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

for the year ended March 2007

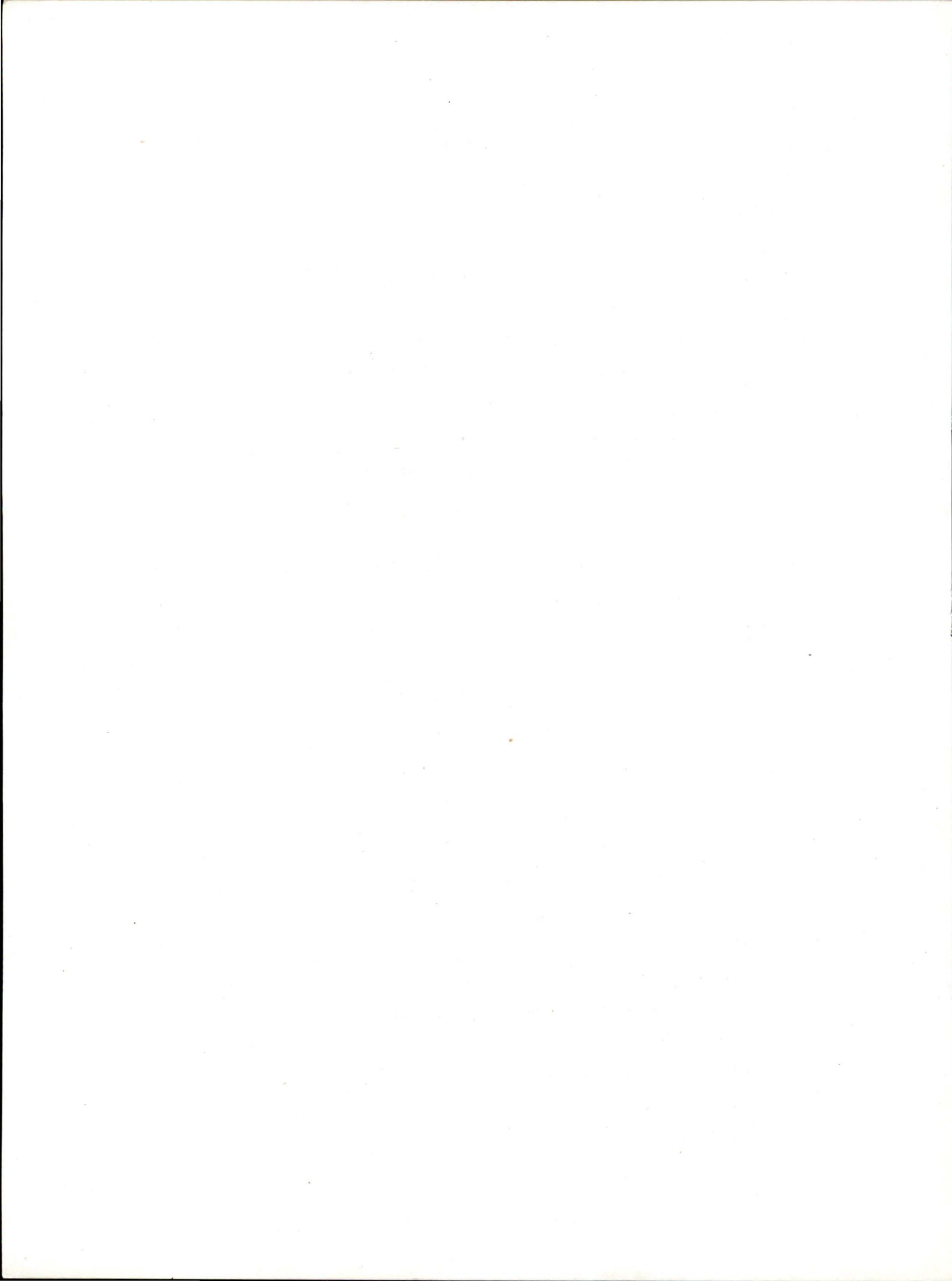
**Union Government
Accounts of the Union Government
No. 13 of 2007**

THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
DEPARTMENT OF CHEMISTRY

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CONTENTS

	Page
Preface	<i>i</i>
Highlights	<i>iii</i>
Chapter	Subject
1.	Union Government Finances – An Overview 1-11
2.	Resources: Trends and Composition 12-29
3.	Application of Resources: Expenditure 30-50
4.	Deficits: Management of Fiscal Imbalances 51-62
5.	Management of Fiscal Liabilities 63-77
6.	Appropriation Accounts 2006-07: Introduction 78-80
7.	Appropriation Accounts 2006-07: An Analysis 81-94
8.	Review of Selected Grants 95-114
9.	Managing Government Finances: A General Evaluation 115-120
	List of Appendices 121
	Appendices 122-172
	Glossary 173-176



PREFACE

This Report for the year ended March 2007 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 2007. The observations arising from the audit of various financial transactions of the Ministries have been included in a separate Report.

Separate Reports are also presented to Parliament for Union Government: Autonomous Bodies, Defence Services – Army and Ordnance Factories, Defence Services-Air Force and Navy, Railways, Indirect Taxes – Customs, Central Excise and Service Tax and Direct Taxes respectively.

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UNION GOVERNMENT FINANCES AND ACCOUNTS: 2006-07

HIGHLIGHTS

This Report discusses the finances of the Union Government and trends in the major fiscal indicators over three Plans *i.e.*, VIII (1992-1997), IX (1997-2002) and X Plan (2002-07). It also contains an analysis of the Appropriation Accounts for 2006-07.

- The year 2006-07 ended with a deficit of Rs. 19,244 crore in the Consolidated Fund of India and surplus of Rs. 48,639 crore in the Public Account of India.
- The revenue deficit in 2006-07 was Rs. 1,32,847 crore while the fiscal deficit amounted to Rs. 1,82,934 crore. The revenue deficit constituted 3.22 *per cent* of the Gross Domestic Product (GDP) while the fiscal deficit was 4.43 *per cent* of GDP. The actual levels of revenue and fiscal deficits as per Union Finance Accounts for 2006-07 were significantly higher than their budget estimates respectively by 1.12 and 0.63 percentage points.
- The resources of the Union Government in 2006-07 amounted to Rs. 28,30,083 crore. The non-debt receipts constituted around 24 *per cent* of the total receipts. The balance came from borrowings and Public Account receipts.
- Tax revenue during 2006-07, after assigning States' and UTs' share, was Rs. 3,53,182 crore, registering an increase of 30 *per cent* over the previous year. Tax revenue was buoyant as a result of higher collection from corporation and service tax, which grew by 42.50 and 63.08 *per cent* respectively over the previous year. Total non-tax revenue in 2006-07 amounted to Rs. 1,72,211 crore, which constituted around 33 *per cent* of the net revenue of the Union Government.
- The total disbursement of the Union Government increased from an average of Rs. 4,33,716 crore during the VIII Plan (1992-1997) to Rs. 27,35,200 crore in 2006-07. The average annual trend of growth of disbursement during 1992-2007 at 15.07 *per cent* was higher than the rate of growth of GDP, which in the same period averaged 12.21 *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 90.47 *per cent* in 2006-07. Relative share of the capital expenditure and loans and advances declined from an average of 21.12 *per cent* during VIII Plan to 9.53 *per cent* in 2006-07.

- The long-term average of share of plan expenditure in total expenditure of 23.05 *per cent* during 1992-2007 increased to 25.57 *per cent* in 2006-07.
- The overall expenditure of the Union Government on social services increased from an average of Rs. 6,903 crore during the VIII Plan (1992-1997) to Rs. 39,160 crore in 2005-06 and to Rs. 46,494 crore in 2006-07. The long-term trend rate of growth in expenditure on social services was 16.70 *per cent* (1992-2007).
- 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 58.92 *per cent* during the IX Plan (1997-2002). In the X Plan, while this ratio increased to 62.98 *per cent* in 2002-03, it decelerated to 55.19 *per cent* in 2005-06 and to 52.96 *per cent* in 2006-07.
- The ratio of fiscal liabilities to revenue and non-debt receipts had a negative shift rate during 1992-2007. Average ratio of fiscal liabilities to non-debt receipts increased from 446 *per cent* during the VIII Plan (1992-97) to 453 *per cent* in 2002-03. It, however, declined to 401 *per cent* in 2006-07.
- The total disbursements of Rs. 20,86,198 crore in 2006-07 under civil ministries were Rs. 4,96,113 crore higher than the total disbursements of Rs. 15,90,085 crore during 2005-06.
- During 2006-07 there was a net excess of Rs. 1,034 crore due to excess expenditure of Rs. 36,637 crore under four grants and unspent provision of Rs. 35,603 crore in the grants pertaining to civil ministries/departments.

Chapter 1

UNION GOVERNMENT FINANCES – AN OVERVIEW

An overview of the finances of the Union Government for the year 2006-07 revealed that deficit in the Consolidated Fund of India (CFI) has increased marginally while the surplus in Public Account indicated a significant increase relative to the previous year. While impact of prudent fiscal policy was evident on revenue receipts, increased spending on social sectors resulted in increased revenue expenditure. Capital expenditure witnessed significant volatility. After attaining a significant acceleration in its growth during 2003-04 and 2004-05 slow pace was registered in subsequent years. The revenue deficit and fiscal deficit relative to GDP continued to be 3.22 and 4.43 per cent respectively during 2006-07, indicating that fiscal imbalances not only continued to be persistent but also remained significant in volume. In the wake of higher fiscal devolution to States as recommended by Twelfth Finance Commission (TFC) and higher spending on social sectors, these trends indicated a slowdown of the envisaged fiscal corrections in terms of targets prescribed under the FRBM Rules, 2004. The negative spread in the growth of resource availability and assets formation resulted in progressive decline in assets base of the Union government relative to its liabilities.

1.1 This chapter provides a broad perspective of the finances of the Union Government during 2006-07 and analyses critical changes in the major fiscal aggregates during the period 1992-2007 encompassing VIII, IX and X Plan periods.

Box 1.1 : Union Government funds and the Public Account

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

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 (2006-07).

**Report of the CAG on
Union Government Accounts 2006-07**

Table 1.1 Summary of the current year's operation

(Rupees in crore)

Receipts		Derived Parameters	Disbursements	
Consolidated Fund of India (CFI)				
Revenue Receipt	525393	Revenue Deficit 132847	Revenue Expenditure	658240
Misc. Capital Receipts	534		Capital Expenditure	59293
Recovery of Loans	18691		Loans and Advances	10019
Total Non-Debt Receipts	544618	Fiscal Deficit 182934	Total Expenditure	727552
Public Debt	1644628		Public Debt	1480938
Total CFI	2189246	Deficit in CFI 19244	Total CFI	2208490
Contingency Fund				
Receipts	0		Appropriation	0
Public Accounts				
Small savings	309269		Small savings	277102
Reserves & Sinking Fund	58483		Reserves & Sinking Fund	46774
Deposits	52041		Deposits	41817
Advances	29116		Advances	29155
Suspense account	5238		Suspense account	8784
Remittances	872		Remittances	2748
Total Public Account	455019	Surplus in Public Account 48639	Total Public Account	406380
Opening Cash	65488	Increase in Cash 29395	Closing Cash	94883
Public Account Surplus (Demand)		48639	Deficit in (CFI) + Increase in Cash	
Incremental Liabilities (Supply)		217790	Surplus of (Debt+ Small Savings+ RF+ Deposits)	
Incremental Liabilities (Demand)		217790	Fiscal Deficit + Increase in Cash + Net Disbursement of (Advances+ Suspense+ Remittances)	

1.3 The year 2006-07 ended with a deficit of Rs. 19244 crore in the Consolidated Fund of India which was Rs. 1020 crore more as compared to the deficit of the previous year. The surplus in Public Account increased from Rs. 3514 crore in 2005-06 to Rs. 48639 crore during the year. These fiscal developments in Union Finances were mainly on account of (a) an increase of Rs. 118303 crore in total expenditure (19.42 per cent) as against an increase of Rs. 100296 crore in non debt receipts (22.57 per cent) during 2006-07 over the previous year; (b) net increase of Rs. 16537 crore in public debt receipts over the previous year, (c) increase of Rs. 17993 crore in receipts under small savings in 2006-07 over the previous year against a decline of Rs. 1841 crore in their disbursements during the year, and (d) decline of Rs. 23301 crore in disbursements as well as of Rs. 1314 crore in receipts under suspense account in 2006-07 over the previous year. A surplus of Rs. 48639 crore in public

account after meeting the deficit in CFI resulted into an increase of Rs. 29395 crore in the cash balances of the Union at the end of the financial year 2006-07. Although revenue deficit has increased by Rs. 23150 crore in 2006-07 over the previous year but due to an improvement of Rs. 6890 crore in recovery of loans against a decline of Rs. 2474 crore in their disbursements and increase in capital expenditure by Rs. 3174 crore, increase in fiscal deficit over the previous year aggregated Rs. 18007 crore. Fresh liabilities, which are accommodative flows for meeting this resource gap, however, exceeded the fiscal deficit in CFI and resulted in accretion to cash balances by Rs. 29395 crore at the end of current year.

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.

1.4 The Union Budget presents three sets of figures: (a) actuals for the preceding year, (b) revised estimates for the current year, and (c) budget estimates of the forthcoming year. How close the actuals are to the budget estimates indicates the extent to which fiscal discipline was enforced during the year. Several reasons may account for the deviation of the actual realisation from the budget estimates. It may be because of unanticipated and random external event or methodological inadequacies that may lead to under or over estimation of expenditure or revenue at the budget stage or it may at times be considered prudent to be conservative. Actual realisation of revenue and its disbursement depend on a variety of factors, some internal and others external. Table 1.2 provides a summary of budget estimates and actuals for some important fiscal parameters.

**Report of the CAG on
Union Government Accounts 2006-07**

Table 1.2: Union Government Finances 2006-07 - budget and actuals

(Rupees in crore)

Budget Estimates		2005-06 Actuals	2006-07		Deviation from Budget	Deviation* Per cent
			Actuals	Budget Estimates		
1	Total Receipts of the Union	2117454	2644265	2635477	8788	0.33
2	Revenue Receipts	430940	525393	490154	35239	7.19
	Tax revenue	271766	353182	328705	24477	7.45
	Non-tax revenue	159174	172211	161449	10762	6.67
3	Miscellaneous Capital receipts	1581	534	3840	-3306	-86.09
4	Recovery of Loans and Advances	11801	18691	9530	9161	96.13
5	Public Debt receipt	1262363	1644628	1274219	370409	29.07
6	Public Account Receipts	410769	455019	367580	87439	23.79
7	Total Disbursement of the Union	2132164	2614870	2099322	515548	24.56
8	Revenue Expenditure	540637	658240	576381	81859	14.20
9	Capital Expenditure	56119	59293	66937	-7644	-11.42
10	Loans and Advances	12493	10019	10391	-372	-3.58
11	Repayment of Public Debt	1115210	1480938	1098308	382630	34.84
12	Public Account Disbursement	407255	406380	347305	59075	17.01
13	Revenue Deficit	109697	132847	86227	46620	54.07
14	Fiscal Deficit	164927	182934	148686	34248	23.03

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

1.5 Revenue receipts exceeded the budget estimates by 7.19 per cent due to an increase both in tax and non-tax revenue receipts by 7.45 and 6.67 per cent during 2006-07 over the previous year. However, an increase of 14.20 per cent in revenue expenditure relative to the budget estimates led to an increase in revenue deficit by 54 per cent over the budgeted level envisaged for 2006-07. Fiscal deficit, which represents overall resource gap of the government also exceeded budgeted figures by over 23 per cent. A substantial increase in recovery of loans and advances (Rs. 9161 crore) against the budget estimates, a decline in their disbursements (Rs. 372 crore) and as well as in capital expenditure (Rs. 7644 crore) provided cushion for fiscal deficit and it increased by Rs. 34248 crore against an increase of Rs. 46620 crore in revenue deficit in 2006-07 relative to their corresponding budget estimates during the year. With respect to public debt, though both receipts and disbursements (repayments) significantly exceeded the budgeted figures, the net impact of these in terms of decline in liabilities was only Rs. 12221 crore, marginally higher than the budget estimates. On the whole, the impact of prudent fiscal policy was evident on revenue receipts but increased spending on social sectors and enhanced transfers to states resulted in increased revenue expenditure. Besides, deviations in other parameters relative to the budget estimates were also quite significant.

Union Government Finances 1992-2007 - Some Key Parameters

1.6 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

1.7 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 1.3 provides the summary of the government finances during 1992-93 and 2006-07, the base year of the analysis and the current year.

Table 1.3: Summary of Balances of Government Finances

Resource use				Resource availability			
	As on 31st March		CARG*		As on 31st March		CARG*
	1993	2007			1993	2007	
Capital Outlay	155291	603283	9.52	Internal Debt	199100	1544975	14.71
Loans & Advances	135672	220798	3.32	External Debt	42269	102716	6.13
Resource use in terms of functions				Small Savings	136802	307546	5.58
Social Services	6052	24255	9.75	Other Obligations	23752	131295	12.14
Agriculture & Allied	8740	8713	-0.02	Fiscal Liabilities	401923	2086532	11.67
Irrigation and Energy	40364	64147	3.15	Cash Balances	-1380	-94883	32.77
Industry & Minerals	41174	84471	4.93	Suspense Balances	-3819	-20253	11.83
Transport & Communication	38370	135319	8.81	Remittances	-3607	-4047	0.77
Other Economic Services	25549	77856	7.75	Advances	-1307	-3342	6.49
Total Economic Services	154197	370506	6.05	Contingency Fund	50	500	16.88
General Services & Others	39160	281664	14.13	Availability of Funds	391860	1964509	11.41
Loans to States	91554	147656	3.25	Resource Gap	-100897	-1140427	17.64
Total Assets	290963	824081	7.22	Resource Use	290963	824081	7.22

(*Cumulative Annual Rate of Growth)

1.8 While the net availability of funds of the Union government increased at an annual rate of 11.41 *per cent*, assets of the government comprising the capital expenditure and loans and advances increased at an average rate of 7.22 *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 1993-2007. "Loans and advances", which is akin to capital formation through its parastatals increased at an average rate of 3.32 *per cent*. Investment or assets formation in agriculture and allied activities recorded a negative growth rate of - 0.02 *per cent* while irrigation and energy as well as

industry and minerals recorded a lower growth as compared to other sectors during this period. Investment in social and economic services grew at 9.75 per cent and 6.05 per cent respectively and within the economic services, the investment in transport and communication increased at a faster rate than its other components during this period. 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 25.75 per cent of net funds availability as on 31 March 1993 to around 58.05 per cent as on 31 March 2007.

Box 1.3: Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GDP at current market prices. The New GDP series with 1993-94 as base as published by the Central Statistical Organisation has been used. The GDP estimates for the current year are as given by CSO in their Press Note released on 31st May 2007.

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

For most series a trend growth during 1992-2007 has been indicated. Further, trend growth over the VIII Plan (1992-97), IX Plan (1997-2002) and the X Plan (2002-07) has also been indicated. While calculating these growth rates, the first year of the Plan has been taken as the base year to estimate inter Plan growth rates. This process eliminates the "low base bias" of the year immediately preceding the plan. Annual growth rates have also been indicated for the five years of the X Plan (2002-07) to indicate the trends during the high growth rate regime.

For most series, ratios with respect to GDP have also been indicated. Akin to the growth rates, average ratios have been used for the period 1992-2007 and separately for the VIII, IX and X Plan periods. Annual ratios for the five years of the X Plan (2002-07) have also been indicated.

Revenue Receipts

1.9 Table 1.4 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 VIII Plan (1992-1997), IX Plans (1997-2002) and separately for five years of the X Plan (2002-07).

Table 1.4: Key parameters of the Union Government revenue receipts

Period	Gross Tax Revenue		Non-Tax Revenue		Total Net Revenue of the Union		GDP Growth
	A	B	A	B	A	B	
1992-2007	12.95	9.50	9.75	5.38	11.75	12.39	12.21
VIII Plan (1992-97)	15.89	9.32	14.66	5.94	15.61	12.71	16.54
IX Plan (1997-02)	9.00	8.65	8.00	6.04	8.12	12.37	10.49
X Plan (2002-07)	21.31	10.07	4.86	4.81	14.59	12.29	13.77
2002-03	15.61	8.80	6.58	5.68	13.02	12.20	7.76
2003-04	17.61	9.20	7.76	5.44	13.10	12.26	12.51
2004-05	19.90	9.75	-0.01	4.81	11.14	12.05	13.06
2005-06	20.07	10.26	5.76	4.46	14.35	12.08	14.09
2006-07	29.32	11.48	8.19	4.17	21.92	12.73	15.66

A: - Rate of growth

B: - Relative share as percentage to GDP

1.10 The average annual rate of growth of revenue receipts (including the tax and non-tax receipts) was comparatively lower than the growth of GDP during the period 1992-2007. For over a decade from 1992 to 2002 encompassing the period of Eighth and Ninth Five Year Plans, the rate of growth of revenue receipts and its two components remained lower than the rate of growth of GDP. It was only during the X Plan period (2002-07) that the average rate of the growth of the net revenue receipts of union exceeded the average rate of growth of GDP indicating revenue buoyancy of more than a unity. The rate of growth in gross tax revenue increased consistently during the X Plan (2002-07) resulting in rising tax-GDP ratio. The ratio of tax receipts to GDP which had declined to an average of 8.65 *per cent* during the IX Plan (1997-2002) continued its rising trend and after crossing the 10 *per cent* for the first time in 2005-06 during the regime of economic reforms reached to the level of 11.48 *per cent* in the current year. The increasing buoyancy in tax revenue of the Union could, inter-alia, be attributed to the rationalisation of the tax structure and other taxation measures undertaken during the last few years.

1.11 Tax revenue (inclusive of the States' share) of the Union had a buoyancy of 0.961 in VIII Plan (1992-1997) and 0.859 during IX Plan (1997-2002). It significantly exceeded in each of the five years during the X Plan (2002-07) resulting in an average tax buoyancy of more than one during the period 1992-2007. While buoyancy of direct taxes comprising corporate and personal income tax was greater than one, lower buoyancy of indirect taxes (both customs and excise duties) that accounted for 43.07 *per cent* of the total tax revenue during 2006-07 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.

1.12 The average non tax receipts had indicated a lower growth rate during the IX Plan (1997-2002) and Tenth Plan (2002-07) as compared to the VIII Plan (1992-1997). The rate of growth of non-tax receipts not only remained sluggish during the first two years of Tenth Plan partly due to corporatization of telecom services and setting up of Prasar Bharati but it turned negative during 2004-05 mainly due to significant reduction in the interest receipts of the Union during the year as a result of the debt swap scheme enabling pre-payment of high cost Central Government loans. The interest receipts continued to reflect negative growth rate during 2005-06 and 2006-07 on account of further consolidation and reschedulement of central loans to states contracted till March 2004 for a fresh term of 20 years under the award of Twelfth Finance Commission. The receipts from social services increased by more than three times from Rs. 451 crore in 2004-05 to Rs. 1643 crore in 2005-06 mainly on account of increased collections under the head 'Information and Publicity'. The increased collections from social services together with an increase of 12 *per cent* in receipts from 'Economic Services'

led to an increase of 6 per cent in non-tax revenue receipts during 2005-06 over the previous year. Although receipts from social services declined to its trend level at Rs. 467 crore during 2006-07 from the unusually high level of Rs. 1643 crore in 2005-06 but the increased collection under economic services and dividends and profits respectively by Rs. 15573 crore (18.34 per cent) and Rs. 3859 crore (15.16 per cent) over the previous year resulted in an overall increase of Rs. 13037 crore (8.19 per cent) in non tax receipts during the current year.

Expenditure

1.13 The Union Government's total expenditure (Table 1.5) also reflected a similar position. Rate of growth of total expenditure declined from an average of 11.87 per cent in VIII Plan (1992-1997) to 8.86 per cent during the IX Plan (1997-2002) and increased steeply to 10.86 per cent in X Plan (2002-07) resulting in a long term growth rate of 10.89 per cent during the period 1992-2007. Growth in total expenditure picked up in 2004-05 and reached to the level of 19.42 per cent in 2006-07 increasing sharply by 8.51 percentage points during the current year over the previous year. Total expenditure-GDP ratio declined from a trend average of 19.66 per cent during Eighth Plan (1992-97) to 19.51 per cent during Ninth Plan (1997-2002) and to 17.88 per cent during X Plan (2002-07). Revenue expenditure grew at relatively higher average rate of 14.64 per cent during the VIII Plan (1992-97), declined to an average rate of 10.40 per cent during the IX Plan (1997-2002) but picked up again to an average rate of 12.24 per cent during the X Plan (2002-07) especially on account of its acceleration during 2005-06 and 2006-07.

Table 1.5: 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
1992-2007	12.12	15.81	8.62	1.51	-1.23	1.37	10.89	18.69
VIII Plan (1992-97)	14.64	15.51	-8.44	1.89	11.91	2.26	11.87	19.66
IX Plan (1997-02)	10.40	16.31	9.22	1.37	-3.42	1.83	8.86	19.51
X Plan (2002-07)	12.24	15.61	19.61	1.46	-29.46	0.81	10.86	17.88
2002-03	9.06	16.66	-2.55	1.24	-6.19	1.47	6.92	19.38
2003-04	7.45	15.91	16.08	1.28	-13.51	1.13	6.40	18.33
2004-05	3.52	14.57	51.56	1.72	28.02	1.28	8.39	17.57
2005-06	18.67	15.16	4.59	1.57	-68.85	0.35	10.91	17.08
2006-07	21.75	15.95	5.66	1.44	-19.80	0.24	19.42	17.63

A: - Rate of growth

B: - Relative share as percentage of GDP

1.14 Capital expenditure witnessed significant volatility, but average annual growth of this component of expenditure remained lower. This component of total expenditure, after attaining a significant acceleration in growth during 2003-04 and 2004-05, increased relatively at a lower pace during 2005-06 and 2006-07. Relative to GDP, its share fluctuated but the trend rate of shift in its

relative share was negative. Disbursement of loans and advances also exhibited an overall declining trend since IX plan (1997-2002). Steep decline during 2005-06 and 2006-07 was on account of the fact that Union Government discontinued its role as an intermediary in future lending to States on the recommendations of TFC except for loans under externally aided projects.

Fiscal imbalances

1.15 Fiscal imbalances not only continued to be persistent but also remained significant in volume as reflected in the Table 1.6 below:

Table 1.6: Ratio of Revenue and Fiscal Deficit to GDP

(Per cent)

Period	Revenue Deficit	Fiscal Deficit	Revenue Deficit as percentage to Fiscal Deficit
1992-2007	3.42	5.12	66.86
VIII Plan (1992-97)	2.80	6.04	46.26
IX Plan (1997-02)	3.95	6.23	63.26
X Plan (2002-07)	3.32	4.16	79.74
2002-03	4.47	5.48	81.56
2003-04	3.65	2.93	124.77
2004-05	2.52	3.32	75.82
2005-06	3.08	4.62	66.51
2006-07	3.22	4.43	72.62

1.16 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 3.94 *per cent* during the IX Plan (1997-2002) but the trend was reversed and declined to 3.32 *per cent* during X Plan (2002-07). Similar trends were exhibited by the Fiscal deficit-GDP ratio which increased from an average of 6.04 *per cent* during the VIII Plan to an average of 6.23 *per cent* during the IX Plan but it declined to 4.16 *per cent* during the X Plan (2002-07) indicating a mixed trend in the behaviour of these parameters. The ratio of revenue deficit to GDP declined from 4.47 *per cent* in 2002-03 to 2.52 *per cent* in 2004-05 (by 1.95 percentage points) but it again increased thereafter and reached to 3.22 *per cent* in the current year. The ratio of fiscal deficit to GDP which declined from 5.48 *per cent* in 2002-03 to 2.93 *per cent* in 2003-04, i.e. by 2.55 percentage points has indicated a tendency to move northwards again as the ratio increased to 4.43 *per cent* during the current year. The low fiscal deficit to GDP ratio especially during 2003-04 and 2004-05 could be attributed to the implementation of debt swap scheme and accelerated recovery of loans and advances earlier given to the States. The revenue deficit to GDP ratio has increased by 0.14 percentage points while the fiscal deficit to GDP ratio has declined by 0.19 percentage points in 2006-07 over the previous year. In the wake of higher fiscal devolution to States as recommended by TFC and higher spending on social sectors, accelerated recovery of loans from States vis-à-vis disbursement of loans and decline in

the pace of capital expenditure, these trends indicated that the fiscal correction does not seem to be in conformity with the targets prescribed under the FRBM Rules, 2004. Given the fact that there was a one-to-one relationship between accelerated recovery of loans and decline in pace of capital expenditure on the one hand and a decline in assets base on the other, this cannot be taken as a sustainable route to achieve the FRBM targets, therefore relatively higher growth of revenue receipts would be needed to sustain the prescribed fiscal correction. The more disturbing trend, however, was a continuous increase in the ratio of revenue deficit to fiscal deficit. Revenue deficit as a percentage of fiscal deficit increased from an average of 46.26 *per cent* during the VIII Plan (1992-1997) to 63.26 *per cent* in the IX Plan (1997-2002) and further to 79.74 *per cent* in X Plan (2002-07), of course with wide inter-year variations.

