Revamping of Urban Family Welfare Centres	2.24	-	2.24	-do-
<b>2003-04</b>					
<b>Major Head 2211 – Family Welfare</b>					
1	Information, Education and Communication – Adolescent Health (RCH)	4.50	0.60	3.90	Delay in finalisation of adolescent health strategy in consultation with the States.
2	Projects through Autonomous Voluntary Organisation/ Societies	56.02	29.93	26.09	Delay in launching of the programme.
3	Social Marketing Area Projects	3.60	-	3.60	Non-finalisation of National Strategy on Social Marketing of Contraceptives and projects funded under Sector Investment Programme were on going and being funded from



**Report of the CAG on  
Union Government Accounts 2004-05**

(Rupees in crore)

Sl. No.	Name of the Sub-Head	Total Provision	Actual Disbursement	Unspent Amount	Reasons advanced by the Department
(1)	(2)	(3)	(4)	(5)	(6)
					externally aided components.
4	New Initiatives in Xth Plan	5.58	-	5.58	Non-approval of the scheme by the Planning Commission and its merger with RCH projects.
<b>Major Head 3601 – Grants-in-aid to State Governments</b>					
1.	Strengthening of Basic Training Schools	9.00	1.83	7.17	Late finalisation of the scheme.
<b>Major Head 3602 – Grant-in-aid to Union Territory Governments</b>					
1.	Urban Family Welfare Centres	6.08	3.66	2.42	Unspent balances lying with the Union Territory Governments.
<b>2004-05</b>					
<b>Major Head 2211 – Family Welfare</b>					
1.	National Institute of Health & Family Welfare	13.70	11.58	2.12	Unspent balances lying with the Institute.
2.	Male participation	2.92	1.13	1.79	Non-procurement of instruments owing to rejection and non/less receipt of proposals from states.
3.	Rural Health Training Centre, Najafgarh	7.13	1.56	5.57	Delay in finalisation of setting up of 30 bedded hospital by Standing Finance Committee/ Expenditure Finance Committee.
4.	Other Publicity Activities	25.36	21.79	3.57	Unspent balances lying with States/UTs and non-furnishing of Utilisation certificates.
5.	Projects through Autonomous/ voluntary organisations/ societies	49.01	39.74	9.27	Unspent balances lying with states and diversion of funds from Major Head 2552 – North Eastern Area to functional heads of schemes/projects.
6.	Social Marketing of Nirodh	O 160.00 S 50.00	201.33	8.67	Non-supply of condoms due to difference between supplies and SMOs, testing laboratories and delay in starting publicity for a particular condom.
7.	Social Marketing of Oral Pills	40.00	30.59	9.41	Less demand from Social Marketing Organisation and late publicity.
8.	Innovation in Family Planning Services Projects for Uttar Pradesh	60.00	46.23	13.77	Non-formulation and non-achievement of benchmarks by the State Innovative Family Planning Services Project Agency, Lucknow.
9	Social Marketing Area Projects	9.50	-	9.50	Non-finalisation of guidelines.
10	Logistics Improvement	2.00	-	2.00	Non-receipt of proposals from the States.

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Sl. No.	Name of the Sub-Head	Total Provision	Actual Disbursement	Unspent Amount	Reasons advanced by the Department
(1)	(2)	(3)	(4)	(5)	(6)
<b>Major Head 3601-Grants-in-aid to State Governments</b>					
1	Family Welfare Selected Area Projects (including India Population Projects) – Externally Aided Component	4.00	-	4.00	Unspent balances lying with the States.