Fiscal Liabilities

1.17 The broad parameters of the aggregate fiscal liabilities of the Union Government are presented in Table 1.7 below.

Table 1.7: Characteristics of the Union Government Fiscal Liabilities

Period	(Per cent)			
	Rate of Growth of Total Liabilities*	Total Liabilities/ GDP Ratio	Average Rate of Interest	Ratio of Assets to Liabilities
1992-2007	11.36	58.35	7.54	46.65
VIII Plan (1992-97)	12.48	60.72	7.91	57.68
IX Plan (1997-02)	11.85	58.92	9.06	50.90
X Plan (2002-07)	8.98	57.25	8.09	40.26
2002-03	10.62	62.98	8.90	44.78
2003-04	7.20	60.01	8.28	41.48
2004-05	9.86	58.32	7.89	39.36
2005-06	7.98	55.19	7.75	39.32
2006-07	10.98	52.96	7.84	37.71

* 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.

1.18 During 1992-2007, the average annual aggregate total liabilities of the Union Government remained around 58.35 *per cent* of GDP. The average annual rate of growth in aggregate liabilities which was 12 *per cent* during the decade 1992-2002 encompassing the periods of Eighth and Ninth Five year Plans declined to an average of 8.98 *per cent* during the X Plan (2002-07). Despite this decelerating trend, the ratio of liabilities to GDP increased in first year of the Tenth Plan mainly because the GDP growth itself witnessed a deceleration in nominal terms. The ratio however indicated a declining trend since 2002-03 which was the combined effect of the decline in rate of growth in aggregate liabilities and robust average growth rate in GDP during these years. The average rate of interest on the outstanding liabilities increased

from an average rate of 7.91 *per cent* during the VIII Plan (1992-1997) to an average of 8.09 *per cent* during the X Plan (2002-07) with inter-year variations. There was a deceleration in average interest rate to 8.28 *per cent* in 2003-04 and further to 7.84 *per cent* in the current year, which resulted in a decline of 149 and 122 basis points in interest rates from the average interest rates of VIII and IX Plan periods. Interest rates on fiscal liabilities had remained largely below the rate of growth of GDP which has essentially been providing a cushion in sustaining the higher debt-GDP ratio. Apart from the administered interest rate structure which had prevailed in the beginning of the period, low interest rates on external debt, which except in 1991-92 never exceeded 4 *per cent* and other liabilities in the nature of sinking funds and deposits, which continued to attract much lower interest rates, sustained the lower rates during the decade 1992-2002. Besides, soft interest rate regime both due to domestic and international forces has also resulted in lower interest rate structure in recent years. However, the quality of the use of the borrowed funds continued to be a concern. Larger revenue deficits continued to erode the assets back up for the aggregate liabilities of the Union Government, which consistently declined after remaining static at 39.32 *per cent* during 2004-05 and 2005-06 declined to 37.71 *per cent* during the current year.

Chapter 2

RESOURCES: TRENDS AND COMPOSITION

The overall resources of the Union Government comprise of revenue and capital (debt and non-debt receipts as well as accruals in public account) receipts. Notwithstanding the inter year variations in the growth of various components over a longer term (1992-2007), the ratio between the debt receipts inclusive of accruals in public account and non-debt receipts (revenue receipts and other non-debt receipts) was almost stable at two thirds and one third till 2004-05 but it has tilted thereafter in favour of debt receipts and this ratio becomes three-fourth and one-fourth during the current year.

Revenue receipts with its broad components of tax and non-tax receipts are the most important source of revenue. The rate of growth in gross tax collections witnessed acceleration from its very first year of Tenth Plan (2002-07) and reached the peak level of 29.32 *per cent* in 2006-07. In the years following the economic reforms particularly during the Tenth Plan period (2002-07), there were significant changes in the structure of taxes from commodity-based taxation to income based taxation. The share of direct taxes, indirect taxes and service tax in gross tax collections stood at 46, 43 and 8 *per cents* during 2006-07 as compared to their corresponding shares of 27, 70 and 0.48 *per cent* in early 1990s. The trends reveal that over the years gains to the exchequer improved in the form of higher corporate tax collections while the share of excise and custom duties in gross tax revenue has been declining on an average every year since 2002-03. The share of service tax although increased consistently since its inception in 1994-95.

The overall tax buoyancy has improved significantly during 2002-03 to 2006-07 mainly on account of the revival of growth momentum especially in industrial sector of the economy on which the tax collections of the government critically depend and widening of base of the service tax. In the current year, except in case of excise duties, buoyancy of corporation tax, income tax and service tax being more than unity implies their growth rates had been higher than the growth of GDP. The tax-GDP ratio indicated an upturn especially since 2002-03 and exceeded 10 *per cent* after 2005-06. Non-tax revenue which constituted on an average 48 *per cent* of the net revenue of the Union Government during the decade 1992-2002 has consistently declined during the X Plan period and reached an average of 33 *per cent* during 2006-07.

Trends in growth of various components of non-tax revenue indicate that while the share of dividend and profits increased, the share of interest receipts consistently declined during X Plan (2002-07) from 32 *per cent* in 2002-03 to 15.42 *per cent* in 2006-07. Moderation in interest rates on loans advanced and debt swap have contributed to this deceleration during the last three years. Non-tax receipts from the social and economic services and from the sovereign and other general functions of the government had a negative shift rate during 1992-2007. The share of non-debt capital receipts which primarily consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances remained insignificant throughout and it further reduced to less than one *per cent* after 2005-06.

Resources of the Union Government: 2006-07

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. 28,30,083 crore for the year 2006-07. Non-debt receipts at Rs. 6,64,948 crore constituted around 24 per cent of the total receipts. The balance was either to be assigned to the states or was in the nature of borrowings and public account receipts.

Table 2.1: Resources of the Union Government

		<i>(Rupees in crore)</i>
I	Revenue Receipts	6,45,723
II	Capital receipts	16,63,853
	a. Miscellaneous Receipts	534
	b. Recovery of Loans and Advances	18,691
	c. Debt receipts	16,44,628
III	Public Account Receipts	4,55,019
IV	Contingency Fund	0
Total Receipts		27,64,595
Opening Cash Balances		65,488
Total Availability of Resources		28,30,083

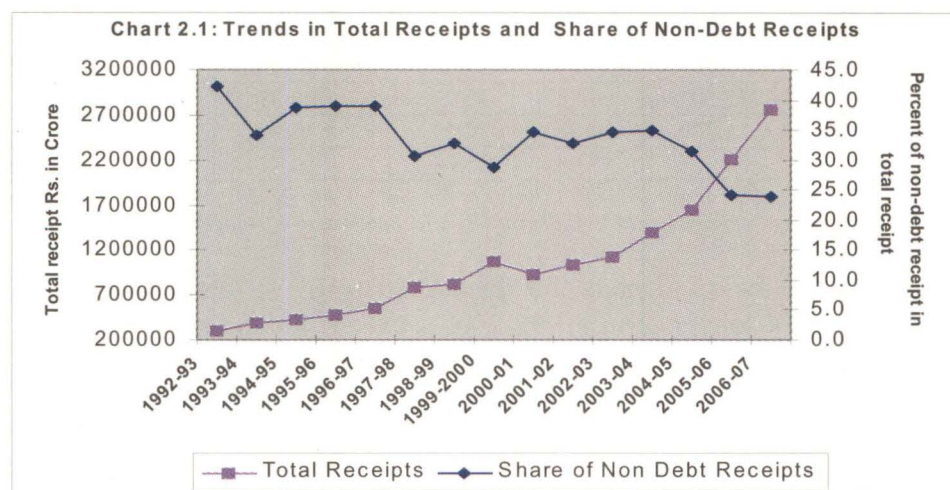
Note: (1) Revenue receipts include Rs.1,20,330 crore being the share of taxes and duties assigned to the States and not reflected in the Union Government's Finance Accounts.

(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 15.18 per cent during 1992-2007. Accrual of gross resources to the Union grew by 14.87 per cent per annum during the VIII Plan (1992-97), immediately after the initiation of the process of economic reforms. However, during the IX Plan (1997-2002), the annual trend growth decelerated to 7.02 per cent. There was a reversal of the trend during the X Plan (2002-07) as the trend growth rate not only sharply increased to 24.97 per cent but it outstripped the average GDP growth rate during the Plan period.

2.3 Inter year variations in the growth of various components of gross receipts were significant. The trend growth (1992-2007) was not only lowest



**Report of the CAG on
Union Government Accounts 2006-07**

for non debt receipts but it widely oscillated during the period. The growth in non-debt capital receipts which was on a very high base was negative in 2004-05 and 2005-06. In absolute terms, non-debt capital receipts in 2003-04 and 2004-05 were maintained at substantially higher levels compared to their long-term trend, largely because of debt swap scheme. Due to sharp increase in debt receipts during the last four years of the X Plan (2002-07), trend growth rate during X plan increased sharply to 42 per cent from the low level of 2.22 per cent in IX Plan (1997-2002). Revenue receipts were buoyant particularly in recent years and with reference to the growth rates observed during IX plan period, average acceleration was close to 7.0 percentage points.

Table 2.2: Components of receipts: Trends

(Rupees in crore)

Period	Revenue Receipts#	Capital Receipts			Total Receipts	Gross Domestic product
		Gross Non- Debt Receipts	Gross Debt Receipts	Gross Accruals in Public Account		
1992-2007	305825	24264	502914	235516	1068519	2054577
VIII Plan (1992-97)	157991	9373	164326	102117	433807	1035315
IX Plan (1997-02)	282019	17430	427187	210498	937134	1919800
X Plan (2002-07)	477466	45989	917229	393933	1834617	3208615
2002-03	355948	41896	435371	307235	1140450	2458084
2003-04	404866	86780	538492	369133	1399271	2765491
2004-05	455466	68664	705289	427507	1656926	3126596
2005-06	525325	13382	1262363	410769	2211839*	3567177
2006-07	645723	19225	1644628	455019	2764595	4125725
Average Annual Rate of Growth (per cent)						
1992-2007	11.84	12.31	17.72	14.34	15.18	12.21
VIII Plan (1992-97)	15.41	0.01	15.98	14.43	14.87	16.54
IX Plan (1997-02)	8.58	18.24	2.22	13.76	7.02	10.49
X Plan (2002-07)	15.62	-29.02	42.05	9.33	24.97	13.77
2002-03	11.89	71.85	-0.30	18.88	9.91	7.76
2003-04	13.74	107.13	23.69	20.15	22.69	12.51
2004-05	12.50	-20.88	30.97	15.81	18.41	13.06
2005-06	15.34	-80.51	78.99	-3.92	33.49	14.09
2006-07	22.92	43.66	30.28	10.77	24.99	15.66

Includes figures of taxes and duties (Rs. 1,20,330 crore for 2006-07) assigned to States. * Total Receipts during 2005-06 are exclusive of receipts of Rs 450 crore as a recoupment to Contingency Fund of India.

2.4 Table 2.3 below depicts the relative share of various components of resources. Over a longer term (1992-2007), except for the debt receipts, the other three components had a negative shift in their relative shares.

Table 2.3: Relative shares of different components of total receipts

(Per cent)

Period	Revenue Receipts	Capital Receipts			Total Receipts
		Gross Non-Debt Receipts	Gross Debt Receipts	Gross Accruals in Public Account	
1992-2007	28.62	2.27	47.07	22.04	100.00
VIII Plan (1992-97)	36.42	2.16	37.88	23.54	100.00
IX Plan (1997-02)	30.09	1.86	45.58	22.46	100.00
X Plan (2002-07)	26.03	2.51	49.99	21.47	100.00
2002-03	31.21	3.67	38.18	26.94	100.00
2003-04	28.93	6.20	38.48	26.38	100.00
2004-05	27.49	4.14	42.57	25.80	100.00
2005-06	23.75	0.61	57.07	18.57	100.00
2006-07	23.36	0.70	59.49	16.46	100.00
Average Annual Rate of Shift in the shares					
1992-2007	-2.90	-2.49	2.20	-0.73	

While the relative share of revenue receipts peaked during the VIII Plan, share of debt receipts peaked during the current year. The non-debt receipts and accruals in public account peaked respectively during 2003-04 and 2002-03 and indicated a decline in subsequent years. Relative share of revenue receipts after reaching its peak during the VIII Plan (1992-1997) at 36.42 *per cent* drifted southwards in later years averaging little over 30 *per cent* during the IX Plan (1997-2002) and further to an average of 26.03 *per cent* during the X Plan (2002-07). Except in case of debt receipts, the negative shifts in relative share of revenue receipts and non-debt receipts were significant while accruals in public account witnessed a marginal negative shift during the period 1992-2007. Despite these shifts in the relative shares of the four components of the gross resources of the Union Government, the ratio between the debt receipts inclusive of accruals in public account and non-debt receipts (revenue receipts and other non-debt receipts) was almost stable at two thirds and one third till 2004-05 but it has tilted during 2005-06 and 2006-07 in favour of debt receipts and this ratio becomes three-fourth and one-fourth during the current year.

Access to resources relative to GDP

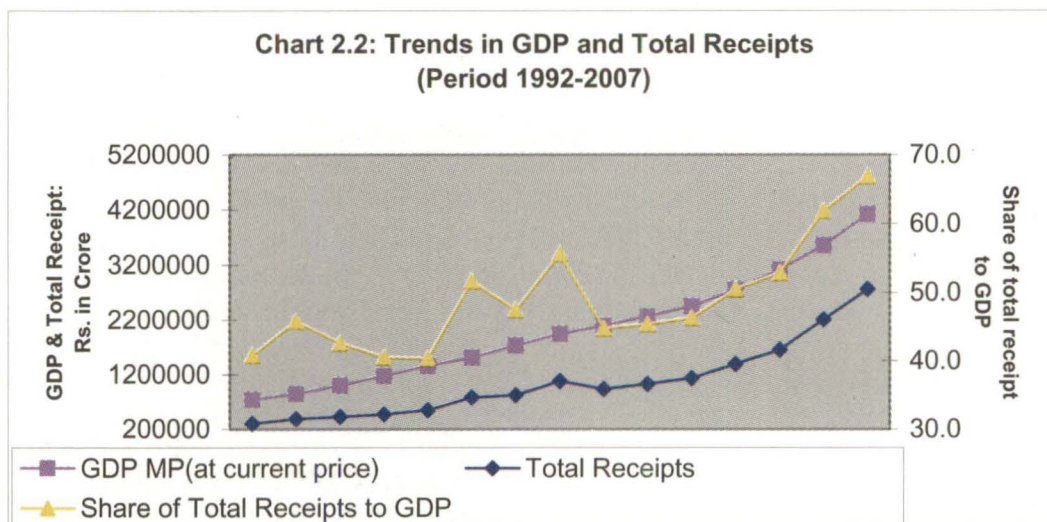
2.5 Increase in the access to resources as income increases is natural because the base itself has enlarged. More important, however, is the increase relative to GDP. The ratio of overall resources to GDP was 41.90 *per cent* during the VIII Plan (1992-1997)); this increased to an average of 48.81 *per cent* during the IX Plan (1997-2002) and further to an average of 57.18 *per cent* during the X Plan (2002-07) resulting in the long-term trend average of 52.01 *per cent* (1992-2007). This ratio continuously improved in recent years and reached the peak level of 67.01 *per cent* in 2006-07. On account of this improvement in recent years, except in case of revenue receipts, other three components as well as the overall receipts to GDP ratio had positive shift rates (Table 2.4). Even the negative shift in revenue receipts at -0.33 *per cent* was marginal and might take a turnaround as revenue receipts relative to GDP has

increased by almost one percentage point over the previous year. These trends indicate significant improvement in access to resources as the base i.e. GDP expanded during the period 1992-2007. If the total receipts and GDP were set to 100 in 1992-93, total receipts in 2006-07 would be 903 as against a value of 551 for GDP. **Chart 2.2** depicts the graphical presentation of the interrelationships between GDP, total receipts and the share of total receipts in GDP during the period 1992-2007.

Table 2.4: Receipts as percentage to GDP

(Per cent)

Period	Revenue Receipts	Capital Receipts			Total Receipts
		Gross Non-Debt Receipts	Gross Debt Receipts	Gross Accruals in Public Account	
1992-2007	14.89	1.18	24.48	11.46	52.01
VIII Plan (1992-97)	15.26	0.91	15.87	9.86	41.90
IX Plan (1997-02)	14.69	0.91	22.25	10.96	48.81
X Plan (2002-07)	14.88	1.43	28.59	12.28	57.18
2002-03	14.48	1.70	17.71	12.50	46.40
2003-04	14.64	3.14	19.47	13.35	50.60
2004-05	14.57	2.20	22.56	13.67	52.99
2005-06	14.73	0.38	35.39	11.52	62.02
2006-07	15.65	0.47	39.86	11.03	67.01
Average annual rate of shift in the shares					
1992-2007	-0.33	0.09	4.91	1.89	2.65



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 eight years. Net draft of the Union Government declines by 39.81 percentage points from 67.01 *per cent* to 27.20 *per cent* of total receipts in 2006-07 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	23.65
2000-01	307724	18924	152146	4413	1340	25123	509670	24.24
2001-02	318121	24379	187523	-219	-1553	42364	570615	25.02
2002-03	355948	41896	206830	-5176	3134	37011	639643	26.02
2003-04	404866	86780	297096	0	1626	-22650	767718	27.76
2004-05	455466	68664	326960	0	7354	27119	885563	28.32
2005-06	525325	13382	369247	0	24733	3514	936201	26.24
2006-07	645723	19225	408517	0	136	48639	1122240	27.20

* Includes figures of taxes and duties assigned to States

** Net of receipts of Ways and Means Advances and Treasury Bills

Revenue Receipts: Movement of major aggregates

2.7 Revenue receipts with its broad components of tax and non-tax receipts is the most important source of revenue as no future payment obligations are created in accessing these receipts. Overall revenue receipts of the Union Government (net of the states' share from its gross tax collections) increased at an average annual rate of 11.75 *per cent* during 1992-2007. 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). There was a reversal in trend during X Plan (2002-07) when the average annual rate of growth was increased sharply to 14.59 *per cent* despite a sluggish growth in non-tax receipt during the Plan period. The shift rate of share of non tax receipt in net tax revenue was also negative during the period 1992-2007 while that of net revenue of the Union relative to GDP was positive during the period as reflected in the table below:

**Report of the CAG on
Union Government Accounts 2006-07**

Table- 2.6: Composition and Trends of Revenue Receipts

(Rupees in crore)

Period	Gross Tax Revenue	States' share in Taxes	Net Tax Revenue	Non Tax Revenue	Net Revenue of the Union	Share of Non-Tax Revenue (per cent)	Net Revenue as per cent to GDP
1992-2007	195222	51351	143871	110603	254475	43.46	12.39
VIII Plan (1992-97)	96533	26391	70142	61459	131601	46.70	12.71
IX Plan (1997-02)	166087	44622	121465	115933	237397	48.84	12.37
X Plan (2002-07)	323047	83040	240007	154419	394426	39.15	12.29
2002-03	216266	56122	160144	139682	299826	46.59	12.20
2003-04	254348	65766	188582	150518	339100	44.39	12.26
2004-05	304958	78595	226363	150508	376871	39.94	12.05
2005-06	366151	94385	271766	159174	430940	36.94	12.08
2006-07	473512	120330	353182	172211	525393	32.78	12.73
Average Annual Rate of Growth (per cent)							
1992-2007	12.95	12.31	13.18	9.75	11.75	-1.78	0.86
VIII Plan (1992-97)	15.89	14.41	16.47	14.66	15.61		
IX Plan (1997-02)	9.00	11.05	8.25	8.00	8.12		
X Plan (2002-07)	21.31	20.76	21.50	4.86	14.59		
2002-03	15.61	6.21	19.32	6.58	13.02		
2003-04	17.61	17.18	17.76	7.76	13.10		
2004-05	19.90	19.51	20.03	-0.01	11.14		
2005-06	20.07	20.09	20.06	5.76	14.35		
2006-07	29.32	27.49	29.96	8.19	21.92		

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

2.8 Non-tax revenue constituted on an average 48 per cent of the net revenue of the Union Government during the decade 1992-2002 encompassing the Eighth and Ninth Five Year Plans. During the Tenth Plan period, it has consistently declined due to the combined effect of the sluggish growth in aggregate non-tax revenue and relatively much higher increase in net revenue receipts of Union owing to the robust growth in tax revenue during these years. The consistent deceleration in share of non-tax revenue in net revenue receipts of the Union resulted in a negative shift rate -1.78 during 1992-2007.

2.9 Tenth Plan from its very first year witnessed acceleration in the rate of growth of gross tax collections and also sustained this momentum in that part of the collections which was retained by the Union. Growth in gross tax collections reached the peak level of 29.32 per cent in 2006-07 and steeply increased by 9.25 percentage points from 20.07 per cent in 2005-06. Due to increase in percentage share under Twelfth Finance Commission (TFC) award as well as increase in absolute amount of gross tax revenue vis-à-vis the TFC projection, the States share in central taxes and duties has gone up by 27.49 per cent from Rs. 94,385 crore in 2005-06 to Rs. 1,20,330 crore in 2006-07.

Major Taxes: Relative performance

2.10 The relative performance of different taxes changed significantly over the years (Table 2.7) with corporation tax recording highest trend growth of 20.41 *per cent* during 1992-2007.

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
1992-2007	195222	43559	29883	44730	66021	6719	4312
VIII Plan (1992-97)	96533	13567	12575	30273	37014	465	2638
IX Plan (1997-02)	166087	29508	25353	43418	60838	2317	4652
X Plan (2002-07)	323047	87602	51720	60497	100210	17373	5645
2002-03	216266	46172	36866	44852	82310	4122	1944
2003-04	254348	63562	41387	48629	90774	7891	2105
2004-05	304958	82680	49268	57611	99125	14200	2074
2005-06	366151	101277	55985	65067	111226	23055	9541
2006-07	473512	144318	75093	86327	117613	37598	12563
Average Annual Rate of Growth (per cent)							
1992-2007	12.95	20.41	15.94	7.73	10.49	*	4.46
VIII Plan (1992-97)	15.89	21.71	24.72	18.00	10.45	*	-2.50
IX Plan (1997-02)	9.00	17.15	18.58	1.61	11.41	19.19	-30.18
X Plan (2002-07)	21.31	31.59	18.83	17.36	9.60	73.21	68.93
2002-03	15.61	26.12	15.19	11.38	13.44	24.83	-16.28
2003-04	17.61	37.66	12.26	8.42	10.28	91.44	8.28
2004-05	19.90	30.08	19.04	18.47	9.20	79.95	-1.47
2005-06	20.07	22.49	13.63	12.94	12.21	62.36	360.03
2006-07	29.32	42.50	34.13	32.67	5.74	63.08	31.67

* Service Tax was introduced in 1994-95 # Includes figures of taxes/duties assigned to States/UTs.

2.11 In the years following the economic reforms, there were significant changes in the structure of taxes. Wider coverage, broad base and moderate rates became the cornerstone of the new tax regime. There was also a shift from commodity-based taxation to less distortionary income based taxation. This shift was expected to improve tax compliance, tax buoyancy and finally the tax-GDP ratio. During the VIII Plan (1992-1997), rate of growth of tax receipts increased to an average of 15.89 *per cent*, close to three percentage points higher than the trend growth during 1992-2007. Accelerated growth in income tax, corporation tax and customs duties contributed to this increase. There was, however, a deceleration in the average annual growth of these three taxes/duties during the IX Plan (1997-2002). While a decline in the rate of growth in customs and excise duties was expected in view of lowering of duties, this was not fully compensated by increase in the rate of growth of other taxes. Even the introduction of service tax in 1994-95, which provided additional revenue, could not sustain the growth rates during this period. If the gross collections from the major taxes in 1992-93 are set at 100, collection index would be 1622 for corporation tax, 951 for income tax, 381 for excise

duties and only 363 for customs duties in 2006-07. Acceleration in the collections particularly of the corporate and income tax was the outcome of rationalization of tax structure and other tax reforms during the period.

2.12 In 2006-07, tax receipts have shown higher buoyancy than expected from all the taxes except from the excise duties. While the gross collections from income tax and custom duties grew by 34.13 *per cent* and 32.67 *per cent* respectively against an increase of 29.32 *per cent* for the gross collections, the collections from the corporation and service tax increased significantly by 42.5 *per cent* and 63.08 *per cent* respectively during the current year. Increase in service tax was both due to change in the rates as also the increase in the coverage of services. A comprehensive rationalisation of direct tax structure was undertaken in 2005-06 in the form of downward adjustment of tax slabs and lowering of rates and these adjustments were complemented by appropriate base enhancing measures which included introduction of new taxes, reduction of depreciation rates and removal of certain tax concessions. Indirect tax reforms focused on moving towards ASEAN levels for custom tariffs and CENVAT rate for excise duties. Further, a number of initiatives were also taken during the year to strengthen the effectiveness of the tax administration along with rationalisation of the tax structure. As a result of these measures, collections under income tax, customs and excise duties recorded absolute increases during 2006-07 over the previous year but deceleration in the rate of growth of excise duties was observed partly on account of rationalisation of their rate structure and partly due to their relatively higher bases in the previous year. A significant increase under the head 'others' is mainly on account of the buoyant growth displayed in collections under fringe benefit tax, securities transaction tax and banking cash transaction tax which form part of the direct taxes in the budget estimates and reflected under the head 'other taxes'.

2.13 Apart from the differential performance in terms of collections under various taxes, their relative share in the gross tax revenue of Union has also changed significantly particularly during the X Plan period (2002-07) (Table 2.8). As the economic reforms began in early 90s, the share of corporate tax revenues in the total gross tax revenues stood at 14.05 *per cent*, while that of the excise duties was 38.34 *per cent* during the VIII Plan (1992-97). However, over the years, gains trickled down to the exchequer in the form of higher corporate tax collections. While the collections under the corporate tax increased from Rs. 46,172 crore in 2002-03 to Rs. 144,318 crore in 2006-07, excise duties increased from Rs. 82,310 crore in 2002-03 to Rs. 117,613 crore in 2006-07. Since 2002-03 the share of excise duties in gross tax revenue has been declining on an average every year by 2.6 percentage points while on the other hand the share of corporate tax has been increasing by about 1.8 percentage points every year. The share of indirect taxes comprising of excise and custom duties in gross tax revenue has declined at an annual average rate of 3.1 percentage points during the Tenth Plan. The share of personal income tax however indicated a gradual decline but at relatively slower rate of 0.24

percentage points during Plan period. The share of service tax since its inception in 1994-95 has been consistently increasing and during the Tenth Plan period it has increased on an average by 1.2 percentage points every year.

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

(per cent)

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Others
1992-2007	100.00	22.31	15.31	22.91	33.82	3.44	2.21
VIII Plan (1992-1997)	100.00	14.05	13.03	31.36	38.34	0.48	2.73
IX Plan (1997-2002)	100.00	17.77	15.26	26.14	36.63	1.40	2.80
X Plan (2002-07)	100.00	27.12	16.01	18.73	31.02	5.38	1.75
2002-03	100.00	21.35	17.05	20.74	38.06	1.91	0.90
2003-04	100.00	24.99	16.27	19.12	35.69	3.10	0.83
2004-05	100.00	27.11	16.16	18.89	32.50	4.66	0.68
2005-06	100.00	27.66	15.29	17.77	30.38	6.30	2.61
2006-07	100.00	30.48	15.86	18.23	24.84	7.94	2.65

Tax buoyancy

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

2.15 Tax revenue is perceived to be the reflection of the overall health of the economy. Tax buoyancy not only depends upon tax policy and administration but also on general performance of the economy. Assuming that GDP is a good indicator of the performance of the economy, the buoyancy coefficients indicate the percentage increase in the tax revenue following a one *per cent* increase in the GDP or the tax base. Besides the base, higher buoyancy may also be due to change in the tax rates and its coverage. While a buoyancy of greater than one is desirable, a buoyancy of less than one indicates that the collection from the concerned tax has not kept pace with the change in the base. Table 2.9 indicates the buoyancy of major taxes during 1992-2007 and also during the VIII, IX and X Plan periods along with separately for each year of the Tenth Five Year Plan.