**Report of the CAG on  
Union Government Accounts 2004-05**

**APPENDIX VIII-H  
(Refers to paragraph 8.32)  
(Persistent unspent provision)**

*(Rupees in crore)*

Sl. No.	Sub-Head	Year	Provision	Actual expenditure	Unspent provision (percentage)	Reasons given by the Ministry
1	2202.01.107.01 Strengthening of Teachers Training Institutions	2002-03	25.00	0.52	24.48 (98)	Non-formulation of National Component under the scheme.
		2003-04	8.00	0.12	7.88 (99)	
		2004-05	8.00	-	8.00 (100)	
2	2202.01.800.13 Expenditure on National Resources Group and Consultancies/meetings, etc. under the scheme of Mahila Samakhya..	2002-03	0.10	0.01	0.09 (90)	Not recorded.
		2003-04	0.10	0.01	0.09 (90)	
		2004-05	0.10	0.09	0.01 (10)	
3	2202.01.800.14 Grants to Voluntary Organisations engaged in the implementation of the programme of Mahila Samakhya	2002-03	19.75	7.35	12.40 (63)	Due to non-release of funds.
		2003-04	29.75	10.30	19.45 (65)	
		2004-05	29.75	14.75	15.00 (50)	
4	2202.04.103.04 Post Literacy and Continuing Education Activities.	2002-03	0.20	-	0.20 (100)	Not recorded.
		2003-04	0.20	-	0.20 (100)	
		2004-05	0.20	-	0.20 (100)	
5	2202.200.05 National Literacy Mission Authority	2002-03	0.60	0.03	0.57 (95)	Not recorded.
		2003-04	0.30	0.07	0.23 (77)	
		2004-05	0.30	0.01	0.29 (97)	
6	2202.04.200.11 National Institute of Adult Education.	2002-03	1.00	-	1.00 (100)	As the National Institute of Education was on the process of being wound up.
		2003-04	0.50	0.50-	-	
		2004-05	0.01	-	0.01 (100)	
7	2202.04.800.09 Expenditure on Seminars Committees Meeting etc./TA/DA to Non official members.	2002-03	0.40	0.03	37.27 (93)	Not recorded.
		2003-04	0.30	0.06	00.24 (80)	
		2004-05	0.17	0.10	0.07 (41)	
8	3601.04.165.06 Serva Shiksha Abhiyan	2002-03	100.00	20.08	79.92 (80)	Not recorded.
		2003-04	0.01	-	0.01 (100)	
		2004-05	0.01	-	0.01 (100)	

**Report of the CAG on  
Union Government Accounts 2004-05**

*(Rupees in crore)*

Sl. No.	Sub-Head	Year	Provision	Actual expenditure	Unspent provision (percentage)	Reasons given by the Ministry
9	3601.04.165.07 Kasturba Gandhi Swatantra Vidyalaya	2002-03	6.65	-	6.65 (100)	Due to re-appropriation of funds to Major Head 2202.
		2003-04	7.50	-	7.50 (100)	
		2004-05	95.00	-	95.00 (100)	
10	3602.04.178.07 Kasturba Gandhi Swatantra Vidyalaya	2002-03	1.00	-	1.00 (100)	As above.
		2003-04	1.00	-	1.00 (100)	
		2004-05	5.00	-	5.00 (100)	
11	3602.04.178.08 Sarva Shiksha Abhiyan	2002-03	5.00	1.59	3.41 (68)	Not recorded.
		2003-04	0.01	-	0.01 (100)	
		2004-05	0.01	-	0.01 (100)	
12	3602.04.188.01 Strengthening of Teachers Training Institutions.	2002-03	8.00	5.39	2.61 (33)	Not recorded.
		2003-04	6.00	4.23	1.77 (30)	

**Report of the CAG on  
Union Government Accounts 2004-05**

**APPENDIX-VIII-I  
(Refers to paragraph 8.40)  
Unspent provisions**

*(Rupees in crore)*

Sl. No..	Sub-head	Unspent provision			Percentage of Saving	Reasons adduced for unspent provisions by the Ministry
		Sanctioned provision (O+S)	Actual Expenditure	Saving		
	<b>2002-03</b>					
1.	2225.80.001.03- Pre-vocational Training	3.35	1.97	1.38	41	Saving was due non-filling up of vacant posts
2.	2225.80.800.02- Coaching for Schedule Caste/ Schedule Tribe	0.20	0.02	0.18	90	Not given
3.	2230.01.102.03- Plan Schemes of Directorate General of Mines Safety (DGMS)	3.70	1.67	2.03	55	Saving was due to late approval of scheme by Expenditure Finance Committee/ Finance Committee
4	2230.01.106.02- Health	6.93	4.70	2.23	32	Saving was due to non-filling up of vacant posts of doctors non receipt of estimates and claims by CPWD
5.	2230.01.106.03- Housing	2.13	0.27	1.86	87	Saving was due to non-receipt of proposals etc
6	2230.01.113.01- Women Labour Cell	0.46	0.20	0.26	57	Not available/given
7	2230.01.195.02- Welfare of Agricultural Laborers	3.00	0.05	2.95	98	Saving was due to non-approval of the scheme by Expenditure Finance Committee
	<b>2003-04</b>					
1.	2225.80.800.02- Coaching for Schedule Caste/ Schedule Tribe	0.24	0.09	0.15	63	Not available
2.	2230.01.101.05- Other items	2.78	1.12	1.66	60	Saving was due to non-filling up vacant post and non-functioning of four new central Government Industrial Tribunal-cum-labour courts.
3	2230.01.102.03- Plan Schemes of Directorate General of Mines Safety (DGMS)	3.55	1.69	1.86	52	Saving was due to non-filling up vacant post and non approval of the new schemes Expenditure Finance
4	2230.01.107.03- Recreation	0.46	0.29	0.17	37	Not available

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

		Unspent provision				
5	2230.01.107.04- Housing	1.05	0.14	0.91	87	Saving was due to non- receipt of proposals etc
6	2230.01.107.06- Water supply	1.88	0.12	1.76	94	Saving was due to non- approval of proposals etc
7	2230.02.004.03- Studdies, Surveys and Statistics	0.09	Nil	0.09	100	Not available
8	2230.02.101.03- Employment Exchanges	0.09	0.01	0.08	89	-do-
2004-05						
1.	2230.01.109.02- Recreation	0.21	0.13	0.08	38	Not available
2	2230.01.102.03- Plan Schemes of the Directorate General of Mines Safety	4.90	2.90	2.00	41	-do-
3	2230.01.102.08- Plan Schemes Director General of Factory Advice Services (DGFASLI)	1.40	0.95	0.45	32	-do-
4	2230.01.102.11- Examination	0.62	0.43	0.19	31	-do-
5	2230.01.105.01- Administration	0.31	0.21	0.10	32	-do-
6	2230.01.105.03- Education	0.38	0.27	0.11	29	-do-
7	2230.01.106.05- Recreation	0.34	0.21	0.13	38	-do-
8	2230.01.107.03- Recreation	0.53	0.31	0.22	42	-do-
9	2230.01.107.06- Water Supply	0.28	-	0.28	100	-do-
10	2230.01.797.02- Transfer to Mica Mines Labour Welfare Fund	1.80	1.08	0.72	40	-do-



**Report of the CAG on  
Union Government Accounts 2004-05**

**APPENDIX-VIII-J  
(Refers to paragraph 8.40)  
Excess provision under sub-heads**

*(Rupees in crore)*

Year	Sub head	Excess provision			Reasons for excess provisions by the Ministry
		Sanctioned provision	Expenditure	Excess provision	
2002-03	2230.01.110.02- Administration O 72 R (-) 3	0.01	0.24	0.23	Not available
	2230.03.102.02-Central Instructional Media Institute at Chennai	0.12	2.04	1.92	The scheme was to be referred to non-plan. But Planning Commission during the year agreed to run the scheme as a plan scheme.
	2230.03.102.04- Enhancement of Related Instructions Charges on Apprentices O 50 R 13,61	0.14	0.36	0.22	Not available
2004-05	Major head-3601 3601.04.321.03- Other Schemes	1.43	15.82	14.39	Due to incorrect booking of expenditure

Report of the CAG on  
Union Government Accounts 2004-05

APPENDIX-VIII-K  
(Refers to paragraph 8.45)  
Entire budget provision remained unutilised

(Rupees in crore)