Table 2.9: Buoyancy of major taxes

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
1992-2007	1.060	1.672	1.306	0.633	0.859	--
VIII Plan (1992-97)	0.961	1.313	1.495	1.088	0.632	--
IX Plan (1997-02)	0.859	1.635	1.772	0.154	1.088	1.829
X Plan (2002-07)	1.547	2.294	1.367	1.261	0.697	5.317
2002-03	2.012	3.366	1.958	1.467	1.732	3.200
2003-04	1.408	3.012	0.981	0.673	0.822	7.309
2004-05	1.524	2.303	1.458	1.415	0.705	6.122
2005-06	1.424	1.596	0.968	0.918	0.866	4.426
2006-07	1.873	2.714	2.180	2.087	0.367	4.028

2.16 The trends in the buoyancy coefficients reveal that they have fluctuated across the taxes and over plans. The buoyancy of gross tax collections during the Eighth and Ninth Plans remained lower than unity however it was more than one in each year of the X plan resulting in an average buoyancy of 1.547 during the Plan period. Due to buoyant growth in tax revenue displayed during the recent years, the long term trend over the period 1992-2007 also exceeded the unity although marginally. The overall tax buoyancy has improved significantly during 2002-03 to 2006-07 mainly on account of the revival of growth momentum especially in industrial sector of the economy on which the tax collections of the government critically depend. The other important factor behind the high tax buoyancy has been the increase in the rate of service tax as well as the widening of its base by inclusion of new services into the tax net. The buoyancy in gross tax collection would fall if we exclude service tax from it. However, a very low contribution of service tax in total tax collections, i.e. 8 per cent in 2006-07 indicates the fact that despite recent attempts at widening tax base, excessive reliance of the Government on the industrial sector still continues for the revenue requirements. Gross Tax revenue budgeted to grow by 20.76 per cent in 2006-07 relies heavily on the performance of corporate and income taxes and the budget estimates envisaged for corporate and income taxes were respectively at 31.33 per cent and 38.27 per cent for the year. The overall realisation of growth in revenue receipts (net to the Centre), receipts from corporate and income tax are observed to be respectively at 29.32, 42.50 and 34.13 per cent over the previous year.

2.17 While the overall buoyancy of two important direct taxes, viz., the corporate tax and income tax exceeded one, for the two important commodity taxes, viz., the customs and excise duty it was significantly below one during the period 1992-2007. Excise and customs duty have exhibited fluctuations during VIII and IX plan periods and also during the subsequent years. In the current year, except for the excise duty where buoyancy was even less than half of its trend ratio, other three major taxes recorded a significant in their buoyancies mainly on account of higher rates of growth in their collections while the GDP has increased by 1.57 percentage points in 2006-07 over the previous year. Further, buoyancies of corporation tax, income tax, customs

duty and service tax being more than two implies their growth rates had been significantly higher than the growth of GDP. The relatively buoyant performance on the customs duty front was observed on account of high and rising level of oil prices and buoyant non-oil imports because of the rise in GDP which in fact helped in mobilizing additional revenues from these taxes. The policy of expanding the tax base, rather than increasing the rate and moving towards CENVAT rate, reduction in excise duty on identified goods and granting exemption to others has been mainly responsible for slow pace in the collections under the excise duty. The declining share of customs and excise duties in the total tax receipts of the Union despite the buoyant GDP growth indicates towards their diluted role as a revenue-generating device in the wake of the tariff reductions associated with trade liberalization.

Tax-GDP ratio

2.18 The other indicator of adequacy and effectiveness of government's resource mobilisation efforts and its extent of realisation of the tax potential is the tax to GDP ratio. Table 2.10 and Chart 2.3 presents the trends of this ratio over the period 1992- 2007 encompassing the VIII, IX and X Plan periods. The average annual rate of shift in tax-GDP ratio at 0.65 *per cent* for the period 1992-2007 indicates that growth in gross tax revenue is keeping pace with the rate of growth in GDP during this period. The tax-GDP ratio at 9.32 *per cent* during VIII Plan (1992-97) declined to 8.65 *per cent* in IX Plan (1997-2002) but this trend was reversed during the X Plan (2002-07) as this ratio increased to over 10 *per cent* mainly on account of buoyant tax collections during recent years especially in 2005-06 and 2006-07. During the period 1992-2007, the tax GDP ratio was at its lowest level of 8.20 *per cent* in 2001-02 when the gross tax revenue collections declined in absolute terms by Rs. 1543 crore over the previous year. The ratio indicated an upturn in subsequent years and exceeded 10 *per cent* in the year 2005-06 for the first time during the economic reforms regime which began effectively from 1992-93. The increasing trend continued and it reached the level of 11.48 *per cent* during the current year which was marginally higher than the budgeted level of 11.2 *per cent* envisaged in MTFP Statement for 2006-07.

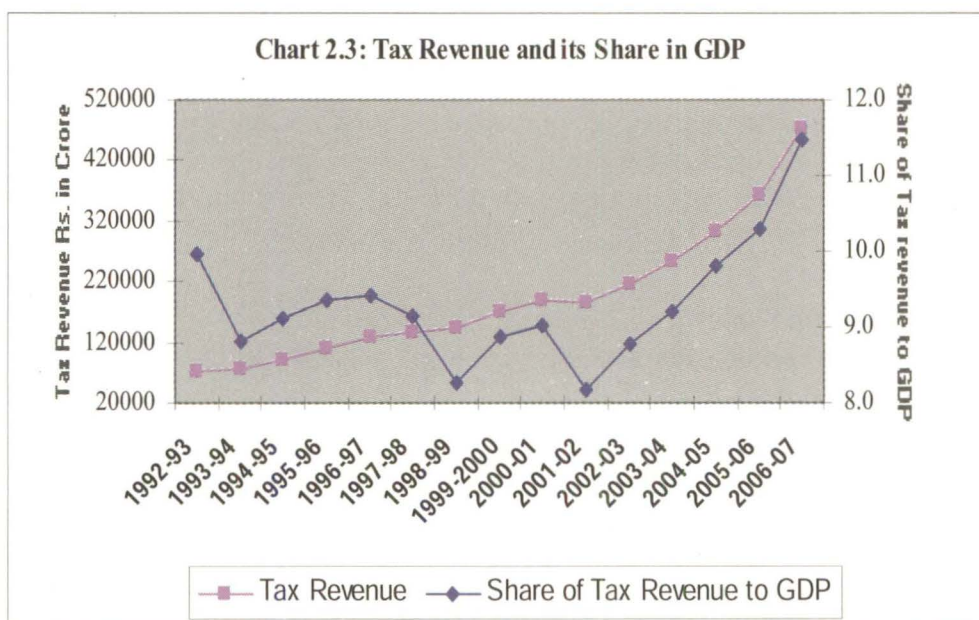
Table 2.10: Tax/GDP Ratio of Major Taxes

Period	(Per cent)					
	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
1992-2007	9.50	2.12	1.45	2.18	3.21	0.33
VIII Plan (1992-97)	9.32	1.31	1.21	2.92	3.58	0.04
IX Plan (1997-02)	8.65	1.54	1.32	2.26	3.17	0.12
X Plan (2002-07)	10.07	2.73	1.61	1.89	3.12	0.54
2002-03	8.80	1.88	1.50	1.82	3.35	0.17
2003-04	9.20	2.30	1.50	1.76	3.28	0.29
2004-05	9.75	2.64	1.58	1.84	3.17	0.45
2005-06	10.26	2.84	1.57	1.82	3.12	0.65
2006-07	11.48	3.50	1.82	2.09	2.85	0.91

(Per cent)

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
Average Annual Rate of Shift in the shares						
1992-2007	0.65	7.31	3.33	-4.00	-1.53	*

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



2.19 Even the phase of recovery and high economic growth resulting in increasing corporate profits and buoyancies in salaries together with widening of the tax net through various means could not improve the tax to GDP ratio significantly largely due to the tax exemptions/concessions provided during the economic reforms regime. Besides, marginal tax rates have come down sharply during the last more than two decades, viz. in 1985-86, the marginal rate of taxes on personal income was brought down from 62 to 50 *per cent* and the corporate tax rate from around 60 to 50 *per cent*. In the budget of the early 1990s, especially those of 1992-93 and 1994-95, the marginal rates were further reduced to 40 *per cent* and at present they stand at around 33 *per cent*. The tax to GDP ratios were at their lowest in 2001-02, when they stood at 8.20 *per cent* in the case of the centre's gross tax revenue and 5.88 *per cent* in the case of net tax revenue as compared to 9.97 and 7.23 *per cent* respectively in 1992-93. This decline has occurred despite some improvement in the collection of corporation, income and service taxes (relative to GDP) which could not cover the loss suffered in collections from customs and excise duties as a result of trade liberalization and the "rationalisation" of excise duties. An overall decline in the ratio of customs and excise duty collections to GDP contributed to the overall decline in tax to GDP ratio over this period. The ratio of customs and excise duty collections to GDP declined from an average of 2.92 and 3.58 *per cent* during the VIII Plan (1992-1997) to 1.82 and 3.12 *per cent* respectively in 2005-06. The ratio of customs duty collections to GDO although indicated a tendency to improve in 2006-07 but this ratio for

excise duties has further deteriorated during the current year. Although there was a negative shift in their share relative to GDP during 1992-2007 but the buoyant growth of receipts under corporate tax, income tax, service tax and other indirect taxes could sustain an overall positive shift in gross tax collections. Corporation and income tax collections relative to GDP witnessed significant improvement and had a positive shift rates. It is indeed true that subsequently buoyant corporate profits, a widened tax base and improved collection of dues and arrears, helped raise the tax GDP ratio. But despite high growth, improved profitability and signs of increased inequality (which should improve tax collection) the increase has just been adequate to put the tax GDP ratio back to its immediate pre liberalization levels. This is because while corporation, income and service tax revenues (particularly the first) contributed to the increase, their effect was inadequate to raise the level about that which prevailed in the late 1980s.

Non-Tax Revenue

2.20 Non-tax revenues of government could be considered as being composed of two components: income from its sovereign functions like judiciary, police, currency and coinage, etc., and arising from its assets/investments either as intermediation returns or dividends or user charges such as Railways, Posts and Departmental Undertakings. While the revenue from sovereign functions, financial intermediation and investment are in terms of actual realisation, income from social and economic services is on gross basis and is not netted of the operating costs of service delivery. Further, dividend income also includes the surplus transferred from the Reserve Bank of India and is more akin to seignorage (seignorage is non- inflationary increase in money stock) rather than investment related. Notwithstanding the limitations of non-tax revenue with regard to the amount that should actually be reckoned as income/revenue of the government, the accruals from this source contributed around 43.46 *per cent* of the average net current revenue of the Union during the period 1992-2007. Aggregated non-tax revenue on gross basis grew at an average rate of 9.75 *per cent* during 1992-2007 (Table 2.11).

Table 2.11: Non Tax Revenue- Trends

Period	<i>(Rupees in crore)</i>					
	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
1992-2007	110603	29446	13514	621	57103	9918
VIII Plan (1992-97)	61459	16791	4969	606	33100	5993
IX Plan (1997-02)	115933	34526	11555	572	60257	9024
X Plan (2002-07)	154419	37023	24018	687	77953	14738
2002-03	139682	44705	21230	424	60663	12660
2003-04	150518	46645	21160	449	68156	14108
2004-05	150508	36412	22939	451	75588	15118
2005-06	159174	30799	25451	1643	84893	16388
2006-07	172211	26553	29310	467	100466	15415

Report of the CAG on
Union Government Accounts 2006-07

(Rupees in crore)

Period	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
Average Annual Rate of Growth						
1992-2007	9.75	7.70	18.48	-0.20	9.12	9.14
VIII Plan (1992-97)	14.66	14.32	30.01	10.93	15.54	2.87
IX Plan (1997-02)	8.00	13.00	21.19	-21.24	2.25	13.16
X Plan (2002-07)	4.86	-13.56	8.65	16.07	13.07	5.59
2002-03	6.58	5.81	22.79	42.76	2.28	6.29
2003-04	7.76	4.34	-0.33	5.90	12.35	11.44
2004-05	-0.01	-21.94	8.41	0.45	10.90	7.16
2005-06	5.76	-15.42	10.95	264.30	12.31	8.40
2006-07	8.19	-13.79	15.16	-71.58	18.34	-5.94

2.21 Non-tax revenue from dividends and profits (inclusive of surplus transferred from the Reserve Bank of India) was the component growing the fastest at an average rate of 18.48 *per cent* during 1992-2007. However, the revenue from this source virtually declined in 2003-04 but picked up gradually in subsequent years. The fall in 2003-04 from this source was largely due to a decline in the surplus transferred from the Reserve Bank of India from Rs. 10320 crore in 2002-03 to Rs. 8834 crore in 2003-04 and further to Rs. 5400 crore in 2004-05. During the current year, a sharp increase in surplus transferred from the Reserve Bank of India to Rs. 8404 crore, along with an increase in the dividends from CPSUs and share of profit in nationalised banks largely led to an increase in share of component of dividends and profits in 2006-07. Tenth Plan (2002-07) witnessed a decline in growth of interest receipts during the first two years but during the last three years of the Plan, the contribution from this source has virtually declined in absolute terms mainly on account of implementation of the debt swap scheme that resulted in a reduced corpus of outstanding loans with lower interest rates.

2.22 The trend average receipts from the social services like education, health, water supply, sanitation and social security etc during X Plan (2002-07) was higher relative to that during Eighth Plan (1992-97) and Ninth Plan (1997-2002). The receipts from social services increased marginally in 2003-04 and remained virtually static during the X Plan except in 2005-06 when receipts from social services increased by more than three times from Rs. 451 crore in 2004-05 to Rs. 1643 crore in 2005-06 essentially on account of increased collections under the head 'Information and Publicity' amounting to Rs. 1139 crore during the year over the previous year. The aggregate receipts from economic services increased from the annual average receipts of Rs. 33100 crore during VIII Plan (1992-97) to Rs. 100466 crore in 2006-07 at an annual average rate of growth of 9.12 *per cent* during the period. The trends in receipts from economic services also reveal that except during the Eighth Plan (1992-97), aggregate receipts were higher than average annual receipts during 1992-2007. A detailed analysis of receipts from economic services indicates that the receipts from Railways constituted bulk of the total receipts from 'Economic Services' during 2000-07 and ranged from 61 *per cent* in 2000-01 to 65 *per cent* in 2006-07 after reaching the peak level of 70.46 *per cent*

cent in 2002-03. The Communication Services including telecommunications contributed another 20 per cent of total receipts from 'Economic Services' in 2000-01 which subsequently declined to 12.4 per cent in 2006-07 mainly on account of corporatization of the Telecom services in India. Although telecom receipts to Union declined since 2000-01 but receipts from other communication services including Wireless Planning and Coordination Organization and telecom licence fee/universal access levy have increased from Rs. 1614 crore in 2000-01 to Rs. 12465 crore in 2006-07. Railways together with communications, power and petroleum contributed 89 per cent of total receipts from economic services during 2006-07. An increase of 18.34 per cent and 15.16 per cent in receipts from economic services and dividends and profits resulted in an increase of 8.19 per cent in non-tax receipts in 2006-07 despite a decline in interest receipts and a fall in receipts from social services from the inflated level in 2005-06 to the trend average during the year.

2.23 Relative shares of the various components of non-tax revenue witnessed significant changes during 1992-2007 (Table 2.12). Notwithstanding inter year variations and a moderate growth in the last two years, the share of dividend and profits increased from an average of 8 per cent during the VIII plan (1992-1997) to around 17 per cent during 2006-07 and had a positive average annual shift rate of 7.95 per cent during 1992-2007. The share of interest receipts has consistently declined during Tenth Plan (2002-07) from 32 per cent in 2002-03 to 15.42 per cent in 2006-07 resulting in its negative shift rate of -1.87 during 1992-2007. Moderation in interest rates on loans advanced and debt swap have contributed to this deceleration during the last three years. Non-tax receipts from the social and economic services and from the sovereign and other general functions of the government had a negative shift rate during 1992-2007. For economic services, a part of this decline in relative share was due to cessation of revenue from telecommunication as the departmental undertaking was corporatised. Their revenue, which earlier formed part of the Consolidated Fund, became revenue of the newly created corporate entity. Overall contribution of the social services in non-tax revenue was not only insignificant but remained virtually static during the Tenth Plan (2002-07) although it indicated a steep increase in 2005-06 essentially on account of increased collections under the head 'information and publicity'.

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

Period	(Per cent)					
	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
1992-2007	100.00	26.62	12.22	0.56	51.63	8.97
VIII Plan (1992-97)	100.00	27.32	8.09	0.99	53.86	9.75
IX Plan (1997-02)	100.00	29.78	9.97	0.49	51.98	7.78
X Plan (2002-07)	100.00	23.98	15.55	0.44	50.48	9.54
2002-03	100.00	32.00	15.20	0.30	43.43	9.06

Report of the CAG on
Union Government Accounts 2006-07

(Per cent)

Period	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
2003-04	100.00	30.99	14.06	0.30	45.28	9.37
2004-05	100.00	24.19	15.24	0.30	50.22	10.04
2005-06	100.00	19.35	15.99	1.03	53.33	10.30
2006-07	100.00	15.42	17.02	0.27	58.34	8.95
Average Annual Rate of Shift in the shares						
1992-2007		-1.87	7.95	-9.07	-0.57	-0.56

Non-Debt capital receipts

2.24 Non-debt capital receipts consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances. Table 2.13 gives the details of non debt capital receipts from disinvestment and recovery of loans and advances given by the Union Government to State and Union Territory governments, foreign governments, government corporations, non-government institutions and government servants. This table also indicates the budget estimates and actual realisation of the proceeds from disinvestment along with actual recovery of loans and advances of the Union Government.

Table 2.13: Realisation from disinvestment and recovery of loans

Period	Disinvestment			Recovery of Loans		
	Budget Estimates	Actual Realisation	Per cent Realisation	Budget Estimates	Actual Realisation	Per cent Realisation
	(Rupees in crore)			(Rupees in crore)		
1996-97	5000	380	7.60	8184	8696	106.26
1998-99	5000	5369	107.38	11560	13189	114.09
1999-00	10000	1723	17.23	13337	12551	94.11
2000-01	10000	1870	18.70	15839	16799	106.06
2001-02	12000	3028	25.23	17488	20733	118.56
2002-03	12000	3149	26.24	20080	38745	192.95
2003-04	13200	16632	126.00	20523	69827	340.24
2004-05	4000	4363	109.10	29625	64240	216.84
2005-06	0.0	1570	--	13525	11801	87.25
2006-07	3840	534*	0.00	9530	18691	196.13

2.25 During 2006-07 receipts of Rs. 3840 crore on account of partial disinvestment of equity holdings in Central Public Sector Enterprises were assumed at the BE[†] stage. However, there was no receipt on account of disinvestment in the year 2006-07. The receipt of Rs. 534 crore booked under capital receipt was mainly on account of issue of bonus shares by Oil and Natural Gas Commission. However, with the decision to set up the National

* The receipt of Rs. 534 crore was mainly on account of issue of bonus shares by Oil and Natural Gas Commission.

† Budget Estimates

Investment Fund (NIF) to credit the disinvestment proceeds, such receipts in the current year were to be matched by transfer to NIF. With the prepayment of high cost loans by States as well as by some public sector undertakings under the debt swap scheme in 2003-04 and 2004-05 to take advantage of the soft-interest regime, the receipts under recovery of loans showed a predictable decline during 2005-06. The recovery of loans not only significantly declined from the previous year but fell short of the meagre budget target of Rs. 13525 crore during 2005-06. During 2006-07, the recovery of loans at Rs. 18691 crore has shown a sign of improvement and exceeded the meagre BE of Rs. 9530 crore. Other capital receipts consist of market borrowing and accruals in the public accounts, which are debt creating in nature and are discussed in later chapters.

Chapter 3

APPLICATION OF RESOURCES: EXPENDITURE

Total disbursements of the Union Government increased at an average annual trend growth rate of 15 *per cent* during 1992-2007. Aggregate disbursement of Union Government has four major components: actual expenditure inclusive of the grants in aid to the States; mandatory transfer of the proceeds from Union taxes to the States; repayment of debt and disbursements from public accounts. The relative share of the four components of aggregate disbursement showed wide fluctuation both on year-to-year basis and over Plan periods. The share of actual expenditure has gradually declined while the shares of other three components exhibited a mixed trend over the period 1992-2007.

Revenue expenditure continued to be the dominant component of the total expenditure and its share increased consistently from an average of 78.88 *per cent* during the VIII Plan to 83.61 *per cent* in IX Plan (1997-2002) and further to an average of 87.27 *per cent* during the X Plan (2002-07) after reaching the peak level of 90.47 *per cent* during the current year. A significant part of revenue expenditure is mostly committed, i.e. that part of the expenditure over which the Government has very little discretion. Interest payments, subsidies, pensions, salary & wages and most of the grants-in-aid to States/Union Territories fall in this category.

Against these trends in revenue expenditure, relative share of capital expenditure and loans and advances declined from an average of 21.12 *per cent* during the VIII Plan to an average of 13 *per cent* during the X Plan (2002-07) with lowest share at 9.53 *per cent* during the current year. The steep decline in the Loans and Advances during 2005-06 and 2006-07 was on account of acceptance of TFC recommendation regarding disintermediation of Central Government in borrowings by State Governments to finance their State Plans. Further analysis of trends in government expenditure reveal that non plan expenditure far outweighs the plan expenditure and revenue expenditure completely overshadows capital expenditure. Buoyancy of capital expenditure with GDP and revenue receipt has been around 0.7 during 1992-2007 as against the buoyancy of close to one for revenue expenditure.

In terms of activities, overall expenditure of the Government is composed of general services, social services and economic services. The overall expenditure on social and economic services has increased at the long term rate of growth of 16.70 and 10.58 *per cent* respectively during 1992-2007. Expenditure on social and economic services was buoyant particularly during the X Plan (2002-07) period. The trends in pattern of Union Government's expenditure during the X Plan period reveal increased spending on areas such as rural employment, education, health and drinking water supply and sanitation. Besides, expenditure on infrastructure facilities like rural roads, housing and rural electrification have also gone up during the last few years.

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. 2,830,083 crore that it mobilised during 2006-07 to disbursements as shown in Table 3.1.

Table 3.1: Application of Resources

(Rupees in crore)

I	Resources available		2,830,083
II	Application of Resources		2,735,200
	a. Repayment of Debt		1,480,938
	Internal Debt	1,473,053	
	External Debt	7,885	
	b. Discharge of liabilities on Public Account		406,380
	Small Savings and Provident Fund	277,102	
	Reserve Fund	46,774	
	Deposits and Advances	70,972	
	Others	11,532	
	c. Actual Expenditure		727,552
	Revenue Expenditure	658,240	
	Capital Expenditure	59,293	
	Loans and Advances	10,019	
	d. Share of the States in taxes		120,330
	3 Appropriation to Contingency Fund		-
III	Closing Cash Balances		94,883

3.2 The repayments of debt and discharge of public account liabilities (Rs. 1887,318 crore), interest payments (Rs. 154,280 crore), assignment of mandated portion of its gross tax receipts to States (Rs. 120,330 crore) and grants-in-aid to states (Rs. 88,871 crore) took away nearly 80 per cent of its total resources. Government spent about 20 per cent of its gross mobilisation 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

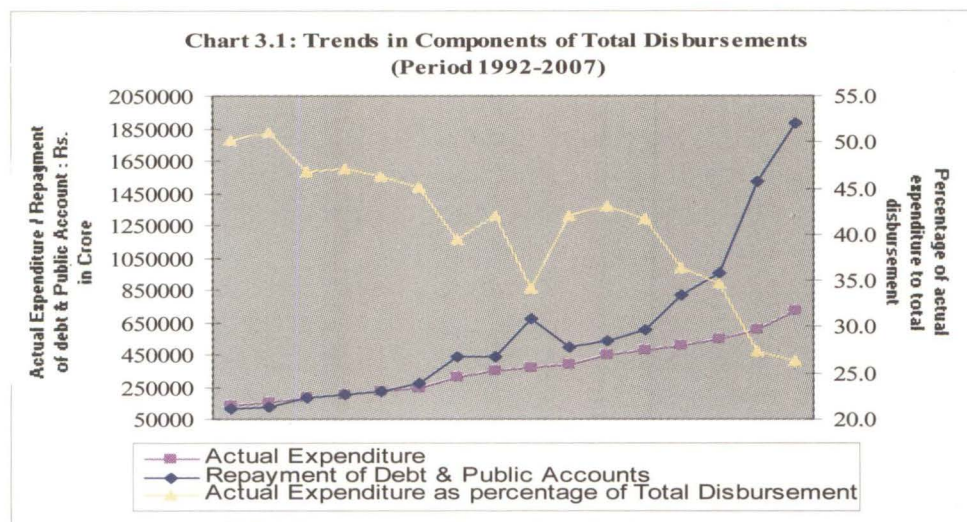
(Rupees in crore)

Period	Actual Expenditure	States' share in taxes	Repayment of Debt	Disbursement in Public Account	Total Disbursement	GDP (Market Price)
1992-2007	383964	51351	407049	219957	1062321	2054577
VIII Plan (1992-97)	203539	26391	126525	77261	433716	1035315
IX Plan (1997-02)	374502	44622	310011	207404	936539	1919800
X Plan (2002-07)	573852	83040	784612	375206	1816709	3208615
2002-03	476310	56122	339677	270224	1142333	2458084
2003-04	506817	65766	430963	391783	1395329	2765491
2004-05	549333	78595	556269	400388	1584585	3126596
2005-06	609249	94385	1115210	407255	2226099	3567177
2006-07	727552	120330	1480938	406380	2735200	4125725

Report of the CAG on
Union Government Accounts 2006-07

Period	Actual Expenditure	States' share in taxes	Repayment of Debt	Disbursement in Public Account	Total Disbursement	GDP (Market Price)
Average Annual Rate of Growth (in per cent)						
1992-2007	10.89	12.31	18.77	16.96	15.07	12.21
VIII Plan (1992-97)	11.87	14.41	20.90	14.32	14.84	16.54
IX Plan (1997-02)	8.86	11.05	-2.34	22.05	7.00	10.49
X Plan (2002-07)	10.89	20.76	47.63	8.92	24.77	13.77
2002-03	6.92	6.21	5.58	25.06	10.25	7.76
2003-04	6.40	17.18	26.87	44.98	22.15	12.51
2004-05	8.39	19.51	29.08	2.20	13.56	13.06
2005-06	10.91	20.09	100.48	1.71	40.48	14.09
2006-07	19.42	27.49	32.79	-0.21	22.87	15.66

3.4 Total disbursements of the Union Government consistently increased from an average of Rs. 433,716 crore during the VIII Plan (1992-1997) to Rs. 2735,201 crore in the current year. The average annual trend growth during 1992-2007 at 15.07 *per cent* was higher than the rate of growth of GDP, which in the same period averaged 12.21 *per cent*. Average annual growth rates of expenditure during the VIII and IX Plans were in fact lower than GDP growth rates. Tenth Plan (2002-07) has witnessed reversal of this trend and rate of growth of total disbursements exceeded the GDP growth. The average annual growth rate of actual expenditure has always remained lower than the GDP growth rates except in the current year while in case of disbursements from Public Account it was higher with an exception during VIII Plan and last three years of X Plan when this component indicated a marginal growth at an average rate of about 1.23 *per cent* only. The growth rates in other two components vis-à-vis GDP growth rate indicated the mixed trends during the period. Except in case of disbursements from the Public Account, growth rates in other components of total disbursements indicated an upsurge during the last two years of the Tenth Plan. If all the four components of total disbursement in 1992-93 are set to 100, the index of the component of repayment of debt would have a value of 2066 as against a value of 702 for disbursements from public account. The other two components, actual expenditure and States' share in Taxes would have a value of 465 and 586 respectively. Chart 3.1 presents the graphical presentation of trends in various components of total disbursement during the period 1992-2007



3.5 The relative share of the four components of aggregate disbursement showed wide fluctuation both on year-to-year basis and over Plan periods as detailed in the table below:

Table 3.3: Disbursement Components: Relative Share

Period	(Per cent)			
	Actual Expenditure	States' Share in Taxes	Repayment of Debt	Disbursement from Public Account
1992-2007	36.14	4.83	38.32	20.71
VIII Plan (1992-97)	46.94	6.08	29.17	17.81
IX Plan (1997-02)	39.99	4.76	33.10	22.15
X Plan (2002-07)	31.59	4.57	43.19	20.65
2002-03	41.70	4.91	29.74	23.66
2003-04	36.32	4.71	30.89	28.08
2004-05	34.67	4.96	35.11	25.27
2005-06	27.37	4.24	50.10	18.29
2006-07	26.60	4.40	54.14	14.86
Average Annual Rate of Shift in their Relative Shares				
1992-2007	-3.63	-2.40	3.22	1.64

3.6 The share of actual expenditure (indicating the expenditure on current operations covering revenue and capital expenditure and loans and advances) witnessed a decelerating trend during the IX Plan (1997-02) from its peak level of 46.94 *per cent* during the VIII Plan (1992-1997). During X Plan (2002-07), first year (2002-03) indicated an increase in the relative share of actual expenditure but thereafter deceleration trend continued and its share declined to 26.60 *per cent* in the current year. The deceleration trend after the VIII Plan is also reflected in its negative shift rate during 1992-2007. The relative share of expenditure on debt repayment exhibited the mixed trends during the periods covering VIII Plan (1992-97), IX Plan (1997-2002) and X Plan (2002-07) which finally converged into a positive annual average rate of shift in its long term trend during 1992-2007. Disbursements from public

account indicated a long-term trend share of 20.71 *per cent* during 1992-2007. Relative share of this component was 17.81 *per cent* of aggregate disbursements during the VIII Plan (1992-1997) which later increased to an annual average of 22.15 *per cent* during the IX Plan (1997-2002) reaching its peak of 33.76 *per cent* in 1999-2000 consequent upon the creation of NSSF and conversion of balances of small savings to dated securities. The share of disbursement from public account since then declined to 25.27 *per cent* in 2004-05 and further to 14.86 *per cent* in the current year. Despite the decline in its share during the last three years, this component had a positive rate of shift of 1.64 *per cent* during 1992-2007, although it indicated a declining trend.

Expenditure: Main Aggregates

3.7 Table 3.4 and Chart 3.2 presents a summary of the actual expenditure of the Union government (excluding repayment of debt and disbursement from public account, which are discussed separately in the chapter on Fiscal Liabilities) and the observed trend growth rates of its various components over the Plan periods.

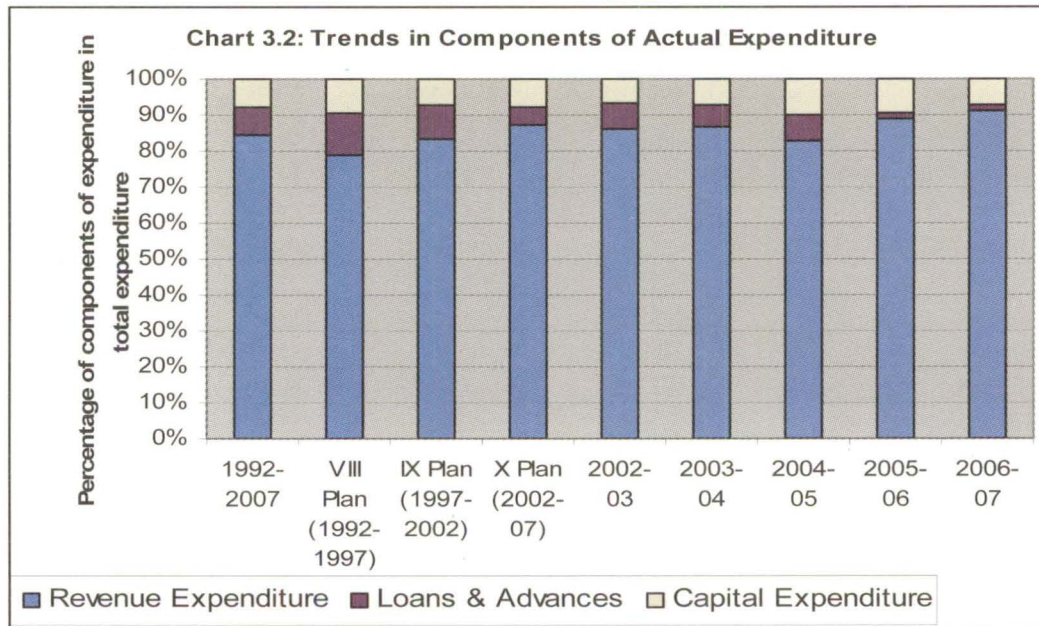


Table 3.4: Expenditure Components

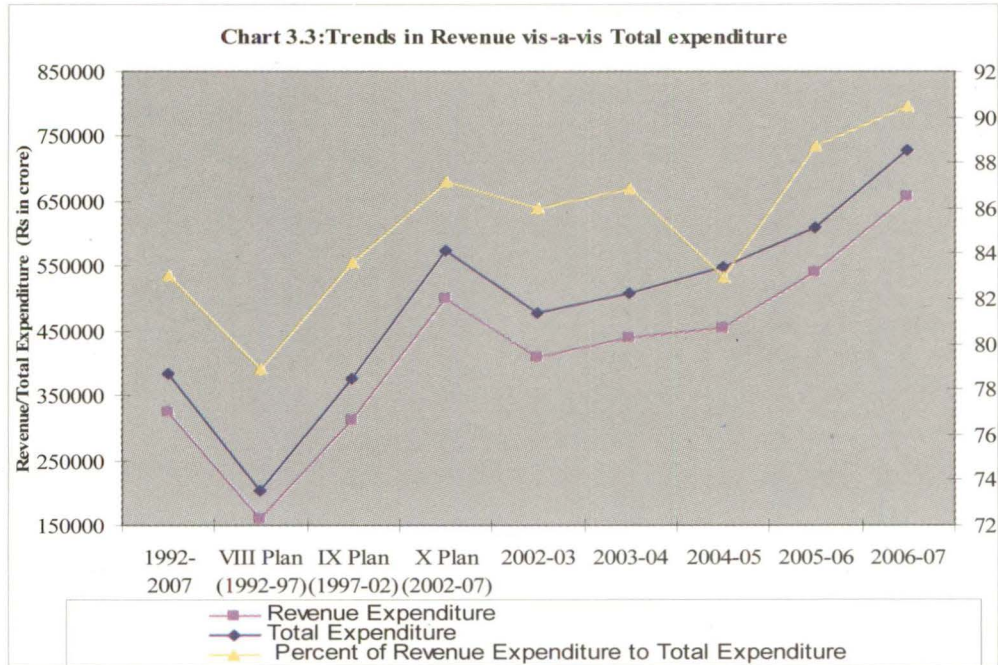
(Rupees in crore)

Period	Revenue Expenditure	Capital Expenditure	Loans & Advances	Total Expenditure	Revenue Expenditure/ Total Exp	Others/ Total Expenditure
1992-2007	324825	30926	28214	383964	84.60	15.40
VIII Plan (1992-97)	160541	19550	23447	203539	78.88	21.12
IX Plan (1997-02)	313109	26234	35159	374502	83.61	16.39
X Plan (2002-07)	500825	46993	26034	573852	87.27	12.73

(Rupees in crore)

Period	Revenue Expenditure	Capital Expenditure	Loans & Advances	Total Expenditure	Revenue Expenditure/ Total Exp	Others/ Total Expenditure
2002-03	409591	30497	36222	476310	85.99	14.01
2003-04	440086	35401	31330	506817	86.83	13.17
2004-05	455571	53654	40108	549333	82.93	17.07
2005-06	540637	56119	12493	609249	88.74	11.26
2006-07	658240	59293	10019	727552	90.47	9.53
Average Annual Rate of Growth						
1992-2007	12.12	8.62	-1.23	10.89	1.11	-5.35
VIII Plan (1992-97)	14.64	-8.44	11.91	11.87	Average Annual Rate of Shift (per cent)	
IX Plan (1997-02)	10.40	9.22	-3.42	8.86		
X Plan (2002-07)	12.24	19.61	-29.46	10.86		
2002-03	9.06	-2.55	-6.19	6.92		
2003-04	7.45	16.08	-13.51	6.40		
2004-05	3.52	51.56	28.02	8.39		
2005-06	18.67	4.59	-68.85	10.91		
2006-07	21.75	5.66	-19.80	19.42		

3.8 Appendix-III-A presents the figures of actual expenditure and its three sub-components during the period from 1992-93 to 2006-07. Revenue expenditure continued to be the dominant component of the total expenditure (Chart 3.3) and its share increased from an average of 78.88 *per cent* during the VIII Plan to 83.61 *per cent* in IX Plan (1997-2002) and further to an average of 87.27 *per cent* during the X Plan (2002-07) after reaching the peak level of 90.47 *per cent* during the current year. An increase of 21.75 *per cent* in revenue expenditure amounting to Rs. 117,603 crore during 2006-07 over the previous year was reported largely on account of enhanced expenditure on economic services by Rs. 62138 crore (33.22 *per cent*); central transfers to State and UT Governments comprising of States' share in central taxes and duties (Rs. 25945 crore: 27.49 *per cent*) and grants in aid (Rs. 16284 crore: 21.62 *per cent*) and on general services by Rs. 32217 crore (13.43 *per cent*). The revenue expenditure during 2006-07 was 14.20 *per cent* higher than budget estimates which itself was 38.61 *per cent* more than the normative assessment made by TFC for Central Government for the year after incorporating the debt relief recommended for the States. Its relative share had a positive shift rate of 1.11 *per cent per annum* during 1992-2007.



3.9 Against these trends in revenue expenditure, relative share of capital expenditure and loans and advances declined from an average of 21.12 *per cent* during the VIII Plan to 16.39 *per cent* in IX Plan (1997-2002) and further to an average of 12.73 *per cent* during the X Plan (2002-07) with lowest share at 9.53 *per cent* during the current year. The capital expenditure during the current year was less than its budget estimates of Rs. 66937 crore which itself was fixed at much below the level projected by TFC (Rs. 112080 crore) for 2006-07 to attain the targeted level of 3.5 *per cent* of GDP by the terminal year (2009-10) of its award period. Revenue expenditure of the Union Government (net of the States' share in taxes) increased at an average annual rate of 12.12 *per cent* during 1992-2007. Capital expenditure, however, grew at a lower rate of 8.62 *per cent* and disbursement of loans and advances had virtually declined and its rate of growth turned out to be -1.23 *per cent* during this period. The average annual trend growth of the actual expenditure, which included all these three components, was 10.89 *per cent* during the period 1992-2007.

3.10 Capital expenditure witnessed a contraction during the VIII Plan (1992-1997) and recorded a negative growth. Average annual growth recovered to 9.22 *per cent* during the IX Plan (1997-2002) and further to an average of 19.61 *per cent* during the X Plan (2002-07). Loans and advances, however, depicted a different picture with the rate of growth turning negative during the IX Plan and indicated further negative trend during the X Plan (2002-07). The steep decline in the Loans and Advances during 2005-06 and 2006-07 was on account of acceptance of TFC recommendation regarding disintermediation of Central Government in borrowings by State Governments to finance their State Plans. The States therefore raised the loan component of central plan assistance directly from the market without budgetary

intermediation of the Central Government. This mechanism has been put in place from the year 2005-06 on the basis of recommendations of TFC.

Revenue Expenditure: Trend and Components

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

Table 3.5: Revenue Expenditure and its Components

(Rupees in crore)

Period	Revenue Expenditure	Pay & Allowances**	Interest Payments	Pensions*	Grants to States	Others
1992-2007	324825	30606	90414	15684	37910	150211
VIII Plan (1992-97)	160541	21620	44280	5661	20630	68350
IX Plan (1997-02)	313109	33432	91102	15852	32423	140300
X Plan (2002-07)	500825	36765	135860	25539	60676	241985
2002-03	409591	33317	124573	19085	42136	190480
2003-04	440086	34554	128114	20702	47320	209396
2004-05	455571	38653	130958	24085	52686	209189
2005-06	540637	37263	141375	24750	72367	264882
2006-07	658240	40047	154280	39074	88871	335968
Average Annual Rate of Growth (per cent)						
1992-2007	12.12	5.47	12.15	16.20	11.15	13.52
VIII Plan (1992-97)	14.64	12.10	17.44	15.65	5.60	16.55
IX Plan (1997-02)	10.40	-2.09	14.90	17.07	11.06	10.11
X Plan (2002-07)	12.24	4.54	5.40	17.46	21.14	14.68
2002-03	9.06	6.08	9.11	0.80	1.55	12.33
2003-04	7.45	3.68	2.84	8.47	12.30	9.94
2004-05	3.52	11.89	2.22	16.34	11.34	-0.10
2005-06	18.67	-3.60	7.95	2.76	37.36	26.62
2006-07	21.75	7.47	9.13	57.87	22.81	26.84

* includes Miscellaneous General Service

** Notes:

- 1) The expenditure on pay and allowances up to 2001-02 is as per Brochure published by Pay Research Unit of the Department of Expenditure for the Central Government Civilian Employees including the employees of the Union Territories and non-civilian employees of Defence Department. From 2002-03 figures do not include expenditures of pay and allowances of non-civilian employees of Defence.
- 2) Expenditure on Pay and Allowances do not include travelling allowance, productivity-linked bonus, ad-hoc bonus, encashment of earned leaves and honorarium.
- 3) For the years 2002-03, 2003-04 and 2004-05, actual figures as per Brochure published by Pay Research Unit for Central Govt. Civilian Employees. Expenditure on pay and allowances for 2006-07 are revised estimates as actual figures are still awaited.

3.12 All the components of revenue expenditure except pay and allowances had a double-digit trend growth during 1992-2007. Average annual rate of growth of these components, except grants to States and pensions, was relatively higher during the VIII Plan (1992-1997). Deceleration in growth rates during the IX Plan (1997-2002) was particularly pronounced for pay and

allowances which have witnessed contraction and residual components of revenue expenditure grouped under 'Others'. Rate of growth of interest payments also witnessed moderate deceleration during IX Plan and further to an average of 5.40 *per cent* during the X Plan (2002-07). The rate of growth of interest payments declined largely due to a general decline in interest rates for the internal loans. Despite a soft interest rate regime prevailing during the X Plan period, interest payments have continued to rise mainly due to spiralling outstanding debt during the period. Curtailing interest payments requires a reduction in current deficits so that interest payments reduce in the future. Technically, only if the government is able to generate primary surpluses can there be a reduction in debt and future interest payments. However, due to continued prevalence of primary deficits, the debt levels continued to increase resulting in increasing interest payments during the period. Expenditure on pay and allowances of Central Government employees, including civil employees in defence and departmental undertakings, after recording a growth of 33.84 *per cent* in 1997-98, consequent upon the implementation of Fifth Pay Commission's recommendation, tapered off in subsequent years and on average registered a decline during IX Plan period. Notwithstanding the wage increases in the post Pay Commission years, the trend growth of this component of revenue expenditure was lower than the GDP growth.

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

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

(Per cent)

Period	Revenue Expenditure			Revenue Receipts			Non-Debt Receipts		
	Interest Payments	Others	Total	Interest Payments	Others	Total	Interest Payments	Others	Total
1992-2007	27.83	14.25	42.08	35.53	18.19	53.72	32.44	16.61	49.05
VIII Plan (1992-97)	27.58	16.99	44.57	33.65	20.73	54.38	31.41	19.35	50.76
IX Plan (1997-02)	29.10	15.74	44.84	38.38	20.76	59.14	35.75	19.34	55.09
X Plan (2002-07)	27.13	12.44	39.57	34.45	15.80	50.25	30.85	14.15	45.00
2002-03	30.41	12.79	43.20	41.55	17.48	59.03	36.45	15.33	51.78
2003-04	29.11	12.55	41.66	37.78	16.29	54.07	30.08	12.97	43.05
2004-05	28.75	13.77	42.52	34.75	16.65	51.40	29.39	14.08	43.47
2005-06	26.15	11.47	37.62	32.81	14.39	47.20	31.82	13.96	45.78
2006-07	23.44	12.02	35.46	29.36	15.06	44.42	28.33	14.53	42.86

(Per cent)

Period	Revenue Expenditure			Revenue Receipts			Non-Debt Receipts		
	Interest Payments	Others	Total	Interest Payments	Others	Total	Interest Payments	Others	Total
Average Annual Rate of Shift in Shares									
1992-2007	0.03	-3.10	-1.08	0.37	-2.77	-0.75	0.10	-3.03	-1.02

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

Expenditure: Plan and Non-Plan

3.14 The Finance Accounts provide a further disaggregation of expenditure into plan and non-plan. Plan expenditure normally relates to incremental developmental expenditure on new projects or schemes and involves both revenue and capital expenditure. Non-plan expenditure, on the other hand, is normally devoted to maintaining the levels of services already achieved. However, in both plan and non-plan expenditure, increase in capital expenditure relative to revenue expenditure is considered qualitatively more desirable as it leads to the extension of the social and economic infrastructure network and capital formation by the Government. Table 3.7 presents the growth and composition of Plan and non-Plan expenditure of the Union government while the trends in the relative share of plan and non-plan expenditure in total expenditure are given in Table 3.8.

Table 3.7: Components of Expenditure - Plan & Non plan

(Rupees in crore)

Period	Plan				Non Plan			
	Total	Revenue	Capital	Loans	Total	Revenue	Capital	Loans & Advances
1992-2007	88485	58490	12157	17838	295477	266334	18768	10375
VIII Plan (1992-97)	48190	26749	8380	13061	155348	133792	11170	10386
IX Plan (1997-02)	78595	47089	10132	21373	295907	266019	16102	13786
X Plan (2002-07)	138674	101633	17960	19081	435179	399189	29033	6954
2002-03	111471	71570	14643	25258	364839	338021	15854	10964
2003-04	122281	78638	16913	26730	384536	361448	18488	4600
2004-05	132932	87494	19372	26066	416401	368077	34282	14042
2005-06	140637	111858	19457	9322	468612	428779	36662	3171
2006-07	186060	158618	19414	8028	541492	499622	39879	1991
Average Annual Rate of Growth (per cent)								
1992-2007	11.07	14.12	7.53	1.89	10.85	11.66	9.48	-7.34
VIII Plan (1992-97)	7.53	11.48	-4.45	7.28	13.24	15.27	-11.36	18.27
IX Plan (1997-02)	13.49	14.50	4.56	15.71	7.63	9.69	13.12	-29.30
X Plan (2002-07)	12.35	21.46	7.30	-28.44	10.38	9.99	28.78	-31.50
2002-03	6.36	16.08	30.52	-20.90	7.09	7.68	-21.03	64.08
2003-04	9.70	9.88	15.50	5.83	5.40	6.93	16.61	-58.04
2004-05	8.71	11.26	14.54	-2.48	8.29	1.83	85.43	205.26
2005-06	5.80	27.85	0.44	-64.24	12.54	16.49	6.94	-77.42
2006-07	32.30	41.80	-0.22	-13.88	15.55	16.52	8.77	-37.21

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

Period	PE/TE	NPE/TE	PRE/PE	NPRE/NPE
1992-2007	23.05	76.95	66.10	90.14
VIII Plan (1992-97)	23.68	76.32	55.51	86.12
IX Plan (1997-02)	20.99	79.01	59.91	89.90
X Plan (2002-07)	24.17	75.83	73.29	91.73
2002-03	23.40	76.60	64.20	92.65
2003-04	24.13	75.87	64.31	94.00
2004-05	24.20	75.80	65.82	88.39
2005-06	23.08	76.92	79.54	91.50
2006-07	25.57	74.43	85.25	92.27

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

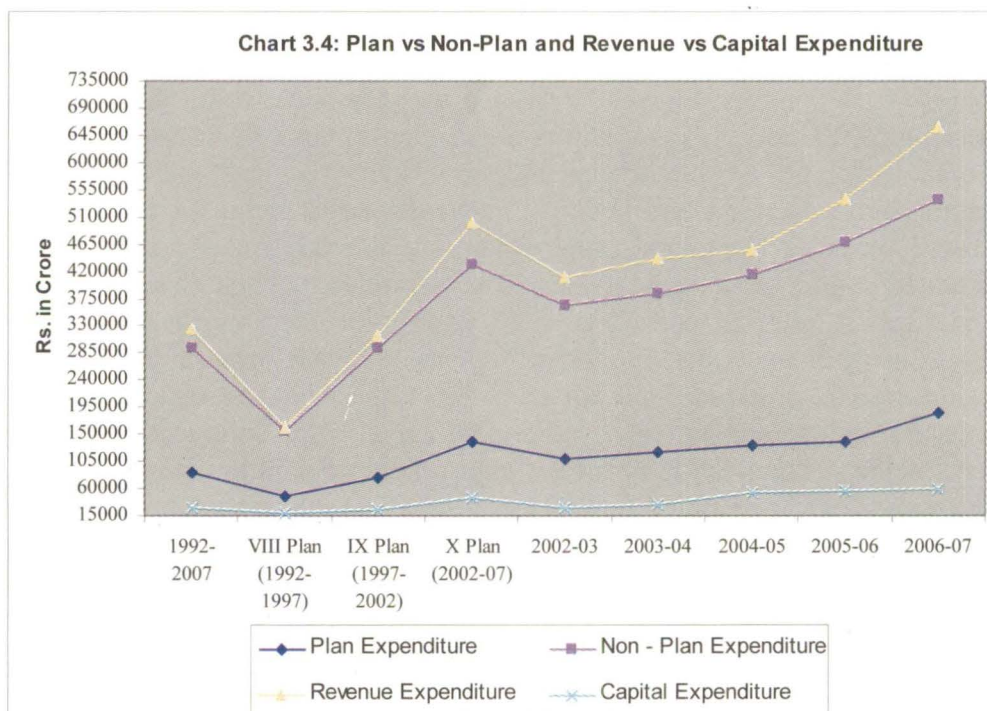
3.15 The share of plan expenditure in total expenditure remained nearly stagnant during 1992-2007. As against an average of 23.68 *per cent* of total expenditure during VIII Plan (1992-97), its share only moderately improved to 24.17 *per cent* during the X Plan (2002-07) after a dip of 2.69 percentage points during the IX Plan (1997-2002). This seemingly stable share, however, conceals the inter year and inter plan variations at aggregate plan and at its sub component levels.

3.16 The rate of growth of plan expenditure witnessed an acceleration of nearly six percentage points during the IX Plan (1997-2002), from an average of 7.53 *per cent* per annum during the VIII Plan (1992-1997) to 13.49 *per cent*. This acceleration was across its three sub components. Though the long-term trend growth of non-plan expenditure was relatively higher at 13.24 *per cent* during VIII Plan (1992-97), a significant deceleration by almost 6 percentage points in its rate of growth was observed during the IX Plan. During the X Plan (2002-06), the growth rates, particularly at the level of sub components fluctuated widely both in plan and non-plan components of expenditure. 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 1992-2007 was 0.906 and 0.935 respectively. In case of non-plan expenditure, the buoyancy coefficients were relatively lower at 0.889 and 0.916 respectively (Table 3.9), but remained less than one reflecting the fact that their average growth rates were still lower than the growth rates of GDP and revenue receipts during the period, although marginally.

3.17 Both for plan and non-plan expenditure, the revenue component remained not only the most predominant, but it was also relatively the most buoyant throughout 1992-2007. The share of revenue component in plan expenditure, which averaged 55.51 *per cent* during VIII Plan gradually increased to 73.29 *per cent* during the X Plan (2002-07) with peak level of 85.25 *per cent* during the current year. Although plan expenditure increased at moderate average rate of 7.64 *per cent* during the first four years of the X Plan

(2002-07) but it sharply increased by 32.3 *per cent* during the current year mainly on account of a growth of 41.8 *per cent* in its revenue component in 2006-07 over the previous year. The step up in revenue component of plan expenditure was largely due to increase in plan grants to States and also to meet the expenditure commitments under critical social sectors including rural employment, education and health. The increased spending in the socially oriented areas such as rural employment, rural roads, rural water supply, integrated child development services, reproductive and child health, immunisation, medical education, rural family welfare services, nutritional support to primary education, sarva shiksha abhiyan, national horticulture mission, micro irrigation, and agro and rural industries led to a significant increase in revenue component of the plan expenditure during the last three years of the X Plan (2002-07). Plan expenditure of capital nature and plan loans and advances recorded a much lower trend growth relative to its revenue component. Plan capital expenditure although gained significant acceleration during the first three years of X Plan (2002-07) but in 2005-06 it remained almost static at the level of 2004-05 and during the current year it has marginally declined by Rs. 43 crore from the level of Rs. 19457 crore in the previous year. Plan loans also witnessed significant contraction during the current year reflecting the dis-intermediation of Central Government in the raising of State domestic loans due to the acceptance of the TFC recommendation.

3.18 The share of revenue component in non-plan expenditure increased from an average of 86.12 *per cent* during VIII Plan (1992-97) to 89.9 *per cent* during IX Plan (1997-2002) and further to an average of 91.73 *per cent* during the X Plan (2002-07) after reaching the peak level of 94 *per cent* in 2003-04. Interest payments, defence revenue expenditure, subsidies and pensions form the major component of the non plan revenue expenditure of the Central Government. Of the total increase of Rs. 70843 crore in non plan revenue expenditure during 2006-07, interest payments, defence revenue expenditure, pensions and miscellaneous General Services together contributed Rs. 30747 crore (43.40 *per cent*). Besides, increase in non-plan revenue expenditure on social and economic services by Rs. 47165 crore over the previous year also resulted in buoyancy in overall non plan revenue expenditure during 2006-07. The committed non plan revenue expenditure on items such as interest payments, defence revenue expenditure, subsidies and pensions was observed to be not only higher than their respective budgetary estimates but also significantly exceeded the normative projections made by TFC for 2006-07. For instance, interest payments and defence revenue expenditure in 2006-07 were higher by TFC normative projections for the year by Rs. 12271 crore and Rs. 5202 crore respectively. Non-plan capital outlay has indicated a marginal improvement over the previous year and grew by 8.77 *per cent* in current year. The slow pace was mainly on account of a marginal increase of Rs. 1490 crore (4.6 *per cent*) in capital expenditure under defence services in 2006-07 over the previous year which constitutes the bulk of the non plan capital outlay.



3.19 The trends in the composition of Union Government expenditure over the period 1992-2007, which has been increasing over the years (Chart 3.4), reveal that non-plan expenditure far outweighs the plan expenditure and revenue expenditure completely overshadows capital expenditure. The predominance of plan revenue expenditure has been mainly on account of the fact that central support to the states development activities whether through central assistance or centrally sponsored schemes are classified as revenue expenditure regardless of the purpose for which they are used by the States and other implementing agencies.

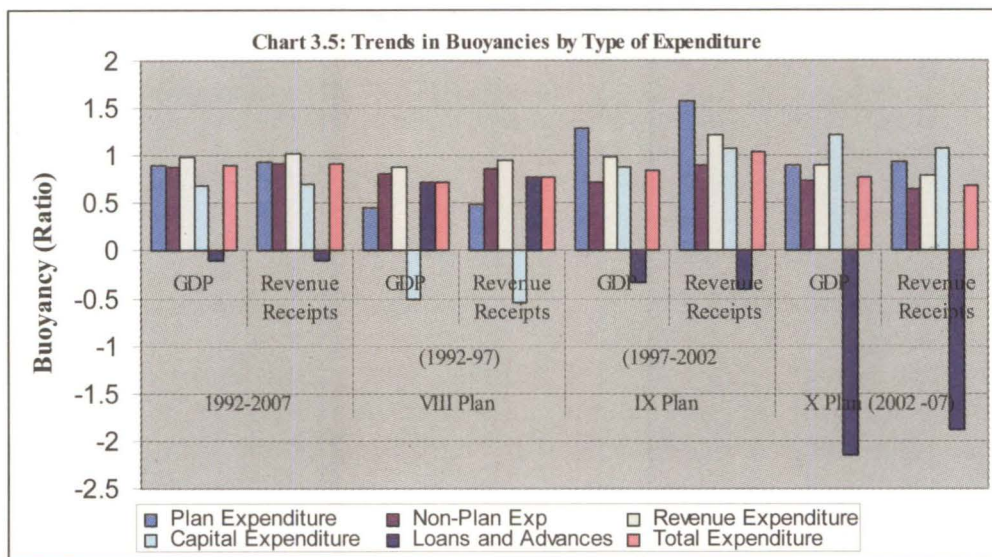
Buoyancy of Expenditure

3.20 More important than the growth in nominal expenditure or its absolute volume is the buoyancy of its various components relative to the base. Table 3.9 below provides the average buoyancy ratios of various components of expenditure relative to revenue receipts and GDP separately for 1992-2007, VIII, IX and X Plan periods.