Sl. No.	2002-03	Sub-head	Total provision/amount re-appropriated/surrendered
1.	2230.01.800.10	Training Scheme for Personnel	0.10
2.	2230.01.800.11	Modernisation of Section	1.00
3.	2230.01.798.03	Hiring Office Accommodation of Asian Regional Team for Employment Promotion	0.02
4.	2230.01.800.12	Awareness of Generation Studies	1.50
5.	2230.02.004.03	Studies and Surveys and Statistics	0.05
6.	2230.02.101.08	Introduction of New Courses in Coaching cum-guidance centers & Establishment of new Coach cum-guidance	0.25
7.	2230.03.004.05	Externally Aided Projects for Modernisation of CSTAR, Kolkata	0.01
8.	2230.03.102.10	Externally aided project for Re-structuring of Central Instructional Media Institute	0.01
9.	2230.03.800.01	Providing of Foreign Assistance for the Expansion and Development of Supervisory Training at F.T.I, Bangalore	0.07
10.	2230.03.800.09	Modernisation of Trade Testing Cell at DGE&T (HQ)	0.01
11.	2230.03.800.10	Setting up of Skill Development Fund	0.10
12.	3601.01.325.01	Housing Scheme for Economically Weaker Section of Beedi Workers	10.88
13.	3601.01.328.01	Compensation to Families of Heavy Duty Inter-State Vehicle drivers killed in accidents.	0.30
14.	3601.04.331.08	Strengthening of Employment Market Information, Programme	0.06
15.	6250.60.201.02	Iron Ore Manganese and Chrome Ore Mines Labour Workers Welfare Fund	0.01
16.	6250.60.201.03	Limestone and Dolomite Workers Welfare Fund	0.04
17.	3606.00.209.02	Foremen Training Institute at Bangalore	0.05
18.	3606.00.209.05	Strengthening of N.V.T.S and Formation of AICVT	0.04
19.	3606.00.245.01	Introduction of Population Education with UNFPA	0.10

Report of the CAG on  
Union Government Accounts 2004-05

(Rupees in crore)

Sl. No.	2002-03	Sub-head	Total provision/amount re-appropriated/surrendered
<b>2003-04</b>			
1.	2230.01.800.10	Training Scheme for Personnel	0.10
2.	2230.02.004.03	Study Surveys and Statistics	0.09
3.	2230.03.800.10	Stating up of Skill Development Fund	0.05
4.	3601.01.328.01	Compensation to family of heavy duty Inter State vehicle drivers killed in accident	0.15
5.	3601.04.327.02	Improvement in Labour and Employment Statistical System in States	0.01
6.	6250.60.201.04	Beedi Worker Welfare Fund	0.08
<b>2004-05</b>			
1.	2230.01.798.03	Hiring Office Accommodation of Asian Regional Team for employment Promotion	0.02
2.	2230.01.800.10	Training Scheme for Personnel	0.10
3.	2230.03.800.10	Setting up of Skill Development Fund	0.01
4.	2230.03.800	Other new initiative listed in 10 <sup>th</sup> Plan	0.01
5.	3601.04.327.02	Improvement in Labour & Employment Statistical system in States	0.01
6.	4250.00.201.07	Financial Assistance to Co-operative Society of Beedi Workers Constructions or Godowns and Work Sheds	0.06

**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.

**Report of the CAG on  
Union Government Accounts 2004-05**

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



Report of the CAG on  
Union Government Accounts 2004-05

<b>GDP at factor cost</b>	:	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.
<b>GDP at market Prices</b>	:	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.
<b>Internal Debt</b>	:	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.
<b>M3</b>	:	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.
<b>Major Head</b>	:	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.
<b>Minor Head</b>	:	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).
<b>New Service</b>	:	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'.
<b>Original Grant</b>	:	The amount provided for any service in the Annual Financial Statement in a financial year is called original grant or appropriation.
<b>Primary Deficit</b>	:	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.
<b>Public Account</b>	:	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.
<b>Public Debt (of India)</b>	:	Borrowing by the Government of India internally as well as externally.
<b>Re-appropriation</b>	:	Means the transfer of funds from one Primary unit of appropriation to another such unit.
<b>Reserve Money</b>	:	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.



**Report of the CAG on  
Union Government Accounts 2004-05**

- 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.