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

Type of expenditure	1992-2007		VIII Plan (1992-97)		IX Plan (1997-2002)		X Plan (2002-07)	
	GDP	Revenue Receipts	GDP	Revenue Receipts	GDP	Revenue Receipts	GDP	Revenue Receipts
Plan Expenditure	0.906	0.935	0.455	0.489	1.286	1.572	0.897	0.791
Non-Plan Exp	0.889	0.916	0.800	0.859	0.728	0.889	0.754	0.664
Revenue Expenditure	0.993	1.024	0.885	0.950	0.992	1.211	0.889	0.783
Capital Expenditure	0.706	0.728	-0.510	-0.548	0.879	1.074	1.424	1.255
Loans and Advances	-0.101	-0.104	0.720	0.773	-0.326	-0.399	-2.139	-1.886
Total Expenditure	0.892	0.920	0.718	0.770	0.845	1.032	0.789	0.695

3.21 Relatively higher buoyancy ratios during the IX Plan period were essentially on account of lower growth rates in GDP and revenue receipts. The relatively higher buoyancy of revenue expenditure compared with total expenditure both with regard to GDP and revenue receipts indicated that moderation in rate of growth of total expenditure was achieved largely by squeezing capital expenditure and/or loans and advances. During 1992-2007, buoyancy of capital expenditure with GDP and revenue receipt has been around 0.7 as against the buoyancy of close to one for revenue expenditure with GDP and marginally higher than one with reference to revenue receipts. Similarly, buoyancy of the non-plan expenditure both with regard to GDP and revenue receipts has been higher relative to the buoyancy of plan expenditure in the VIII Plan period.



3.22 Buoyancy ratios by type of expenditure with reference to GDP and revenue receipts for the period 1992-2007 are also depicted in the Chart 3.5.

Management of Subsidies

3.23 In any welfare state, it is not uncommon to provide subsidies/subventions and transfer payments to disadvantaged sections of the society and also in the form of making provision of merit goods¹ at subsidized prices. If the impact of the subsidies is in lowering the price of goods or inputs, which in turn makes these products affordable to target groups or/and encourages/facilitates greater production, such subsidies may be welfare-stimulating. Table 3.10 presents a picture of the subsidies, which the government provided explicitly during the VIII, IX and X Plans on major items.

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

Table 3.10: Explicit Subsidies in the Union Government Budget

(Rupees in crore)

Period	Food	Fertilizers@	Fertilizers#	Petroleum Subsidy	Others*	Total subsidies	Subsidies (A)	Subsidies (B)
Average Annual Values								
VIII Plan (1992-97)	4976	6088	-	-	2405	13469	1.30	8.39
IX Plan (1997-02)	11199	11376	-	-	3516	26091	1.36	8.33
X Plan (2002-07)	23941	11017	5717	3983	2223	46881	1.46	9.36
2002-03	24176	7790	3225	5225	3592	44008	1.78	10.74
2003-04	25160	8521	3326	6292	1669	44968	1.63	10.22
2004-05	23280	10985	5142	2956	1976	44339	1.43	9.73
2005-06	23077	11863	6596	2683**	849	45068	1.28	8.34
2006-07	24014	15924	10298	2699**	4894	57829	1.40	8.79

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

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

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

**Does not include petroleum bonds for Rs. 17263 crore and Rs. 24122 crore issued during 2005-06 and 2006-07 respectively to Oil Companies in settlement of their claims under Administered Price Mechanism and towards compensation for under recoveries on account of sale of sensitive petroleum products

(A) As a percentage of GDP

(B) As a percentage of Revenue Expenditure

3.24 In absolute terms, explicit subsidies consistently increased from an average of Rs. 13,469 crore during the VIII Plan (1992-1997) to Rs. 26091 crore during the IX Plan (1997-2002) and further to Rs. 46881 crore during the X Plan (2002-07). Relative to GDP, subsidies marginally increased from 1.30 per cent during VIII Plan (1992-97) to an average of 1.36 per cent during the IX Plan (1997-2002). This ratio further increased to 1.46 in the X Plan due to the combined impact of substantial increase in expenditure on subsidies and relatively poor performance of economy reflected in GDP growth rate during the year. In subsequent years, although expenditure on subsidies indicated minor variations but buoyant GDP growth rates pushed the ratio southwards gradually during these years. Subsidies shared about 8 per cent of total revenue expenditure during the decade of 1992-2002 coinciding the periods of VIII and IX Plans which increased to about 10 per cent during the X Plan so far mainly because of petroleum subsidy being paid despite the decision to dismantle the APM in the petroleum sector.

3.25 It is evident that food subsidy constitutes the dominant share varying from an average of 37 per cent during the VIII Plan to 51 per cent during X Plan in total expenditure on subsidies. This component of subsidies also constituted 3.65 per cent of Central government's revenue expenditure during the current year. The food subsidy during the current year increased marginally to Rs. 24014 crore and it exceeded the level of Rs. 22000 crore per year recommended by TFC. The subsidies on food and fertilizers together constituted nearly 87 per cent of total expenditure on subsidies during the current year. The total subsidy expenditure during the current year at

Rs. 57,829 crore is much above the level of Rs. 37343 crore recommended by the TFC for the year. As the medium term outlook does not appear to favour a severe compression in expenditure on subsidies, efforts need to be made for better targeting of all the subsidies.

3.26 Subsidies are dispensed not only explicitly, i.e. through the budget but also in a covert form by providing subsidised public services to the people. These kinds of subsidies are generally termed as implicit subsidies. Budgetary support to financial institutions and banks, inadequate returns from its investment in PSUs and inadequate recovery of user charges from the social and economic services that are provided by the government, fall in the category of implicit subsidies. Table 3.11 below gives the return on investment and outstanding advances and user charges as percentage to revenue expenditure for social and economic services.

Table 3.11: Return on Investment and Advances and Recovery of User Charges

Period	<i>(Per cent)</i>			
	Interest on Loans & Advances	Return on Investment	Receipt from Social Services*	Receipt from Economic Services*
1992-2007	13.54	7.97	3.46	50.27
VIII Plan (1992-97)	11.23	2.35	9.57	57.22
IX Plan (1997-02)	14.15	5.30	3.59	55.80
X Plan (2002-07)	14.29	12.40	2.17	44.56
2002-03	15.11	8.83	2.03	43.07
2003-04	15.91	9.84	1.91	45.27
2004-05	14.30	13.29	1.49	51.37
2005-06	13.36	14.79	4.28	45.39
2006-07	12.03	14.67	1.03	40.32
Average Annual Rate of change in returns				
1992-2007	2.21	18.04	-15.09	-2.38

*Revenue receipts from social and economic services are as per cent to their revenue expenditure.

3.27 Average rate of return on government's investment (based on opening stock of investment) increased from an average of 2.35 *per cent* during the VIII Plan (1992-1997) to 5.30 *per cent* during IX Plan (1997-2002) and further to an average of 12.40 during the X Plan (2002-07) with peak levels of 14.79 and 14.67 *per cent* during 2005-06 and 2006-07. 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 little over 14 *per cent* during IX Plan (1997-2002) and X Plan (2002-07) with peak level of 15.91 *per cent* during 2003-04. Though there was no implicit subsidy on government's financial intermediation as the average rate of interest received exceeded the interest cost on its borrowings, the trend rate of return on government's investment at 7.97 *per cent* was marginally higher than the rate of interest (7.54 *per cent*) on government's borrowings. However, the rate of return on investment witnessed a significant acceleration and had a positive shift rate of

18.04 *per cent* during 1992-2007. At the current levels, the return on investments exceeded the cost of raising resources by 2.64 percentage points.

3.28 In social and economic services, recovery rates (revenue receipt/revenue expenditure) witnessed a decelerating trend. In both the social and economic services, revenue receipts fell short of the revenue expenditure, which is akin to the operating expenses. The public expenditure incurred in creation and strengthening of social infrastructure especially in expansion of educational and health care facilities has increased manifold during recent years with only nominal user charges made applicable. As a result, the ratio of revenue receipts from social services to revenue expenditure incurred on providing these services consistently declined from 9.57 *per cent* during the VIII Plan (1992-97) to 1.49 *per cent* in 2004-05. A significant increase in this ratio was observed during 2005-06 essentially on account of seemingly one time increased collections under the head 'Information and Publicity' amounting to Rs. 1139 crore over the previous year. This ratio however declined steeply as expected to 1.03 *per cent* during the current year. The overall ratio of revenue receipts to revenue expenditure from economic services declined from 57.22 *per cent* during the VIII Plan (1992-97) to 44.56 *per cent* during the X Plan (2002-07) exhibiting a negative shift rate during the period 1992-2007. The recovery rate was, however 100 *per cent* of the revenue expenditure for Railways (as the surplus from the operations of railways was transferred to Railway Development Reserve Fund, revenue exactly matched the expenditure). The recovery also exceeded 100 *per cent* in Telecommunication sector because consequent upon the corporatization of MTNL and BSNL, the revenue from Telecommunication sector consisted of license fees and there was no requirement as earlier to incur any expenditure on operation and maintenance of services.

Expenditure on Social and Economic Services

3.29 In terms of activities, overall expenditure could be considered as being composed of general services (which include administration and defence), social services and economic services. The latter two categories are also considered developmental in nature. Table 3.12 below indicates the trends in expenditure on social services and its various components.

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

(Rupees in crore)

Period	Social Services	Education	Health	Water Supply	I&B	Labour Welfare	Others
1992-2007	18512	8041	2836	3199	942	789	2706
VIII Plan (1992-97)	6903	2696	901	887	986	465	968
IX Plan (1997-02)	15998	6457	2227	3217	568	768	2761
X Plan (2002-07)	32634	14970	5379	5492	1272	1133	4389
2002-03	21810	9846	3164	4044	1170	764	2822
2003-04	24593	10965	3907	4669	1219	823	3010

(Rupees in crore)

Period	Social Services	Education	Health	Water Supply	I&B	Labour Welfare	Others
2004-05	31115	13997	4465	5997	1237	994	4425
2005-06	39160	16841	6847	6101	1344	1233	6794
2006-07	46494	23200	8510	6648	1389	1851	4896
Average Annual Growth Rate (per cent)							
1992-2007	16.70	18.24	18.99	21.35	0.00	9.48	18.03
VIII Plan (1992-97)	19.61	16.02	11.39	35.64	12.93	9.52	36.63
IX Plan (1997-02)	7.96	11.38	19.15	12.90	0.00	10.68	25.93
X Plan (2002-07)	21.89	23.90	28.92	13.45	4.49	24.29	21.12
2002-03	33.94	30.10	7.04	1.46	0.00	-9.37	-30.23
2003-04	12.76	11.37	23.48	15.45	4.19	7.72	6.66
2004-05	26.52	27.65	14.28	28.44	1.48	20.78	47.01
2005-06	25.86	20.32	53.35	1.73	8.65	24.04	53.54
2006-07	18.73	37.76	24.29	8.97	3.35	50.12	-27.92

3.30 The overall expenditure of the Union Government on social services has consistently increased from an annual average of Rs. 6903 crore during the VIII Plan (1992-1997) to Rs. 15998 crore during IX Plan (1997-2002) and further to an average Rs. 32634 crore during X Plan (2002-07) with the peak level of Rs. 46494 crore during the current year. The long-term trend rate of growth in expenditure on social services was 16.70 per cent (1992-2007) higher than GDP, revenue receipt and revenue expenditure. However, there was a sharp deceleration in these rates during the IX Plan and compared to the earlier plan, the squeeze was nearly 12 percentage points (from average annual growth of 19.61 per cent during the VIII Plan to an average of 7.96 per cent during the IX Plan). Expenditure on social services was particularly buoyant during the X Plan (2002-07). Within social services, expenditure on rural employment, education, health and water supply and sanitation (including housing and urban development) were relatively buoyant. In the current year also, expenditure on Education and health showed higher buoyancy despite the higher base in the previous year.

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

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

(Rupees in crore)

Period	Economic Services	Agriculture & Allied	Rural Development	Energy	Industry and Minerals	Transport	Posts	Telecom	Others
1992-2007	127703	22330	8249	10871	12709	48008	3871	8322	13343
VIII Plan (1992-97)	69161	9665	3263	3061	7229	24246	1598	8417	11682
IX Plan (1997-02)	121107	20048	5146	10158	12294	44714	3937	13554	11256
X Plan (2002-07)	192841	37275	16338	19394	18605	75063	6079	2995	17092

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Period	Economic Services	Agriculture & Allied	Rural Development	Energy	Industry and Minerals	Transport	Posts	Telecom	Others
2002-03	154041	31101	11737	12118	13965	60415	5416	3486	15803
2003-04	166058	32911	12174	13664	16761	64379	5681	3102	17387
2004-05	165885	36366	9478	9897	17664	69578	5940	3579	13383
2005-06	207331	37622	15660	25978	19857	83325	6503	2827	15559
2006-07	270891	48376	32642	35315	24776	97615	6857	1983	23327
Average Annual Growth Rate (Per cent)									
1992-2007	10.58	14.54	21.44	18.15	9.60	11.90	14.27	-9.20	3.23
VIII Plan (1992-97)	9.35	14.89	81.37	4.36	2.17	9.22	13.62	26.75	-9.69
IX Plan (1997-02)	6.36	18.28	2.79	1.23	8.78	14.26	19.11	-27.41	-5.55
X Plan (2002-07)	14.46	10.71	25.83	32.07	14.07	12.95	6.26	-11.50	6.91
2002-03	8.98	9.92	89.64	-28.90	4.40	5.69	4.82	-6.77	52.21
2003-04	7.80	5.82	3.72	12.76	20.02	6.56	4.89	-11.02	10.02
2004-05	-0.10	10.50	-22.15	-27.57	5.39	8.08	4.56	15.38	-23.03
2005-06	24.98	3.45	65.22	162.48	12.42	19.76	9.48	-21.01	16.26
2006-07	30.66	28.58	108.44	35.94	24.77	17.15	5.44	-29.85	49.93

3.32 The overall expenditure on economic services increased significantly from an average Rs. 69161 crore during the VIII Plan (1992-1997) to Rs. 121107 crore during IX Plan (1997-2002) and further to an average Rs. 192841 crore during the X Plan (2002-07) after reaching the peak level of Rs. 270891 crore during the current year. The annual trend rate of growth of expenditure on economic services was 10.58 *per cent* during 1992-2007. As in the case of social services, the average annual growth rates witnessed deceleration during the IX Plan (1997-2002). This deceleration of three percentage points was relatively moderate for economic services. Growth rates further turned negative in 2004-05, largely because of a decline in expenditure on rural development and energy sectors. However, a turnaround in these two sectors during 2005-06 has resulted in buoyancy in total expenditure on economic services. There were wide inter-year and inter services variations in the growth rates. Expenditure on agriculture and allied activities (including irrigation and flood control) were relatively buoyant during VIII and IX Plans period but the rate of growth declined significantly during X Plan period with mixed trend. However, in case of rural development, the rate of growth of expenditure sharply declined from an average of 81.37 *per cent* during the VIII Plan (1992-1997) to an average of 2.79 *per cent* during the IX Plan (1997-2002) which further jumped to an average of 25.83 *per cent* during X Plan period with wild fluctuations. Expenditure on energy was growing only at moderate rate during VIII Plan and further dipped in IX Plan and exhibited large gyrations during X Plan period (2002-07). During 2005-06, steep increase was recorded largely on account of increased expenditure of the order of Rs. 16989 crore in petroleum sector essentially towards the settlement of the claims of oil companies under administrative pricing. During 2006-07 also, huge subsidies to oil marketing companies as well as payments to them aggregating Rs.26877 crore as compensation resulted in a growth rate of 35.94

per cent in expenditure in energy sector over the already expanded base in the previous year. The 'industry and minerals' with low growth rate of 2.17 *per cent* during VIII Plan increased to an average of 14.07 *per cent* during X Plan (2002-07) with inter year variations. The expenditure on transport sector indicated buoyancy in IX Plan over the VIII Plan period but thereafter increased at moderate rate during the first three years of the X Plan which picked up during 2005-06 and 2006-07. A substantial increase by 19.76 *per cent* in 2005-06 was mainly on account of transfer of resources to Reserve Fund under 'Roads and Bridges'. During the current year also, apart from increase in transfer of resources to Reserve Fund under 'Roads and Bridges', higher expenditure on road works resulted in buoyant growth in the sector. The trends in pattern of Union Government's expenditure during the last few years especially during the X Plan period reveal that the fiscal policy has laid emphasis on increased spending on social and economic sectors with focus on the areas such as rural employment, education and health. Besides, to make the growth process all inclusive expenditure on infrastructure facilities like rural roads, housing and rural electrification have also been stepped up during the last few years.

3.33 It is more important to look at the expenditure on social and economic services relative to GDP which indicates the relative priorities assigned to these sectors and within these broad groups, priority given to a specific sector. Expenditure of the Union Government on social and economic services together averaged 7.117 *per cent* of GDP during 1992-2007. With 7.347 *per cent* of GDP being spent on social and economic services during the VIII Plan (1992-1997) declined to 7.141 *per cent* during IX Plan (1997-2002) and further to an annual average of 7.027 *per cent* during X Plan (2002-07). Expenditures on selected social and economic services relative to GDP are indicated in Table 3.14 and 3.15 respectively.

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

Period	Social Services	Education	Health & FW	WSS*	I&B**	Labour Welfare	Others
1992-2007	0.901	0.391	0.138	0.156	0.046	0.038	0.132
VIII Plan (1992-97)	0.667	0.260	0.087	0.086	0.095	0.045	0.094
IX Plan (1997-02)	0.833	0.336	0.116	0.168	0.030	0.040	0.144
X Plan (2002-07)	1.017	0.467	0.168	0.171	0.040	0.035	0.137
2002-03	0.887	0.401	0.129	0.165	0.048	0.031	0.115
2003-04	0.889	0.396	0.141	0.169	0.044	0.030	0.109
2004-05	0.995	0.448	0.143	0.192	0.040	0.032	0.142
2005-06	1.098	0.472	0.192	0.171	0.038	0.035	0.190
2006-07	1.127	0.562	0.206	0.161	0.034	0.045	0.119
Average Annual Rate of Shift in their Relative Shares							
1992-2007	3.998	5.370	6.043	8.146	0.00	-2.431	5.184

*Water Supply and Sanitation ** Information & Broadcasting

3.34 Expenditure on social services (excluding loans and advances in this sector) had a positive shift rate in their share relative to GDP during 1992-2007. A significant positive shift rate in case of water supply and sanitation

sector indicates that of late making provision of drinking water supply to all the habitations and adequate sanitation facilities both in rural and urban areas has assumed significance in schematic allocations and expenditures of the Government. Positive shift rate was also observed for two most important social services - education and health. However, with the positive shift rates, overall allocation to social sectors has been less than one *per cent* of GDP in the past and it has merely crossed this limit during the last three years. Efforts towards reprioritization of the outlays need to be continued for the expansion and strengthening of social services.

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

(Per cent)

Period	Economic Services	Agriculture	Rural Devt	Energy	Industry and minerals	Transport	Post	Telecom	Others
1992-2007	6.216	1.087	0.401	0.529	0.619	2.337	0.188	0.405	0.649
VIII Plan (1992-97)	6.680	0.934	0.315	0.296	0.698	2.342	0.154	0.813	1.128
IX Plan (1997-02)	6.308	1.044	0.268	0.529	0.640	2.329	0.205	0.706	0.586
X Plan (2002-07)	6.010	1.162	0.509	0.604	0.580	2.339	0.189	0.093	0.533
2002-03	6.267	1.265	0.477	0.493	0.568	2.458	0.220	0.142	0.643
2003-04	6.005	1.190	0.440	0.494	0.606	2.328	0.205	0.112	0.629
2004-05	5.306	1.163	0.303	0.317	0.565	2.225	0.190	0.114	0.428
2005-06	5.812	1.055	0.439	0.728	0.557	2.336	0.182	0.079	0.436
2006-07	6.566	1.173	0.791	0.856	0.601	2.366	0.166	0.048	0.565
Average Annual Rate of Shift in their Relative Shares									
1992-2007	-1.458	2.016	8.220	5.296	-2.325	-0.277	1.835	-19.086	8.006

3.35 Expenditure on economic services had a negative rate of shift in their share relative to GDP. Overall share of expenditure on economic services relative to GDP declined from an average of 6.68 *per cent* of GDP during the VIII Plan (1992-1997) marginally to 6.308 *per cent* during IX Plan (1997-2002) and further to an annual average of 6.010 *per cent* during the X Plan (2002-07). Within the sphere of economic services; transport, industry and telecom sectors along with residual economic services classified under 'Others' had exhibited a negative rate of shift in their relative shares during 1992-2007. The expenditure on agriculture and allied activities including irrigation and flood control has sustained the expenditure amounting to nearly one *per cent* of GDP throughout the period largely on account of increasing expenditure incurred for irrigation projects. A significant positive shift in rural development reflects the Government overwhelming priorities for the sector particularly in the context of generating employment opportunities in rural areas.

Chapter 4

DEFICITS: MANAGEMENT OF FISCAL IMBALANCES

Three key fiscal parameters - revenue, fiscal and primary deficits measured relative to GDP- indicate the extent of overall fiscal imbalances in the Finances of the Union or State Government during a specified period. In relation to GDP, revenue deficit increased from the lowest level of 2.52 per cent in 2004-05 to 3.22 per cent during the year while fiscal deficit increased from its lowest level of 2.93 per cent in 2003-04 to 4.43 per cent 2006-07. Revenue deficit continued to be the dominant component of fiscal deficit, accounting for 66.86 per cent of it during 1992-2007. The proportion of revenue deficit in overall fiscal deficit increased from an average of 46.26 per cent during the VIII Plan (1992-1997) to an average 79.74 per cent during the X Plan (2002-07) after reaching the peak level during 2003-04.

Primary deficit, which represents the current imbalances net of interest payments, declined from an average of 1.77 per cent in relation to GDP during the VIII Plan (1992-1997) to 0.41 per cent in 2002-03. It later turned into primary surplus in 2003-04 and 2004-05 but reversed again to the deficits during 2005-06 and 2006-07 although it remained less than one per cent of GDP during these years. The increase in revenue and fiscal deficits during 2005-06 and 2006-07 reflects a slippage in meeting the targets prescribed under FRBM Rules. High levels of fiscal deficits relative to GDP normally tend to cause sharp increases in debt-GDP ratio. Adhering to the FRBM targets in respect of revenue and fiscal deficits is therefore considered to be critical for macroeconomic, financial, external sector and budgetary sustainability.

4.1 Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the Union or State Government during a specified period. This chapter presents trends, nature, magnitude and the manner of financing these deficits. Deficits arise because of imbalances in revenue and expenditure. These imbalances could be transient or structural. In the Indian context, fiscal imbalances have been large as well as 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. This Chapter also presents the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act and Rules for the financial year 2006-07.

Revenue Deficit

4.2 Revenue deficit is the excess of revenue expenditure of the Government over its revenue receipts. It represents net dis-saving of the Government and its shift to present consumption. Revenue deficit leads to increase in borrowings without corresponding capital/asset formation. Borrowings resorted to meet revenue deficit, therefore, do not have any asset back up and create an asset liability mismatch. Because of these properties, revenue deficit is considered generally less desirable. Trends in revenue deficit and some of its key parameters are indicated in Table 4.1.

Report of the CAG on
Union Government Accounts 2006-07

Table 4.1: Revenue Deficit and its parameters

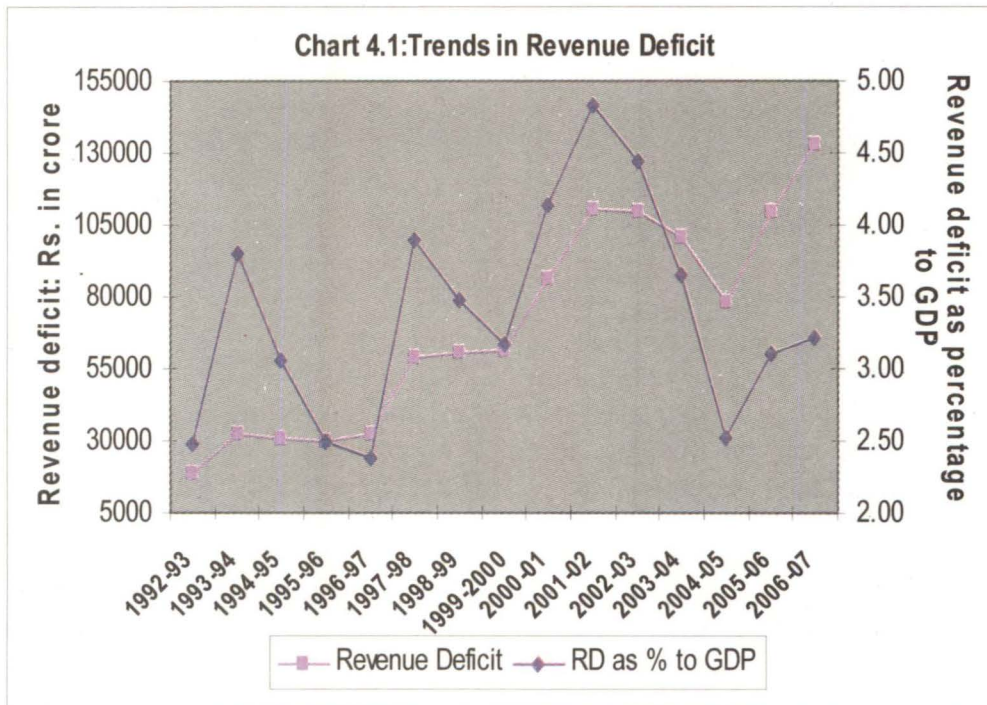
(Rupees in crore)

Period	Revenue Receipt	Revenue Expenditure	Revenue Deficit	Revenue Deficit as <i>per cent</i> of		
				GDP	Revenue Receipt	Revenue Expenditure
1992-2007	254475	324825	70350	3.42	27.65	21.66
VIII Plan (1992-97)	131601	160541	28941	2.80	21.99	18.03
IX Plan (1997-02)	237397	313109	75711	3.95	31.89	24.18
X Plan (2002-07)	394426	500825	106399	3.32	26.98	21.24
2002-03	299826	409591	109765	4.47	36.61	26.80
2003-04	339100	440086	100986	3.65	29.78	22.95
2004-05	376871	455571	78700	2.52	20.88	17.28
2005-06	430940	540637	109697	3.08	25.46	20.29
2006-07	525393	658240	132847	3.22	25.29	20.18
Average Annual Rate of Growth (Per cent)						
1992-2007	11.75	12.12	13.64	1.27	1.70	1.36
VIII Plan (1992-97)	15.61	14.64	10.88	Average Annual Rate of Shift in Relative Share		
IX Plan (1997-02)	8.12	10.40	17.29			
X Plan (2002-07)	14.59	12.24	4.75			
2002-03	13.02	9.06	-0.49			
2003-04	13.10	7.45	-8.00			
2004-05	11.14	3.52	-22.07			
2005-06	14.35	18.67	39.39			
2006-07	21.92	21.75	21.10			

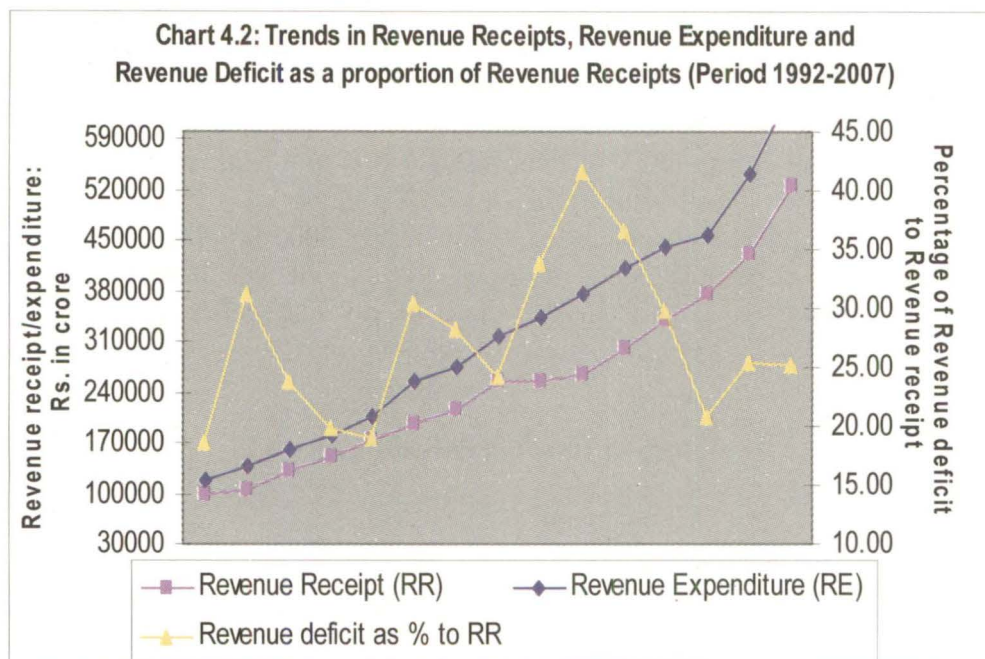
4.3 Overall revenue deficit of the Union Government increased from an average of Rs. 28,941 crore during the VIII Plan (1992-1997) to Rs. 75,711 crore during the IX Plan (1997-02) and further to Rs. 106399 crore during the X Plan (2002-07). The revenue deficit exhibited a declining trend from Rs. 110,303 crore in 2001-02 and reduced to the level of Rs. 78,700 crore in 2004-05. During 2005-06 and 2006-07 revenue deficit however increased by 39.39 *per cent* and 21.10 *per cent* respectively over the corresponding previous years and reached the peak level during the current year. The average annual rate of growth of revenue deficit during the period 1992-2007 was 13.64 *per cent*. A negative spread between the trend growth of revenue receipts and revenue expenditure contributed to the surge in revenue deficit. The rate of growth of revenue expenditure was lower than that of revenue receipt during the first three years of X Plan (2002-07) leading to a negative growth of revenue deficit. These three years witnessed a positive spread of four to seven *per cent* between revenue receipt and revenue expenditure due to relatively buoyant revenue receipt and moderately growing revenue expenditure. As a result, the revenue deficit indicated a declining trend since 2002-03 but the decline was substantial and remarkable of the order of 22.07 *per cent* in the year 2004-05. The rate of growth in revenue expenditure however exceeded to that of revenue receipts by 4.32 percentage points during 2005-06 and it was almost equal during the current year resulting in an upsurge of Rs. 30997 crore and Rs. 23150 crore respectively in revenue deficit

which seems to have put a pause to its declining trend exhibited during the preceding three years.

4.4 In relation to GDP, revenue deficit increased from an average of 3.42 per cent of GDP during the VIII Plan (1992-1997) to a peak of 4.84 per cent in 2001-02 before decelerating to the level of 2.52 per cent in 2004-05. The ratio however indicated accelerating trend during 2005-06 and 2006-07 and reached the level of 3.22 per cent during the current year (Chart 4.1). The average annual rate of shift in the share of revenue deficit to GDP was 1.27 per cent.



4.5 The ratio of revenue deficit to revenue receipts was more or less in tandem with its ratio with GDP during the period 1992-2007 (Chart 4.2). As a proportion of revenue receipt, the level of revenue deficit in 2005-06 and 2006-07 exceeded the lowest ever level of the decade (1997-2007) attained during 2004-05 by more than four percentage points indicating that on an average, revenue receipts fell short of revenue expenditure by around a quarter during this period. As a proportion of revenue expenditure, revenue deficit was little more than 20 per cent both in 2005-06 and 2006-07 which indicates the proportion of revenue expenditure that was debt financed (Table 4.1).



Fiscal Deficit

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

Table 4.2: Fiscal Deficit and its Parameters

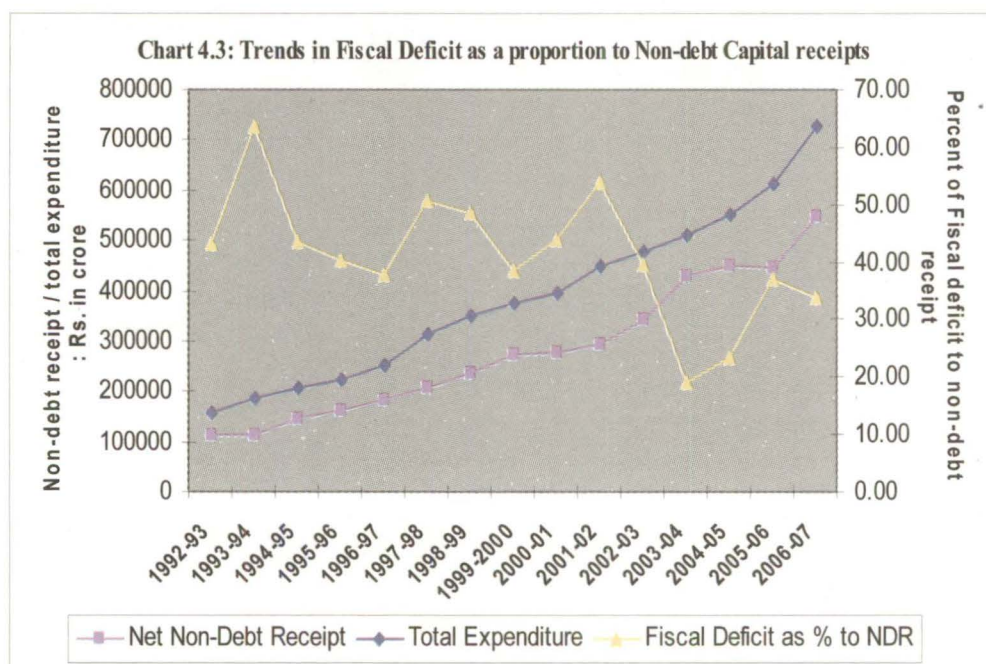
(Rupees in crore)

Period	Non-Debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as per cent to		
				GDP	Non-Debt Receipts	Total Exp.
1992-2007	278739	383964	105226	5.12	37.75	27.41
VIII Plan (1992-97)	140973	203539	62565	6.04	44.38	30.74
IX Plan (1997-02)	254827	374502	119675	6.23	46.96	31.96
X Plan (2002-07)	440415	573852	133437	4.16	30.30	23.25
2002-03	341722	476310	134588	5.48	39.39	28.26
2003-04	425880	506817	80937	2.93	19.00	15.97
2004-05	445535	549333	103798	3.32	23.30	18.90
2005-06	444322	609249	164927	4.62	37.12	27.07
2006-07	544618	727552	182934	4.43	33.59	25.14

Period	Non-Debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as <i>per cent</i> to		
				GDP	Non-Debt Receipts	Total Exp.
Average Annual Rate of Growth						
1992-2007	12.05	10.89	7.76	-3.97	-3.83	-2.82
VIII Plan (1992-97)	14.51	11.87	6.42	Average Annual Rate of Shift in Proportions		
IX Plan (1997-02)	8.74	8.86	9.00			
X Plan (2002-07)	10.24	10.86	14.18			
2002-03	17.97	6.92	-13.63			
2003-04	24.63	6.40	-39.86			
2004-05	4.62	8.39	28.25			
2005-06	-0.27	10.91	58.89			
2006-07	22.57	19.42	10.92			

4.7 Overall fiscal deficit increased from an average of Rs. 62,565 crore during the VIII Plan (1992-97) to Rs. 119,675 crore during the IX Plan (1997-2002) and further to an average of Rs. 133,437 crore during the X Plan (2002-07). The fiscal deficit reached the peak level of Rs. 182,934 crore during the current year after surpassing the previous peak of Rs. 164,927 crore in the previous year. The trend rate of growth of fiscal deficit was 7.76 *per cent* during 1992-2007. The substantial decline in fiscal deficit during the first two years of X Plan was surpassed by the steep increases during the subsequent years as a result of which an average rate of growth during the X plan (2002-07) at 14.18 *per cent* exceeded the trend growth rate as well as the average rates of growth of VIII and IX Plan period. Despite a sharp increase in net revenue receipts by Rs. 94453 crore (21.92 *per cent*) and non debt capital receipts by Rs. 5843 crore (43.66 *per cent*), hike in fiscal deficit during the current year was mainly on account of an increase of Rs. 118303 crore in the total expenditure on account of enhanced spending especially on social and economic services and transfers to State and UT Governments.

4.8 Relative to GDP, fiscal deficit increased from 6.04 *per cent* during the VIII Plan (1992-97) to 6.23 *per cent* during the IX Plan with large inter year variations ranging from 6.87 in 1997-98 to 5.31 *per cent* in 1999-2000. The first three years of X Plan (2002-07) witnessed a decline in ratio of fiscal deficit to GDP but during the last two years it has exhibited a significant increase over the lowest level of 2.93 in 2003-04. The average annual rate of shift in its share was (-) 3.97 *per cent* during 1992-2007. As a proportion to non-debt receipts, fiscal deficit witnessed large gyrations varying from 63.6 *per cent* in 1993-94 to 19 *per cent* during 2003-04 (Chart 4.3) with negative shift rate of 3.83 *per cent* during 1992-2007. The shift rate of fiscal deficit to total expenditure was also negative with relatively lower magnitude during the period.

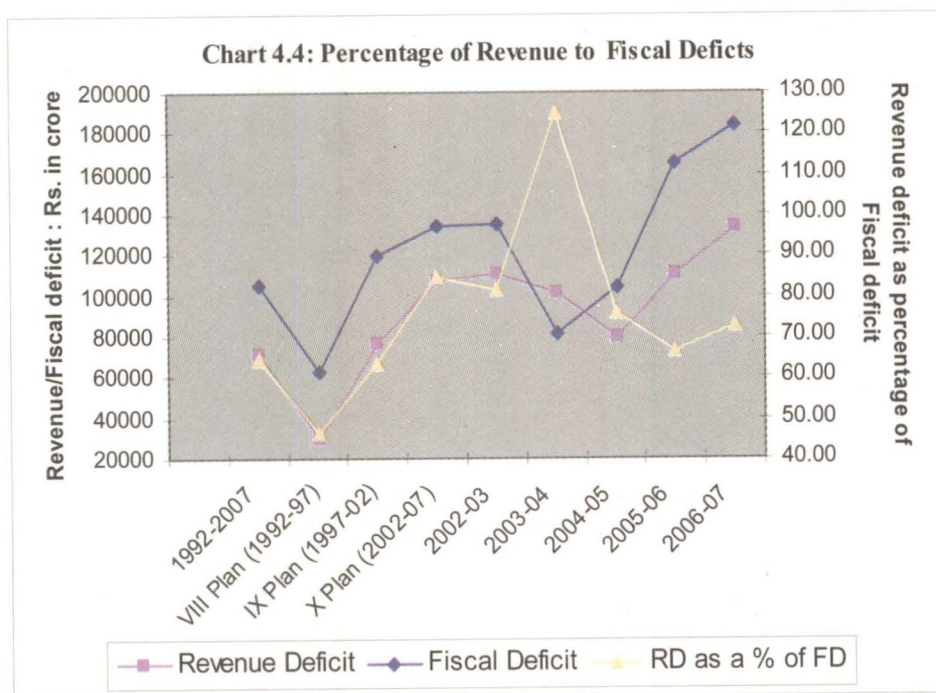


4.9 It is not uncommon for governments to run fiscal deficit and borrow funds for capital/asset formation or for creation of economic and social infrastructure. The assets created through such borrowings could pay for themselves by generating an income stream. Capital formation may also increase the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

Table 4.3: Components of Fiscal Deficit

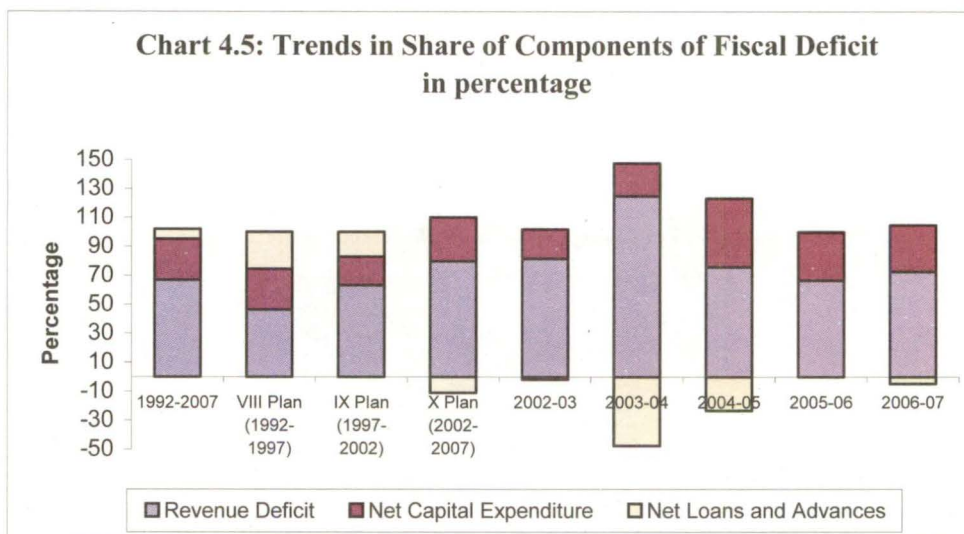
Period	(Per cent)		
	Revenue Deficit	Net Capital Expenditure	Net Loans and Advances
1992-2007	66.86	28.35	6.94
VIII Plan (1992-97)	46.26	28.25	25.49
IX Plan (1997-02)	63.26	19.53	17.21
X Plan (2002-07)	79.74	30.34	-10.96
2002-03	81.56	20.32	-1.88
2003-04	124.77	22.79	-47.56
2004-05	75.82	47.43	-23.25
2005-06	66.51	33.07	0.42
2006-07	72.62	32.12	-4.74
Average Annual Rate of Change			
1992-2007	5.46	0.53	

4.10 Revenue deficit continued to be the dominant component of fiscal deficit, accounting for 66.86 per cent of it during 1992-2007. The proportion of revenue deficit in overall fiscal deficit increased from an average of 46.26 per cent during the VIII Plan (1992-1997) to 63.26 per cent during IX Plan (1997-2002) and further to an average 79.74 per cent during the X Plan (2002-07) after reaching the peak level during 2003-04 (Chart 4.4). The ratio of revenue deficit to fiscal deficit had a large positive shift rate of 5.46 per cent during 1992-2007. The increase in fiscal deficit being around 11 per cent as against the increase of around 21 per cent recorded in revenue deficit during the current year resulted in an increase in the ratio of revenue deficit to fiscal deficit over the previous year.



4.11 Net capital expenditure (capital expenditure- capital receipts) accounted for 28.35 per cent of fiscal deficit during 1992-2007. Increasing share of revenue deficit in fiscal deficit over the period 1992-2007 pushed down the average share of net capital expenditure during VIII and IX Plan periods. During the X Plan (2002-07) although the share of revenue deficit in fiscal deficit has also increased but due to a net decline of 15.40 per cent in loans and advances disbursed to States, the share of net capital expenditure has exhibited a buoyancy during the period. The trends reveal that as interest payments (along with the other components of committed expenditure) increases relative to current revenues of the government, a process of adjustment start in government expenditure which is normally unfavorable to capital expenditure of the Government. Trends in the co-movements of interest payments, capital expenditure and revenue receipts indicated that while increase in interest payments affected negatively the government capital expenditure, the increase in revenue receipts had a positive impact. Fiscal

deficit financed around 7 per cent of net loans and advances during the period 1992-2007. During the X Plan so far, the recovery of loans and advances almost exceeded the issue of fresh loans and the surplus actually financed part of the fiscal deficit (Chart 4.5). Continuous use of borrowed funds for meeting current expenditure not only indicated erosion in asset back up, it made capital expenditure (inclusive of loans and advances) as variable of adjustment.



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

4.13 The large fiscal deficit having major component of structural nature also has implications for growth performance of an economy. Trends in the rates of growth of GDP and fiscal deficits indicated an inverse correlation between the fiscal deficit and the growth performance of the Indian economy during the periods encompassing VIII Plan (1992-97), IX Plan (1997-2002) and the X

Plan (2002-07). Strong growth of 6.7 *per cent* was exhibited in the Eighth Plan (1992-97) when the deficit was shrinking; some deceleration was noted in the Ninth Plan (1997-2002) when the deficit was widening; and resurgent growth in the X Plan (2002-07) with the fiscal deficit again reducing during the first three years of the Plan. During 2005-06 and 2006-07 it was observed net capital expenditure has contributed around one third of the fiscal deficit while share of revenue deficit during the X Plan has exhibited the declining trend. This qualitative improvement in the composition of the fiscal deficit could be one of explanatory factors for increasing fiscal deficit coexisting with high growth trajectory during the recent years.

Primary Deficit

4.14 While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments. Interest payments represent the expenditure of past obligations and are independent of current allocative priorities. To look at the imbalances of the current nature, these payments need to be separated and deducted from the total imbalances. Primary deficit, which represents the current imbalances net of interest payments, averaged Rs. 18,285 crore during VIII Plan (1992-97) increased to Rs. 28,573 crore during IX Plan (1997-2002) but the trend was reversed during X Plan as it exhibited an average surplus of Rs. 2423 crore. The primary account of the Union Government had shown large fluctuations during the X Plan indicating a peak level surplus of Rs. 47,177 crore in 2003-04 as interest payments exceeded the fiscal deficit during the year which was the lowest level of fiscal deficit since 1997-98. The peak level surplus however witnessed a decelerating trend in the next year and culminated once again into deficits during 2005-06 and 2006-07 mainly due to steep increases in fiscal deficits relative to increases in interest payments.

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
1992-2007	70350	105226	90414	14812	0.72
VIII Plan (1992-97)	28941	62565	44280	18285	1.77
IX Plan (1997-02)	75711	119675	91102	28573	1.49
X Plan (2002-07)	106399	133437	135860	-2423	-0.08
2002-03	109765	134588	124573	10015	0.41
2003-04	100986	80937	128114	-47177	-1.71
2004-05	78700	103798	130958	-27160	-0.87
2005-06	109697	164927	141375	23552	0.66
2006-07	132847	182934	154280	28654	0.69

Report of the CAG on
Union Government Accounts 2006-07

(Rupees in crore)

Period	Revenue Deficit	Fiscal Deficit	Interest Payments	Primary Deficit*	Primary Deficit as per cent of GDP
Average annual trend rate of growth (per cent)					
1992-2007	13.64	7.76	12.15	Average Annual Rate of Change.	
VIII Plan (1992-97)	10.88	6.42	17.44		
IX Plan (1997-02)	17.29	9.00	14.90		
X Plan (2002-07)	4.75	14.18	5.40		
2002-03	-0.49	-13.63	9.11		
2003-04	-8.00	-39.86	2.84		
2004-05	-22.07	28.25	2.22		
2005-06	39.39	58.89	7.95		
2006-07	21.10	10.92	9.13		

* A negative figure indicates existence of primary surplus

4.15 In relation to GDP, primary deficit declined from an average of 1.77 per cent during the VIII Plan (1992-1997) to 1.49 per cent during IX Plan (1997-2002) and further to 0.41 per cent during 2002-03. It later turned positive in 2003-04 and 2004-05 but during the last two years the trend is reversed again and primary deficit relative to GDP increased to 0.69 per cent during 2006-07. Improvement in primary deficit from an average of 1.77 per cent of GDP to (-)0.87 per cent of GDP in 2004-05 clearly indicates that in 2003-04 and 2004-05 non-debt receipts were adequate to meet the expenditure incurred in that year, including the capital expenditure and loans and advances net of interest payments. However, that was largely due to increase in recovery of loans with the prepayment of high cost loans by States as well as by some public sector undertakings under the debt swap scheme in 2003-04 and 2004-05 to take advantage of the soft-interest regime. As a result, contraction in non-debt receipts along with an increase in government expenditure at relatively higher pace led to the deterioration in fiscal deficit which in turn also worsened the primary deficit situation in 2005-06 and 2006-07. Recovery of loans or accruals of miscellaneous capital receipts however indicate a decline in assets base of the government and at best could be viewed as a limited and a temporary option.

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

4.16 The FRBM Act 2003 came into effect from July 2004 following the issue of Government notification and formulation of FRBM Rules 2004. Section 4(1) of Fiscal Responsibility and Budget Management (FRBM) Act 2003, as amended, provides that the Union Government shall take appropriate measures to reduce fiscal deficit and revenue deficit so as to eliminate revenue deficit by 31 March 2009. The Act and the Rules, as these presently stand, have provided for the elimination of the revenue deficit by 2008-09, with 0.5 percentage point of GDP as the minimum annual reduction target, and fiscal deficit to be brought to the level of 3 percent of GDP, with 0.3 percentage point of GDP, as the minimum annual reduction target. The FRBM Act has

some built-in flexibility in achieving revenue and fiscal deficit reduction targets as there is a provision that the specified limits may be exceeded 'due to ground or grounds of national security or national calamity or such other exceptional grounds as the Central Government may specify'. The targets/requirements prescribed under FRBM Act/Rules are to ensure, *inter alia*, inter-generational equity in fiscal management and long term macroeconomic stability.

4.17 Along with the Budget, and as required under the FRBM Act, the Central government has been laying from 2004-05, *inter alia* the Medium-term Fiscal Policy Statement (MTFPS), specifying 3-year rolling targets for revenue and fiscal deficits as well as for tax revenue and total outstanding liabilities of the Central Government as percentages of GDP. These have been derived on the basis of assumptions on growth and the policy stance of the government. The targets for revenue and fiscal deficits set for 2006-07 in MTFP Statements for 2004-05, 2005-06 and 2006-07 along with their actual levels as brought out in Union Government's Finance accounts for 2006-07 are given in Table 4.5

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

Fiscal Indicator	Targets set in MTFPS 2004-05 for the year 2006-07	Targets set in MTFPS 2005-06 for the year 2006-07	Targets set in MTFPS 2006-07	Actual Levels (As deduced from Finance Accounts 2006-07)	Deviation with BE 2006-07
Revenue Deficit	1.1	2.0	2.1	3.22	1.12
Fiscal deficit	3.6	3.8	3.8	4.43	0.63

4.18 Table 4.5 presents the targets set for the key fiscal parameters – revenue and fiscal deficits - for the 2006-07 in Medium Term Fiscal Policy Statements (MTFPS) placed along with the Budgets for 2004-05, 2005-06 and 2006-07 vis-à-vis their actual levels as deduced from the Finance Accounts of the Union for 2006-07. The targets set for revenue and fiscal deficits for 2006-07 in MTFPS for 2005-06 show a substantial variation over the targets projected in MTFPS laid along with the Budget 2004-05. The rolling indicators set in the MTFPS for 2004-05 had targeted the revenue deficit to fall to 1.1 per cent of GDP by 2006-07, but in MTFPS of 2005-06 it was revised upwards to 2.0 per cent. Similarly, the fiscal deficit for 2006-07 has been targeted at 3.8 per cent of GDP in the MTFPS of 2005-06 as against the lower target of 3.6 per cent in the MTFPS presented along with the budget in the preceding year. Budget 2005-06 however clarified that two significant changes in the budgetary practice had taken place from the current year having a bearing on computation of fiscal indicators. First, no credit had been taken in BE 2005-06 for the sale proceeds of Government equity in Public Sector Enterprises (PSEs) because these were no longer to be reckoned as a resource for financing the Fiscal Deficit. Instead, these receipts were to be credited into 'National Investment Fund', the income from which was to be used to finance expenditure of Social Infrastructure and to provide capital to viable PSEs.

Second, no provision was made in Budget 2005-06 for Loans to States and the Union Territories with Legislature who were to raise required loans directly from the market without budgetary intermediation of the Central Government. It also mentioned that a provision of Rs. 5000 crore as compensation to States on account of shortfall in revenue that might arise due to implementation of Value Added Tax with effect from 1 April 2005 had also been included in Budget 2005-06; otherwise the budget estimate for revenue deficit would have been 2.6 instead of 2.7 *per cent*. As this amount was likely to be spent during the year, the revised estimates presented along with Budget 2006-07 for revenue and fiscal deficits indicated downward revisions. The budget estimates for fiscal deficit for 2006-07 was kept at the level envisaged in MTFP Statement of 2005-06 however the target of revenue deficit to GDP ratio was marginally raised to 2.1 as compared to 2.0 targeted in the previous year. The actual levels of revenue and fiscal deficits as per Union Finance Accounts for 2006-07 were significantly higher than their budget estimates respectively by 1.12 and 0.63 percentage points. The revenue and fiscal deficits relative to GDP during 2006-07 exceeded their budgeted levels instead of indicating a decline at least by a minimum annual rate of reduction reflects a slippage in meeting the targets prescribed under FRBM Rules. Despite the impressive performance on revenue collection front, all the three performance benchmarks prescribed by FRBM Rules, namely non-debt receipts, revenue and fiscal deficits were short of the targets during the current year.

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

Chapter 5

MANAGEMENT OF FISCAL LIABILITIES

Government incurs fiscal liabilities to meet its resource requirements for repayment of debt; discharge of liabilities on the public account; capital expenditure and such other current expenditure requirements that may remain uncovered by revenue and non-debt capital receipts. Aggregate fiscal liabilities increased consistently from an average of Rs. 628,608 crore during the VIII Plan (1992-1997) to an average of Rs. 1836,987 crore during the X Plan (2002-07). Average annual trend rate of growth of these liabilities was 11.36 per cent during 1992-2007. The peak aggregate fiscal liabilities-GDP ratios at 65.43 per cent during 1991-92 decelerated to an average of 60.72 per cent during the VIII Plan (1992-1997) and further to an average of 57.25 per cent during the X Plan (2002-07) with inter year variations. The long-term tendency of the ratio of fiscal liabilities to GDP, therefore, exhibited stability but the share of its components varied over time with share of internal debt indicating increasing trend over the period. Internal debt was not only the most predominant component of the aggregate liabilities, accounting for around 70.71 per cent of them in 2006-07, but was also the fastest growing component with its growth averaging 16.74 per cent during 1992-2007. Public account liabilities had grown at an average rate of growth 5.44 per cent during 1992-2007. These two components, which in terms of their origin are domestic liabilities, constituted 90.79 per cent of the aggregate liabilities in 2006-07.

Fiscal liabilities are considered sustainable if the government is able to service the stock of these liabilities over the foreseeable future and the debt-GDP ratio does not grow to unmanageable proportions. Despite the relatively higher levels of debt-GDP ratio, the ratio of incremental total liabilities (including external debt at current exchange rate) at 5.23 per cent in 2004-05, 4.08 per cent in 2005-06 and 5.24 per cent in 2006-07 was well within the ceiling limit as prescribed under FRBM Rules.

The Eleventh and Twelfth Finance Commissions had suggested that debt sustainability could be significantly facilitated if the incremental revenue receipts could meet the incremental interest burden and the incremental primary expenditure. It would be observed that during 1992-2007 incremental revenue receipts fell short by 21.03 per cent in meeting the incremental revenue expenditure. This gap increased to over 45.47 per cent during the IX Plan (1997-2002). During the first three years (2002-05) of X Plan due to a moderate growth in expenditure and moderation in interest rates, incremental revenue receipts exceeded incremental revenue expenditure resulting in a positive gap. However during the last two years (2005-06 and 2006-07) while the incremental revenue receipts increased by 43.15 per cent and 74.69 per cent respectively, the corresponding increases in non-interest revenue expenditure and interest payments were reported to be 490.53 and 266.28 per cent in 2005-06 and 40.25 and 23.88 per cent during 2006-07. The wide differences in the rates of increases led to huge negative gap of Rs. 30997 crore and Rs. 23150 crore which in fact indicates the absolute increase in revenue deficit during 2005-06 and 2006-07 over the corresponding previous years. Another issue in debt sustainability is the ratio of the debt redemption to total debt receipts. This ratio was as high as 93 per cent during VIII Plan which further deteriorated to 98.68 per cent during the X Plan indicating the extent to which debt receipts were used in debt redemption.

5.1 Internal debt, external debt and other liabilities are the three sets of liabilities that constitute the Union Government debt. Internal and external debts constitute public debt and are secured under the Consolidated Fund of India. Internal debt includes market loans, special securities issued by Reserve

Bank of India and National Small Savings Fund, compensation and other bonds and other rupee securities. External debt represents the loans received from foreign governments and bodies. The other liabilities of the government arise more in its capacity as a banker or a trustee rather than a borrower and include employees' provident funds, reserve funds and sinking funds (created by charging expenditure while actual expenditure/disbursement is yet to be made) and deposits. These borrowings or accruals are not secured under CFI and are shown as part of the Public Account. All these liabilities, however, are obligations of the government either in terms of their repayment or specified expenditure

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

Aggregate Fiscal Liabilities: Trends and Composition

5.3 Table 5.1 presents aggregate liabilities of the government including internal debt and external debt reckoned both at the current rate of exchange and at the historic rate (the rate at which the debt was originally contracted) and the Public Account during 1992-2007. Annual total liability in terms of its composition is indicated in Appendix-V-A.

Table 5.1: Aggregate Fiscal Liabilities- Trends & Composition

(Rupees in crore)

Period	Internal Debt	External Debt at historic rates	Public Account*	Total liabilities (at historic rates)	External Debt (at current rates)	Total liabilities (at current rates)
1992-2007	734429	61208	293058	1088695	171400	1198887
VIII Plan (1992-97)	272725	49206	218152	540082	137732	628608
IX Plan (1997-02)	655942	61703	292049	1009694	183073	1131064
X Plan (2002-07)	1274620	72715	368973	1716307	193395	1836987
2002-03	1020689	59612	331419	1411720	196068	1548176
2003-04	1141706	46125	333725	1521556	184203	1659634
2004-05	1275971	60877	356037	1692885	191271	1823279
2005-06	1389758	94243	384842	1868843	194199	1968799
2006-07	1544975	102716	438841	2086532	201233	2185049

Management of Fiscal Liabilities

(Rupees in crore)

Period	Internal Debt	External Debt at historic rates	Public Account*	Total liabilities (at historic rates)	External Debt (at current rates)	Total liabilities (at current rates)
Average annual Rate of Growth (per cent)						
1992-2007	16.74	4.29	5.44	12.32	3.54	11.36
VIII Plan (1992-97)	14.13	5.95	14.80	13.62	5.88	12.48
IX Plan (1997-02)	25.42	6.77	-7.05	12.80	5.05	11.85
X Plan (2002-07)	10.80	19.75	7.29	10.37	1.05	8.98
2002-03	11.79	-16.68	15.65	11.06	-1.92	10.62
2003-04	11.86	-22.63	0.70	7.78	-6.05	7.20
2004-05	11.76	31.98	6.69	11.26	3.84	9.86
2005-06	8.92	54.81	8.09	10.39	1.53	7.98
2006-07	11.17	8.99	14.03	11.65	3.62	10.98

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

5.4 Aggregate fiscal liabilities increased consistently from an average of Rs. 628,608 crore during the VIII Plan (1992-1997) to Rs. 1131,064 crore during IX Plan (1997-2002) and further to an average of Rs. 1836,987 crore during X Plan (2002-07) after reaching the peak level during the current year. Average annual trend rate of growth of these liabilities was 11.36 per cent during 1992-2007. The rate of growth of aggregate liabilities declined from 12.48 per cent during VIII Plan to 11.85 per cent during IX Plan and further to 8.98 per cent also during X Plan. Internal debt was not only the most predominant component of the aggregate liabilities, accounting for around 70.71 per cent of them in 2006-07, but was also the fastest growing component with its growth averaging 16.74 per cent during 1992-2007. Public account liabilities had grown at an average rate of growth 5.44 per cent during 1992-2007. These two components, which in terms of their origin are domestic liabilities, constituted 90.79 per cent of the aggregate liabilities in 2006-07 which has increased from an average of 78 per cent during the VIII Plan (1992-1997). External liabilities at the current exchange rate constituted around 9.21 per cent of the aggregate liabilities in 2006-07. The external liabilities are also recorded in finance accounts at historic rate. However this is only for accounting interest as repayment obligations of this debt are to be met at the current rate of exchange only. Chart 5.1 depicts the trends in total liabilities and the share of domestic liabilities over the period 1992-2007.

5.5 FRBM Act and Rules made thereunder prescribed that the Central Government shall not assume additional liabilities (including external debt at current exchange rate) in excess of 9 per cent of GDP for the financial year 2004-05 and in each subsequent year, the limit of 9 per cent shall be progressively reduced by at least one percentage point of GDP. The ratio of incremental total liabilities to GDP (including external debt at current exchange rate) at 5.23 per cent in 2004-05, 4.08 per cent in 2005-06 and 5.24

per cent in 2006-07 was well within the ceiling limit prescribed under FRBM Rules.



Fiscal Liabilities relative to GDP

5.6 Table 5.2 gives the aggregate fiscal liabilities of the Union Government relative to GDP. Aggregate fiscal liabilities-GDP ratio peaked during 1991-92 when it reached 65.43 per cent of GDP. This ratio decelerated to an average of 60.72 per cent during the VIII Plan (1992-1997) and further to an average of 58.92 per cent during the IX Plan (1997-2002). During the X Plan (2002-07), the ratio of aggregate liabilities to GDP at 57.25 per cent was only marginally lower than the level of IX Plan (1997-2002) with inter year variations. During 2004-05 and 2005-06 it indicated a tendency to decelerate but the long-term tendency of the ratio of fiscal liabilities to GDP exhibited stability with an average annual rate of shift of only -0.76 per cent during 1992-2007. Although the fiscal liabilities relative to GDP remained almost stable during the period 1992-2007 but the share of its components varied over time with share of internal debt indicated increasing trend over the period (Chart 5.2). While the average annual rate of shift in the ratio of internal debt-GDP was 4.03 per cent, significant negative shift rates for the other two components more or less squared it to sustain debt-GDP ratio at the trend level.

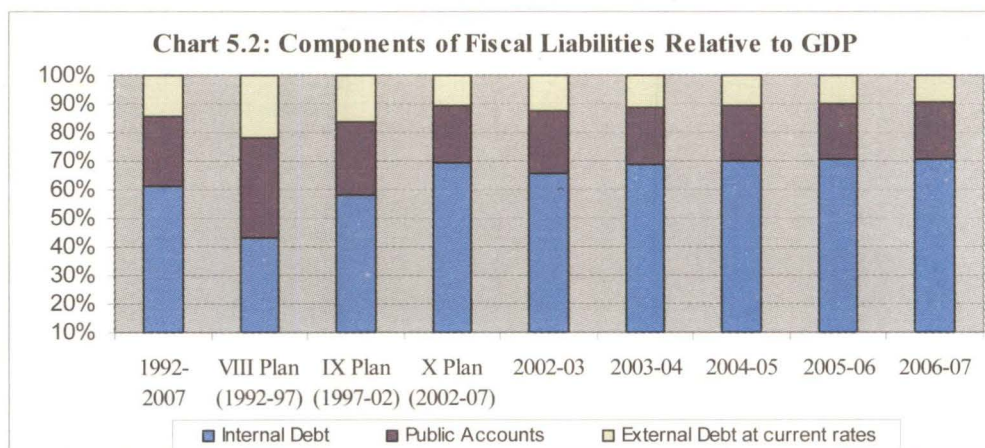


Table 5.2: Fiscal Liabilities Relative to GDP

(Per cent)

Period	Internal Debt	External Debt at historic rates	Public Accounts	Total liabilities (historic rates)	External Debt at current rates	Total liabilities (current rates)
1992-2007	35.75	2.98	14.26	52.99	8.34	58.35
VIII Plan (1992-97)	26.34	4.75	21.07	52.17	13.30	60.72
IX Plan (1997-02)	34.17	3.21	15.21	52.59	9.54	58.92
X Plan (2002-07)	39.72	2.27	11.50	53.49	6.03	57.25
2002-03	41.52	2.43	13.48	57.43	7.98	62.98
2003-04	41.28	1.67	12.07	55.02	6.66	60.01
2004-05	40.81	1.95	11.39	54.14	6.12	58.32
2005-06	38.96	2.64	10.79	52.39	5.44	55.19
2006-07	37.45	2.49	10.64	50.57	4.88	52.96
Average Annual Rate of Shift in Relative Shares						
1992-2007	4.03	-7.06	-6.04	0.10	-7.73	-0.76

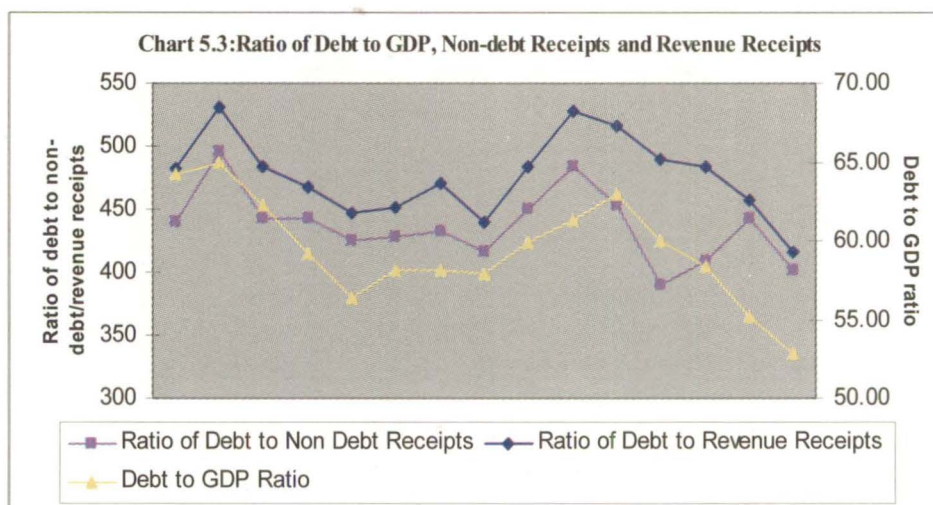
5.7 If various components of the fiscal liabilities in 1992-93 are set to 100, the index value of internal debt, external debt and total liabilities in 2006-07 would be 776, 167 and 455 respectively as against the index of GDP at 551 indicating buoyancy of greater than one for internal debt while for external debt and total debt being less than unity. Buoyancy of internal debt and total liabilities (with external debt being reckoned at the current exchange rate) with reference to GDP was 1.37 and 0.930 respectively during 1992-2007.

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

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

Period	Non-Debt Receipt	Revenue Receipt
1992-2007	430	471
VIII Plan (1992-97)	446	478
IX Plan (1997-02)	444	476
X Plan (2002-07)	417	466
2002-03	453	516
2003-04	390	489
2004-05	409	484
2005-06	443	457
2006-07	401	416
Annual Rate of Shift in Relative Share (1992-2007)		
1992-2007	-0.61	-0.35
Average Annual Rate of Growth of the Parameter (1992-2007)		
1992-2007	12.05	11.84

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



5.9 The ratio of fiscal liabilities to revenue receipts and non-debt receipts had a negative shift rate during 1992-2007 indicating the trend rate of growth of fiscal liabilities being lower than 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 an average of 417 during the X Plan (2002-07) with wide inter year variations. This deceleration was due to a moderate growth of fiscal liabilities relative to non-debt receipts during the period. For example, a decline in non-debt receipts by 0.27 per cent during 2005-06 along with an increase of around 8 per cent in total fiscal liabilities resulted in increase in their ratio to non-debt receipts to 443 from the level of 409 in 2004-05. Similarly, during the current year a growth rate of 22.57 per cent in non-debt receipts against an increase of 10.98 per cent in aggregate liabilities led to a sharp decline in their ratio to 401 from the level of 443 in 2005-06. The ratio of aggregate fiscal liabilities to revenue receipts remained almost stable at the

average level of 477 during VIII and IX Plan periods and only marginally declined to 466 during the X Plan (2002-07). After reaching the peak level of 516 in 2002-03 it consistently declined to 416 during the current year due to moderate growth of fiscal liabilities relative to revenue receipts during the period. Buoyancy of the aggregate fiscal liabilities to non-debt receipts and revenue receipts during 1992-2007 was 0.94 and 0.97 respectively. Internal debt and domestic debt (internal debt and public account surpluses combined), however, had greater buoyancy as lower growth of external debt liabilities had a moderating impact. The ratio of fiscal liabilities to the three parameters of GDP, non-debt receipts and revenue receipts is depicted in Chart 5.3.

Debt Sustainability

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

5.11 The average interest rate (nominal) on total debt over time, as indicated in Table 5.4, remained lower than the rate of growth of GDP at the market prices during 1992-2007. However, the spread declined from an average of 8.63 *per cent* during the VIII Plan (1992-1997) to an average of 1.43 *per cent* during the IX Plan (1997-2002). The spread between GDP growth and interest rates became negative in 2002-03 but on an average it was positive 6.37 *per cent* during the X Plan (2002-07) with maximum positive spread being at 7.82 *per cent* during the current year.

5.12 Average interest rates on fiscal liabilities, however, moved in a narrow range. Average annual rate of interest on external debt was 3.07 *per cent* during VIII Plan which decelerated to an average of 2.51 *per cent* during the IX Plan (1997-2002) and further to an average of 1.78 *per cent* during the X Plan (2002-07). For the domestic liabilities (public debt and public accounts) the average rate of interest was 10.42 *per cent* during the IX Plan (1997-2002), which got moderated to an average of 8.06 *per cent* during the X Plan exhibiting the declining trend. The deceleration in the average rate of interest on domestic liabilities started after reaching the peak rate 10.79 *per cent* in 1999-2000 and since then it has witnessed a decline of 231 basis points during the current year.

**Table 5.4: Average interest rate on fiscal liabilities at current exchange rates
(Per cent)**

Period	Internal liabilities	External debt	Aggregate liabilities	Rate of growth of GDP	Interest spread
1992-2007	8.42	2.29	7.54	12.21	4.67
VIII Plan (1992-97)	9.37	3.07	7.91	16.54	8.63
IX Plan (1997-02)	10.42	2.51	9.06	10.49	1.43
X Plan (2002-07)	8.91	1.78	8.09	13.77	5.68
2002-03	10.03	2.13	8.90	7.76	-1.14
2003-04	9.24	1.60	8.28	12.51	4.23
2004-05	8.69	1.52	7.89	13.06	5.17
2005-06	8.47	1.65	7.75	14.09	6.34
2006-07	8.48	1.97	7.84	15.66	7.82
Average Annual Rate of growth					
1992-2007	-0.68	-5.37	-0.02		

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

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

Table 5.5: Buoyancy of assets and Ratio of Assets to Liabilities

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

Period	Aggregate Liabilities	Aggregate Assets	Ratio of Assets to Liabilities	Annual Growth of Liabilities	Annual Growth of Assets	Buoyancy of Assets
1992-2007	1198887	559252	46.65	11.36	7.50	0.66
VIII Plan (1992-97)	628608	362555	57.68	12.48	10.31	0.83
IX Plan (1997-02)	1131064	575689	50.90	11.85	8.28	0.70
X Plan (2002-07)	1836987	739512	40.26	8.98	4.74	0.53
2002-03	1548176	693286	44.78	10.62	4.20	0.40
2003-04	1659634	688434	41.48	7.20	-0.70	-0.10
2004-05	1823279	717675	39.36	9.86	4.25	0.43
2005-06	1968799	774082	39.32	7.98	7.86	0.98
2006-07	2185049	824081	37.71	10.98	6.46	0.59

5.14 The ratio of assets to liabilities witnessed a secular decline from an average of 57.68 *per cent* during the VIII Plan (1992-97) to 50.90 *per cent* during the IX Plan (1997-2002) and further to an average of 40.26 *per cent* during the X Plan (2002-07) with the lowest ratio at 37.71 *per cent* during the current year. Average annual rate of shift in this ratio was (-) 3.47 *per cent* during 1992-2007. By 2006-07, over 62 *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 *per cent* during the VIII Plan (1992-1997) to 0.70 *per cent* during the IX Plan (1997-2002) and further to an average of 0.53 *per cent* during the X Plan (2002-07) (Table 5.5). In 2003-04, aggregate assets actually declined due to the accelerated recovery of the loans and advances, while liabilities continued to grow. It has however indicated an increasing trend after attaining the negative value during 2003-04 and reached the peak level of 0.98 during 2005-06 but declined to 0.59 during the current year.

5.15 Another issue in debt sustainability is the ratio of the debt redemption to total debt receipts. A higher ratio would indicate that to the extent debt receipts were used in debt redemption, there was less net accrual of resources. Table 5.6 gives the ratio of debt redemption to debt receipts during 1992-2007 period encompassing VIII, IX and X Five Year Plans.

Table 5.6: Ratio of Debt Redemption to Debt Receipts

Period	Debt Receipts*	Debt Repayment		Principal Debt Repayment (1)/Debt Receipts	Total Debt Repayment (2)/Debt Receipts
		Principal* (1)	Principal +Interest (2)		
	(Rs. In crore) (Annual Average)			(Per cent)	
1992-2007	682380	570957	661367	83.67	96.92
VIII Plan (1992-97)	266443	203787	248066	76.48	93.10

**Report of the CAG on
Union Government Accounts 2006-07**

Period	Debt Receipts*	Debt Repayment		Principal Debt Repayment (1)/Debt Receipts	Total Debt Repayment (2)/Debt Receipts
		Principal* (1)	Principal +Interest (2)		
	<i>(Rs. In crore) (Annual Average)</i>			<i>(Per cent)</i>	
IX Plan (1997-02)	530341	411106	502208	77.52	94.70
X Plan (2002-07)	1250358	1097979	1233839	87.81	98.68
2002-03	623645	485764	610337	77.89	97.87
2003-04	811010	726131	854245	89.53	105.33
2004-05	1070716	894577	1025535	83.55	95.78
2005-06	1671997	1521331	1662706	90.99	99.44
2006-07	2074421	1862092	2016372	89.76	97.20

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

5.16 The debt sustainability issues have also been discussed by the successive Finance Commissions. The Ninth Finance Commission observed that ultimately the solution to the government debt problem lies in borrowed funds – (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in government revenue. The Eleventh Finance Commission suggested that debt sustainability could be significantly facilitated if the incremental revenue receipts could meet the incremental interest burden and the incremental primary expenditure. The Twelfth Finance Commission while endorsing the approach suggested by the Eleventh Finance Commission felt that the pre-requisite to this is the achievement of revenue balance by instituting measures for augmenting revenue receipts and compressing expenditure.

5.17 Table 5.7 indicates the resource gap as defined above for VIII, IX and X Plans and separately for each year of the X Plan to present the trends in the recent years. It would be observed that during 1992-2007, incremental revenue receipts fell short by 21.03 per cent in meeting the incremental revenue expenditure. This gap increased to over 45.47 per cent during the IX Plan (1997-2002). During the first three years of X Plan (2002-07) due to a moderate growth in expenditure and moderation in interest rates, incremental revenue receipts exceeded incremental revenue expenditure resulting in a positive gap, which continuously increased during the three years 2002-05. During 2005-06 and 2006-07 while the incremental revenue receipts increased by 43.15 per cent and 74.69 per cent respectively, the corresponding increases in non-interest revenue expenditure and interest payments were 490.53 and 266.28 per cent in 2005-06 and 40.25 and 23.88 per cent during 2006-07. The wide differences in the rates of increases led to huge negative gap of Rs. 30997 crore and Rs. 23150 crore which were amongst the maximum divergences recorded between incremental revenue receipts and revenue expenditure in a year and in fact indicates the absolute increase in revenue deficit during 2005-06 and 2006-07 over the corresponding previous years.

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

(Rupees in crore)

Period	Incremental				Resource Gap
	Revenue Receipts	Non-interest Revenue Expenditure	Interest Expenditure	Total Revenue Expenditure	
1992-2007	29177	28437	8512	36949	-7772
VIII Plan (1992-97)	16887	13589	6576	20166	-3279
IX Plan (1997-02)	18621	23212	10939	34151	-15530
X Plan (2002-07)	52023	48510	8021	56532	-4509
2002-03	34547	23609	10400	34009	538
2003-04	39274	26954	3541	30495	8779
2004-05	37771	12641	2844	15485	22286
2005-06	54069	74649	10417	85066	-30997
2006-07	94453	104698	12905	117603	-23150

Fiscal Deficit and Debt Sustainability

5.18 In the context of fiscal sustainability, TFC felt that the issue of debt sustainability also needs to be viewed for combinations of debt and fiscal deficit as debt would become unsustainable, if fiscal deficits follow a course that leads to a self-perpetuating rise in the debt-GDP ratio. A sustainable debt-deficit combination would be stable in terms of debt- GDP ratio and fiscal-deficit GDP ratio consistent with the permissible levels of primary expenditure. The issue therefore involved is one of determining that level of fiscal deficit, which will stabilize the debt-GDP ratio and, at the same time, can promote growth. The FRBM Act enacted by the central government, read with its rules and subsequent amendment, specifies the target for achieving a fiscal deficit to GDP ratio of 3 *per cent* by the Central Government by 2008-09. Given this fiscal deficit target, for a combination of 12 *per cent* nominal growth rate and 7 *per cent* interest rate, Twelfth Finance Commission in the suggested programme for restructuring public finances has recommended that the primary deficit should be equal to 1.25 *per cent* of GDP. TFC has further estimated that once the adjustment phase is over and the fiscal deficit of the Centre being contained at 3 *per cent*, the debt-GDP ratio of the Union would stabilize at 44 *per cent* of GDP by 2008-09.

5.19 At present the Union's debt-GDP ratio is close to 53 *per cent*, with external debt measured at current exchange rates, and after excluding NSSF liabilities against which there are assets in the form of state securities and Market Stabilization Scheme (MSS) liabilities against which an equal amount of cash is held with the RBI. The trends in fiscal deficit to GDP ratio during the X Plan period (2002-07) so far revealed that after exhibiting a steep decline in 2003-04 to 2.93 *per cent*, it has indicated an increasing tendency during the subsequent three years. Similarly, revenue deficit to GDP ratio, after reaching the minimum level of 2.52 *per cent* during 2004-05, it has increased to 3.22 *per cent* in the current year. The movement in revenue and

fiscal deficits relative to GDP do not seem to be on the path anticipated by the TFC to stabilise the debt-GDP ratio at the targeted level by 2008-09.

Cash Management

5.20 With the Union Government entering into an agreement with the Reserve Bank of India in 1994, a system of automatic monetization of budget deficit was phased out in 1997. Effective from April 1997, a new scheme of Ways and Means Advances (WMA) was introduced to facilitate the government to overcome the temporary mismatches in its cash flows. With the Reserve bank of India withdrawing from participation in the primary issuance of Central Government securities with effect from April 1, 2006 in accordance with the FRBM Act 2003, the Ways and Means Advances (WMA) arrangements were revised from 2006-07. Under the previous arrangements, the limits of WMA were fixed on a half yearly basis; for 2005-06 the limits were Rs. 10000 crore for the first half of the fiscal year (April September) and Rs. 6000 crore for the second half (October – March) of the fiscal year. In order to facilitate the transition necessitated by the FRBM provisions, under the revised arrangements, the limits for 2006-07 were fixed on quarterly basis. Accordingly, the WMA limits for 2006-07 were placed at Rs. 20000 crore and Rs. 10000 crore for the first and the second quarters respectively and Rs. 6000 crore each for the third and fourth quarters of the year.

5.21 The liquidity position of the Union Government remained comfortable during 2006-07. The surplus cash balances of the Centre which amounted to Rs. 65488 crore at the end of March 2006 decreased during April 2006 and Centre had to take recourse to WMA during April-August 2006. The peak WMA availed during the year was Rs. 11754 crore (59 per cent of the limit) on June 6 2006. The Union Government however did not resort to overdraft during the year. During 2006-07, the centre availed WMA for a total of 39 days as compared with only two days during 2005-06. WMA were availed up to August 7 2006 and thereafter surplus was maintained by the Union Government with the RBI. The surplus exceeded the investment ceiling of Rs. 20000 crore from September 16, 2006 and surplus balance reached the peak level of Rs. 77726 crore on March 22, 2007 reflecting State Governments' investment in Government of India Treasury Bills and buoyancy in advance tax collections. The closing cash balance as per the Finance Account as on March 31, 2007 turned out to be Rs. 94883 crore. The details of WMA availed by the Union Government since 1999-2000 are presented in Table 5.8 which reveals that 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

(Rupees in crore)

Year	Opening Balance	Addition during the Year	Discharge during the Year	Outstanding Ways and Means Advances
2001-02	5395	170953	171172	5176
2002-03	5176	118961	124137	Nil
2003-04	Nil	96615	96615	Nil
2004-05	Nil	62080	62080	Nil
2005-06	Nil	1134	1134	Nil
2006-07	Nil	25226	25226	Nil

Unutilised Committed External Assistance

5.22 As on 31 March 2007, unutilised committed external assistance was of the order of Rs. 75783 crore. The sector-wise details of unutilized external assistance are given in Appendix-V-B and Table 5.9 below shows the year-wise total un-drawn balance of external assistance from various sources. The sector-wise details reveal that more than one-third of unutilized external assistance pertains to Urban Development and Road sector during 2006-07 and the un-drawn absolute amount remained more than Rs. 27,600 crore during 2006-07. Within the energy sector, atomic energy indicated for the first time the unutilized assistance amounting to Rs. 8054 crore during 2005-06, which reduced to Rs.6429 crore during 2006-07. The sectors such as Agriculture, Environment and Forestry, Power, Water Supply and Sanitation, and Water Resources have been unable to withdraw the external aid amounting to Rs. 21,214 crore, which constitutes about 28 per cent of total un-drawn balance during 2006-07. More importantly, health sector has also not been able to utilise the external assistance of Rs. 4260 crore committed for various projects despite the fact that the sector requires large funds for providing minimum health facilities especially in rural areas. Since the external assistance is precious and commitment charges are being paid by the Government, initiatives need to be taken to address the issues being faced by these sectors for not utilizing the available funds.

Table 5.9: Unutilised Committed External Assistance

(Rupees in crore)

Year	Amount
2000-01	56920
2001-02	62565
2002-03	67361
2003-04	64517
2004-05	68430
2005-06	63067
2006-07	75783

5.23 Commitment charges on un-drawn external assistance are to be paid on the amount of principal rescheduled for drawal on later dates. As there is no distinct head in the accounts for reflecting the payment of commitment charges, it is shown under the head 'interest obligation'. Table 5.10 indicates

charges paid to various bodies/governments during 2000-2007 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. 140.51 crore in 2006-07.

Table 5.10: Commitment Charges

(Rupees in crore)

Year	ADB	France	Germany	IBRD	Total
2000-01	13.52	0.27	0.19	26.25	40.23
2001-02	12.84	0.22	0.76	34.64	48.46
2002-03	26.45	0.19	0.95	39.60	67.19
2003-04	38.23	0.02	8.99	45.91*	93.15
2004-05	45.10	Nil	2.07	117.94*	165.11
2005-06	53.42	0.0	1.86	92.89*	148.17
2006-07	59.56	0.0	1.93	79.02	140.51

*Source: Controller of Aid Accounts & Audit *includes IDA assistance*

Growth in Contingent Liabilities of the Union Government

5.24 Contingent liabilities of the Union Government arise because of its role in promoting investment and in reducing the credit risk for investors, especially in those activities where the nature of investment is characterised by long gestation periods. While guarantees do not form part of debt as conventionally measured, in the eventuality of default, this has the potential of aggravating the debt position of the government. The issue of guarantees assumes significance in the context of the growing investment needs for infrastructure, participation by the private sector in such projects and its increasing probability of being invoked. In exchange risk guarantees provided for Resurgent India Bonds and India Millennium Deposits there was substantial financial outgo from the government receipts. Table 5.11 gives the position regarding the maximum amount of guarantees and sums guaranteed and outstanding at the end of the financial year during 1999-2007.

Table 5.11: Guarantees Given by Union Government

(Rupees in crore)

Position at the end of the year	Maximum amount of guarantee	Sums Guaranteed Outstanding	External Guarantees Outstanding	Percentage of column (4) to column (3)
(1)	(2)	(3)	(4)	(5)
1999-2000	144438	83954	47663	56.77
2000-01	135678	86862	55664	64.08
2001-02	168712	96859	57006	58.85
2002-03	174487	90617	51097	56.39
2003-04	184420	87780	50328	57.33
2004-05	132728	107957	48276	44.72
2005-06	118560	110626	47358	42.81
2006-07	114670	109826	46340	42.19

5.25 Total outstanding guarantees were 2.66 *per cent* of GDP and 20.90 *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 2006-07: INTRODUCTION

Constitutional provisions

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

6.2 The Controller General of Accounts (CGA) prepares the Appropriation Accounts in respect of 98 grants and appropriations of civil ministries. The Ministries of Defence, Railways and the Department of Posts prepare the Appropriation Accounts of their respective grants. The Comptroller and Auditor General of India submits four different Appropriation Accounts pertaining to different sectors of activities of the government, viz. Civil, Defence, Posts and Railways, along with his Report under Article 151 of the Constitution, to the President every year, who causes them to be laid before Parliament. Details of demands for grants and appropriations of various ministries during 2006-07 are as follows:

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

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

sectoral features, all grants relating to Civil Departments, Posts and Defence appropriation have been dealt with comprehensively. Audit findings on Railway appropriations are, however, available in respective Audit Report for the year 2006-07.

A summary

6.4 Table 6.1 gives the total provision (both charged and voted) and disbursement during 2006-07. **Appendix-VI-A** presents the details of the summary of Appropriation Accounts of Civil Ministries/Departments, Postal, and Defence Services.

Table 6.1: Provision and Disbursements during 2006-07

Departments	Total Provision	Disbursements	Savings(S) Excess(E)
Civil	2085164	2086198	1034(E)
Posts	7285	7064	221(S)
Defence Services	92277	88675	3602 (S)
Grand Total	2184726	2181937	2789(S)

6.5 The net excess of Rs. 1034 crore was due to excess expenditure of Rs. 36637 crore under four grants and unspent provision of Rs. 35603 crore in the grants pertaining to the civil ministries/departments. Out of the overall excess expenditure of Rs. 36637 crore, Rs. 999 crore was on account of additional discharge of 364 days Treasury Bills under grant no. 37- Repayment of Debt. Of the overall unspent provision of Rs. 35603 crore, Rs. 1500 crore was on account of non-utilisation of funds on Redemption of Securities to Stress Assets Stabilisation Fund under grant no. 33- Payments to Financial Institutions and Rs. 840 crore was on account of reduction of sales owing to withdrawal of sales tax concession, imposition of VAT etc. under Directorate of Canteen Services under grant no. 20- Ministry of Defence. Excluding this, the gross unspent provision was Rs. 33263 crore.

6.6 There were net unspent provisions in 206 sections and excess in 4 sections under the grants/appropriations relating to Civil ministries, unspent provision in 3 sections of Posts, and unspent provisions in 11 sections and excess in 1 section of Defence Services. **Appendix-VI-B** presents an abstract of the details.

Charged and Voted disbursement

6.7 **Appendix-VI-C** contains the details of the disbursements actually made against the approved demands (grants and appropriations) of the Civil ministries for the years 1995-2007. During these years, 70 to 81 *per cent* of the total disbursements for the Civil ministries was charged on the Consolidated Fund of India.

6.8 During 2006-07, the total disbursements of Rs. 2086198 crore under civil ministries were Rs. 496113 crore higher than the total disbursements of Rs. 1590085 crore during 2005-06. It had increased by 548 *per cent* from Rs. 322027 crore in 1995-96. The charged disbursements increased by 621 *per cent* from Rs. 231831 crore in 1995-96 to Rs. 1670413 crore in 2006-07 and voted disbursements increased by 361 *per cent* from Rs. 90196 crore to Rs. 415785 crore over the same period. The charged disbursements of the civil ministries during 2006-07 were mainly on account of Interest Payments (Rs. 154280 crore, which was nine *per cent* higher than Rs. 141375 crore for 2005-06), Repayment of Debt (Rs. 1480938 crore), Transfers to State and Union Territory Governments mainly on account of grants under the proviso to Article 275(1) of the Constitution, block grants, loans for State plan schemes etc. and constituted 80 *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 20 *per cent* of the total disbursement in the civil ministries. However, viewed against the background of the total disbursements from the CFI (gross Rs. 2181937 crore excluding Railways), the percentage of charged disbursements was 77 *per cent* (Rs. 1670469 crore) (including Posts and Defence Services but excluding 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 2007/during last quarter of the financial year. Since the funds released in March to various organisations cannot be constructively spent during the year, which closes on the last day of the same month/quarter, it is not possible to conclude whether these funds were applied during the same year for the purpose for which they were authorised.

Chapter 7

APPROPRIATION ACCOUNTS 2006-07: AN ANALYSIS

Excess disbursements over grants/appropriations

7.1 Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article. Further, General Financial Rules (GFR) 52(3) stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund. Table 7.1 contains the summary of total excess over the authorisation from the CFI. During 2006-07, there was an excess disbursement of Rs. 366371971375 (i.e. Rs. 36637.20 crore) in four segments of four grants/appropriations in Civil ministries, and Rs. 6671695590 (i.e. Rs. 667.17 crore) in one segment of one grant in Defence. These are detailed in Table 7.2 and require regularisation under Article 115 (1) (b) of the Constitution.

Table 7.1: Summary of excess disbursements over grants/appropriations

		<i>(In Rupees)</i>		
		Civil	Defence	Posts
<i>Voted</i>	Revenue	-	6671695590	-
	Capital	40000	-	-
<i>Charged</i>	Revenue	35879214033	-	-
	Capital	330492717342	-	-
No of Grants/ Appropriations		4	1	-
Total Excess		366371971375	6671695590	-

Table 7.2: Details of excess disbursement over grants/appropriations

Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by the ministries/departments
Civil:			
Revenue (Charged)			
1.	34-Interest Payments	<i>Grant</i> <i>Expenditure</i> <i>Excess</i>	150691850000 1542797397248 35878897248
			Due to payment of more interest/higher rate of interest on securities, issue of more treasury bills, dated securities, higher investment of surplus funds by the State Governments, issue of Special Bonds to Oil Marketing Companies.

**Report of the CAG on
Union Government Accounts 2006-07**

Sl. No	Grant/ Appropriation		Rupees	Contributory reasons as stated by the ministries/departments
2.	63-Ministry of Mines	<i>Grant</i>	47500000	Due to compliance of Court's order to make interim payments to employees of Bharat Gold Mines Limited.
		<i>Expenditure</i>	47816785	
		<i>Excess</i>	316785	
Capital (Voted)				
3.	16-Ministry of Company Affairs	Appropriation	368000000	Reason awaited from the concerned department.
		Expenditure	368040000	
		Excess	40000	
Capital (Charged)				
4.	37-Appropriation - Repayment of Debt	Appropriation	14478891000000	Reason awaited from the concerned department.
		Expenditure	14809383717342	
		Excess	330492717342	
Defence:				
Revenue (Voted)				
5.	22-Defence Services - Army	Grant	331910400000	Reason awaited from the concerned department.
		Expenditure	338582095590	
		Excess	6671695590	

7.2 The details of excess disbursements and other details relating to grants of the Railways are mentioned in respective Audit Reports for the year 2006-07 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 2006-07 that in 48 cases of 16 grants and appropriations (Civil and Defence Services) though the expenditure of Rs. 51128.49 crore had exceeded the available provisions under sub-heads, the authority administering the concerned grant/appropriation did not issue re-appropriation orders to accommodate the final excess expenditure over the available provision, indicating laxity in budgetary control. A few instances (Rs one crore and more) are given in **Appendix-VII-A**.

Unspent provision of Rs. 100 crore or more

7.4 Unspent provisions in a grant or appropriation indicate either poor budgeting or shortfall in performance or both. Unspent provisions of more than Rs. 100 crore, which need a detailed explanatory note to the Public Accounts Committee, occurred in 60 cases of 45 grants during 2006-07. Large unspent provisions were in areas like Ministry of Defence, Payment to Financial Institutions, Department of Health and Family Welfare, Ministry of Panchayati Raj, Department of Rural Development, Department of Disinvestment, Transfers to State and Union Territory Governments and Capital Outlay on Defence Services. The unspent provisions were attributed by the ministries/departments to some of the schemes failing to take off. **Appendix-VII-B** indicates the details of the unspent provisions.

Surrender of unspent provision

7.5 According to the provisions of G.F.R.-56, unspent provisions in a grant or appropriation are to be surrendered to government as soon as these are foreseen without waiting for the last day of the year. Unspent provision should also not be held in reserve for possible future excess. During 2006-07, under 206 segments of 96 grants/appropriations of civil ministries, there was an unspent provision of Rs. 35603.11 crore. This was offset by excess expenditure of Rs. 36637.19 crore under four segments of one grants and three appropriation resulting in a net excess expenditure of Rs. 1034.08 crore.

The amounts surrendered are shown in Table 7.3.

Table 7.3: Details of unspent provision and surrender

	<i>(Rupees in crore)</i>			
	Net unspent provision	Amount surrendered	Amount surrendered on last date	Amount not surrendered
Revenue				
Voted	20772.98	15060.90	12241.00	5712.08
Charged	(+) 2402.74	1176.12	1175.43	-
Total: Revenue	18370.24	16237.02	13416.43	-
Capital				
Voted	12619.81	12104.60	10936.86	515.21
Charged	(+) 32024.13	4769.44	4769.44	-
Total: Capital	(+) 19404.32	16874.04	15706.30	-
Grand total	(+) 1034.08	33111.06	29122.73	-

7.6 Under the grants/appropriations pertaining to Other Expenditure of the Ministry of Home Affairs, Ministry of Home Affairs, Repayment of Debt and Defence Services-Army, 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 object heads 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 2006-07 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 Repayment of Debt (Rs. 83527 crore), Department of Rural Development (Rs. 4209 crore), Interest Payments (Rs. 4102 crore), Transfers to State and Union Territory Governments (Rs. 2668 crore), Department of Health and Family Welfare (Rs. 1933 crore), Department of Fertilisers (Rs. 1011 crore), Department of Road Transport and Highways (Rs. 990 crore), Department of Women and Child Development (Rs. 626 crore) and Department of Drinking Water Supply (Rs. 590 crore).

Injudicious re-appropriation to sub-heads

7.9 Test check of the accounts revealed that in 17 cases relating to 11 grants/appropriations, re-appropriation aggregating Rs. 426.23 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.

Injudicious re-appropriation from sub-heads

7.10 In eight sub-heads of seven grants/appropriations as indicated in **Appendix-VII-E**, there were injudicious re-appropriations aggregating to Rs. 3722.87 crore wherein the final disbursement under each of cases was more than the original provision before re-appropriation. In each of them, the excess over the final provision after re-appropriation from these heads was more than the amounts re-appropriated.

Irregular re-appropriation

7.11 The Ministry of Finance had issued instructions that any re-appropriation order issued during the year which had the effect of

increasing the budget provision by more than 25 per cent or Rupees five crore whichever is more under a sub-head, should be reported to Parliament along with the last batch of supplementary demands. In exceptional cases, any order of re-appropriation issued by the ministries/departments after presentation of the last batch of supplementary demands, exceeding the above limit requires prior approval of the Secretary/Additional Secretary, Department of Expenditure.

7.12 Test check of appropriation accounts for 2006-07 revealed that there were 179 sub-heads/cases under 48 grants/appropriations to which re-appropriation in excess of Rupees five crore was made. Out of these, in 105 sub-heads/cases involving 37 grants/appropriations, the re-appropriation exceeded 25 per cent of the budget provision and was required to be reported to Parliament through the last batch of supplementary demands for grants. Only in 84 cases, such re-appropriations were reported to Parliament.

Re-appropriation without prior approval of Secretary (Expenditure)

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

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

<i>(Rupees in crore)</i>				
Sl. No.	No. and name of grant	Major head	Sub-head	Amount
1.	41 – Department of Revenue	2875 – Other Industries	Other Expenditure	O: 18.25 R: 6.25
2.	103 – Ministry of Water Resources	2711 – Flood Control and Drainage	Central Water Commission	O: 30.12 R: 5.01

O = Original Provision

R = Re-appropriation

Unnecessary supplementary grant

7.14 The position of original and supplementary grants obtained under Civil ministries and percentage of supplementary provision to the original provision from 2000-2001 onwards is given in **Appendix-VII-F**. In 36 cases relating to 33 grants as detailed in Table 7.5, while supplementary provisions aggregating to Rs. 3432.03 crore were obtained during 2006-07 in anticipation of higher expenditure, the final expenditure was less than even the original grants/appropriations. The entire amount of unnecessary supplementary provision was indicative of deficient budgeting.

**Report of the CAG on
Union Government Accounts 2006-07**

Table 7.5: Unspent provision were more than the supplementary grant/appropriation

(Rupees in crore)

Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
Civil					
Revenue – Voted					
1.	03 – Department of Animal Husbandry and Dairying	1030.72	110.04	1007.41	133.35
2.	06 – Nuclear Power Schemes	1182.59	116.51	1093.27	205.83
3.	14 – Department of Telecommunications	4565.46	60.59	4555.39	70.66
4.	17 – Department of Consumer Affairs	210.03	6.77	165.87	50.93
5.	18 – Department of Food and Public Distribution	24655.88	1.13	24451.88	205.13
6.	19 – Ministry of Culture	772.00	25.08	702.77	94.31
7.	20 – Ministry of Defence	6817.41	64.00	5842.44	1038.97
8.	28 – Ministry of Development of North Eastern Region	1253.74	0.50	1239.92	14.32
9.	29 – Ministry of Environment and Forests	1495.63	3.04	1351.50	147.17
10.	50 – Ministry of Home Affairs	759.45	9.23	741.56	27.12
11.	52 - Police	14090.65	547.54	14037.26	600.93
12.	54 – Transfers to Union Territory Governments	1123.37	142.61	910.21	355.77
13.	55 – Department of School Education and Literacy	25878.71	189.30	25694.82	373.19
14.	56 – Department of Higher Education	6982.27	133.78	6923.67	192.38
15.	57– Department of Women and Child Development	4852.94	45.54	4770.40	128.08
16.	66 –Ministry of Earth Sciences	475.75	56.05	458.89	72.91
17.	75 – Rajya Sabha	102.00	0.93	85.34	17.59
18.	87 – Ministry of Social Justice and Empowerment	1615.31	60.52	1603.22	72.61
19.	89 – Ministry of Statistics and Programme Implementation	1788.65	13.29	1656.44	145.50
20.	91 – Ministry of Textiles	2034.58	602.54	1873.94	763.18
21.	93 – Ministry of Tribal Affairs	157.65	1.00	126.32	32.33
22.	99 – Department of Urban Development	1067.79	54.27	924.87	197.19
23.	100 – Public Works	779.77	21.86	701.91	99.72
24.	101 – Stationery and Printing	154.06	7.98	137.65	24.39
Revenue – Charged					
25.	35 – Transfers to State and Union Territory Governments	29406.50	195.61	28440.42	1161.69
Capital - Voted					
26.	8 – Department of Fertilisers	105.04	12.18	92.04	25.18

Appropriation Accounts 2006-07: An analysis

(Rupees in crore)

Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
27.	14 – Department of Telecommunications	101.00	25.00	75.60	50.40
28.	20 – Ministry of Defence	682.17	4.96	376.22	310.91
29.	32 – Currency, Coinage and Stamps	0.08	96.37	-	96.45
30.	33 – Payments to Financial Institutions	232.80	42.46	196.52	78.74
31.	46 – Department of Health and Family Welfare	475.68	29.86	361.15	144.39
32.	69 – Ministry of Personnel, Public Grievances and Pensions	28.03	1.00	2.58	26.45
33.	99 – Department of Urban Development	1120.54	12.44	1054.87	78.11
Capital - Charged					
34.	35 – Transfers to State and Union Territory Governments	5000.00	700.00	4700.00	1000.00
Defence Services Revenue (Voted)					
35	24 – Defence Services – Air Force	10081.43	34.46	10062.96	52.93
Revenue (Charged)					
36	22 – Defence services – Army	14.10	3.59	13.85	3.84
Total			3432.03		

Unrealistic estimation of expenditure/revised estimates

7.15 While obtaining supplementary grants, the Ministries/Departments reported to Parliament large amounts of additional requirement for different purposes under the schemes/activities shown in Table 7.6 but they were finally unable to spend not only the entire supplementary grants or parts thereof but also the original budget provision in certain cases.

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

(Rupees in crore)

Sl. No.	Grant no. and name	Major head/Sub-head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons attributed by the ministry/department
1.	7-Department of Chemicals and Petrochemicals	2852.05.205.01 – Bhopal Gas Leak Disaster (Processing of claims) Act, 1985	6.89	51.94	6.94	51.88	Due to non-submission of claims by Bhopal Gas Leak Disaster Victims.

**Report of the CAG on
Union Government Accounts 2006-07**

(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
2.	32-Currency, Coinage and Stamps	4046.00.208.01 - Coins	-	96.37	-	96.37	Due to non finalisation of decision to credit face value of the coins in Government account by the Reserve Bank of India.
3.	34 - Appropriation Interest Payment	2049.01.126 - Interest paid on Market Stabilisation Scheme Deposit of Money in the Bank	O 1434.75 R 1521.69	547.47	2941.72	562.19	Due to lesser issue of treasury bills than anticipated.
4.	37- Appropriation Repayments of Debt	6001.00.105.06 - African Development Fund	17.52	1.46	5.56	13.42	Due to exchange rate variation.
5.	46-Department of Health and Family Welfare	4210.01.001.01 - National Medical Library	-	0.50	-	0.50	Due to non-receipt of debits raised by the CPWD
6.	-do-	4210.03.105.07 - Vardhman Mahaveer Medical College, New Delhi	26.00	10.00	25.32	10.68	Due to slow pace of expenditure on capital works
7.	52-Police	2055.00.119.04 - State Headquarters Police	461.82	17.46	446.56	32.72	Due to transfer of funds to the head education and training of staff for newly created 3 IR battalions.
8.	-do-	2055.00.119.08 - Road Safety Cell	11.67	0.01	10.17	1.51	Due to non-finalisation of proposals for procurement of machinery and equipments.
9.	-do-	2055.00.120.01 - Establishment	697.54	50.00	680.93	66.61	Due to non-finalisation of procurement of vehicles, economy measures and late joining of newly recruited personnel.
10.	99- Department of Urban Development	2216.05.053.05 - Repairs and Maintenance of MP Bunglows	20.00	23.31	20.03	23.28	Due to non-materialisation of anticipated pending claims.
11.	-do-	4216.01.700.17 - Lok Sabha/Rajya Sabha	10.50	8.88	8.67	10.71	Due to non-materialisation of anticipated pending claims.

(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
12.	101 – Stationery & Printing	2058.00.103.02 – Printing Presses	114.85	7.98	101.76	21.07	Due to delay in issue of supply orders for purchase of paper, non-filling up of vacant posts and less expenditure on medical and stationery.
13.	105-Ministry of Minority Affairs	3601.04.378.02 – Coaching and Allied Scheme for Minorities	-	0.60	-	0.60	Due to non-receipt of proposals from State Governments
14.	-do-	3601.04.378.03 – Merit-cum-Means based Scholarship for professional and technical courses	-	9.00	-	9.00	Due to non-approval of the scheme by the Cabinet.
15.	-do-	3602.04.378.02 - Merit-cum-Means based Scholarship for professional and technical courses	-	1.00	-	1.00	Due to non approval of the scheme by the Cabinet.

Unrealistic budgetary assumptions

7.16 The budget circulars issued by the Ministry of Finance every year stipulate that due note, while framing the estimates, be taken of the past performance, the stages of formulation/implementation of the various schemes, the institutional capacity of the implementing agencies to implement the scheme, the constraints on spending by the spending agencies etc. The objective is to minimise the scope for avoidable surrenders at a later stage. Further, no provision should normally be made in the budget without completion of pre-budget scrutiny of the projects/schemes. Where, however, provision has been made without necessary scrutiny, such scrutiny should be completed and appropriate approvals obtained therefor before the commencement of the financial year at the latest by the time budget is passed by the Parliament. Scrutiny of the head-wise appropriation accounts revealed that the Ministries/departments made excessive provisions under the various sub-heads, which ultimately resulted in the large savings and surrenders at the end of the year. **Appendix VII-G** gives the details.

Large supplementary grants due to unrealistic budgetary projections

7.17 Under Article 114 of the Constitution of India, the Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India. Parliament can also sanction supplementary or additional grants by subsequent Appropriation Acts in terms of Article 115 of

the Constitution. While preparing the estimates of expenditures, ministries/departments are required to keep in view the trends of disbursements during the previous years and take due care so that provision for all inescapable and foreseeable expenditures is made in the estimates before they are submitted to the Ministry of Finance. The Ministry of Finance after due deliberations and pre-budget meetings/scrutiny finalises the budget proposals. A scrutiny of the Appropriation Accounts for the year 2006-07 revealed that a large number of ministries/departments of the Central Government obtained supplementary grants/appropriations much in excess of the original provisions. The supplementary provisions ranged between 59 to 876 *per cent* of the original provisions in some of the cases mentioned below. This indicated that the ministries and departments did not prepare estimates of expenditure on a realistic basis and that the mechanism of holding pre-budget meetings and scrutiny by Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect:

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

(Rupees in crore)

Sl. No.	Grant No.	Original provision	Supplementary provisions	Percentage of supplementary provision to original provision
1.	07- Department of Chemicals & Petrochemicals	Revenue-Voted 93.20	816.57	876
		Capital-Voted 76.20	412.19	541
2.	70- Ministry of Petroleum & Natural Gas	Revenue-Voted 3106.62	24150.02	777
		Capital-Voted --	528.58	--
3.	48- Department of Heavy Industry	Revenue-Voted 332.74	2180.61	655
		Capital-Voted 580.88	613.42	106
4.	16- Ministry of Company Affairs	Capital-Voted 10.00	26.80	268
5.	33- Payments to Financial Institutions	Revenue-Voted 4169.43	6567.78	158
6.	35- Transfers to State and U.T. Governments	Revenue-Voted 28924.79	21240.42	73

Sl. No.	Grant No.	Original provision	Supplementary provisions	Percentage of supplementary provision to original provision
7.	10- Ministry of Coal	Revenue-Voted 205.71	131.79	64
8.	53- Other Expenditure of the Ministry of Home Affairs	Revenue-Voted 964.51	620.29	64
9.	8- Department of Fertilisers	Revenue-Voted 18049.02	10704.16	59
10.	66- Ministry of Earth Sciences	Capital-Voted --	59.10	-
11.	45- Ministry of Food Processing Industries	Capital-Voted --	33.30	-

Postal Services (Grant No. 13)

7.18 Persistent savings were noticed under Capital Section of the grant, out of the budget allocation of Rs. 336.18 crore during the year 2006-07 under head 5201.104 – Mechanisation and Modernisation of Postal Services only Rs. 250.38 crore was spent, leaving an unspent amount of Rs. 85.80 crore. The details of persistent savings noticed under head during the period 2002-07 are given in Table 7.8.

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

(Rupees in crore)

Year	Budget provision and supplementary grant	Actual expenditure	Unspent provision	Percentage
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
2005-06	367.09	268.98	98.11	27
2006-07	385.98	284.73	101.25	26

7.19 The reasons advanced by the department for savings under Revenue (Voted) and Capital (Voted) Sections are as under:

Table 7.9: Savings in Grant

(Rupees in crore)

Grant no. 13	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Posts
Revenue (Voted)	6898.88	6779.09	119.79	<ul style="list-style-type: none"> - Less expenditure under salaries, Wages, T.A. and Medical expenses - Less receipt of retirement benefits claims - Non receipt of exchange accounts vouchers - Less expenditure on training - Non receipt of bills
Capital (Voted)	385.98	284.73	101.25	<ul style="list-style-type: none"> - Non completion of work and non receipt/non adjustment of DGS&D bills - Non completion of computerisation of Post Office and discontinuation of VSAT services.
Total	7284.86	7063.82	221.04	-

Defence Services:

7.20 Scrutiny of Appropriation Accounts of Defence Services disclosed a persistent trend of unspent provision during the years 2004-07 under voted segment of four grants as detailed in table 7.10.

Table 7.10: Persistent unspent provision

(Rupees in crore)

Grant No Sub-Major/ Minor Head	2004-05	2005-06	2006-07	Reasons for unspent amount given in Appropriation Accounts
22- Defence Services-Army				
800-Other Expenditure	32.84	31.20	19.06	Ministry has not given any explanation.
23- Defence Services-Navy				
104- Pay & Allowances of Civilians	5.10	15.25	32.94	-do-
25- Defence Ordnance Factories				
054-Manufacture	6.62	20.27	22.23	-do-
110-Stores	10.43	26.55	18.43	-do-
800-Other Expenditure	8.43	17.13	19.27	-do-
27- Capital Outlay on Defence Services				
02 – Navy				
104 – Joint Staff	27.67	12.17	19.41	-do-
03 – Air Force				
103- Other	27.87	18.93	2032.78	-do-

(Rupees in crore)

Grant No Sub-Major/ Minor Head	2004-05	2005-06	2006-07	Reasons for unspent amount given in Appropriation Accounts
Equipments				
202- Construction works	21.12	5.42	74.22	-do-
05 – Research and Development Organisation				
052- Machinery and Equipment	54.73	31.23	72.43	-do-

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.

7.21 Surrender of unspent provision

The savings in a grant or appropriation are required to be surrendered as soon as these are foreseen without waiting till the end of the year. Further, savings should not be held in reserve for possible future excesses as per Financial Regulations. During 2006-07 under Charged segments of 4 grants of Defence Services where surrenders were made for Rs. 21.68 crore, there was an unspent provision of Rs. 46.46 crore. Under Voted segments of two grants, where surrenders for Rs. 3457.29 crore were made there was an unspent provision of Rs. 4111.11 crore. Out of this, Rs. 667.17 crore was offset by excess under Voted segment of grant relating to Defence Services-Army, resulting in a unspent provision of Rs. 3443.93 crore. Besides Rs. 3457.29 crore under three grants in Voted segment and Rs. 21.68 crore under four grants in Charged segment were surrendered on the last day of the financial year which was contrary to the provisions as detailed in table 7.11 below. This reflect that the budget controlling authorities did not assess the surrenders properly even at the fag end of the financial year 2006-07.

Table 7.11 :Detail of unspent provision and surrenders

(Rupees in crore)

Grant/Appropriation	Unspent provision		Amount surrendered		Amount not surrendered	
	Charged	Voted	Charged	Voted	Charged	Voted
22- Defence Services- Army	-	-	-	34.97	-	-
23-Defence Services- Navy	1.13	-	0.22	-	0.91	-
24- Defence Services – Air Force	4.39	-	4.01	-	0.38	-
25- Defence Services- Ordnance Factories	-	458.05	-	358.67	-	99.38
26- Defence Services- Research and Development	0.19	-	0.05	-	0.14	-
27- Capital Outlay on	40.75	3653.06	17.40	3063.65	23.35	589.40

(Rupees in crore)

Grant/Appropriation	Unspent provision		Amount surrendered		Amount not surrendered	
	Charged	Voted	Charged	Voted	Charged	Voted
Defence Services						
Grand Total	46.46	4111.11	21.68	3457.29	24.78	688.78

7.22 Supplementary Demand and surrender of Savings relating to Demand No.- 27 – Capital Outlay on Defence Services – Major Head – 4076

Ministry had obtained supplementary demand under ‘Charged’ portion of Demand No. 27 – Capital Outlay on Defence Services under Major Head – 4076 for a total amount of Rs. 64.05 crore (Rs. 49.05 crore + Rs. 15.00 crore). However, in the Appropriation accounts Ministry has exhibited the amount as Rs. 63.65 crore. This resulted in under statement of surrender of Savings by Rs. 40 lakh. Ministry of Defence took the matter with Ministry of Finance only in end September 2007 after the matter was raised in audit (August, 2007). The Appropriation Accounts were not corrected till October 2007.

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

Under the Major Head 2075 – Miscellaneous General Services – Minor Head 108 – Canteen Stores Department, Ministry has been operating a new object head “Contribution” since last two years i.e. 2005-06 and 2006-07 without the consent of the accredited Audit Office viz. DGADS. An amount of Rs. 92 crore Grants-in-Aid given by the Ministry during 2006-07 has been incorrectly booked under the unauthorised object head “Contribution”.

This comment was also made in paragraph 7.21 of the C&AG’s Report No. 1 of 2007, but the Ministry has not taken any corrective measures and continued to operate the head and booked the expenditure unauthorisedly. Besides, in the detailed demands for grants in the Budget estimates of 2007-08, Ministry has projected and appropriated Rs. 80 crore under this head irregularly. It should be discontinued.

Chapter 8

REVIEW OF SELECTED GRANTS

Grant No. 3- Department of Animal Husbandry, Dairying and Fisheries

(Ministry of Agriculture)

Introduction

8.1 The Department of Animal Husbandry, Dairying and Fisheries (previously known as Department of Animal Husbandry & Dairying) is responsible for matters relating to livestock production, preservation, protection and improvement of stocks, dairy development, Delhi Milk Scheme and the National Dairy Development Board. It also looks after all matters pertaining to fishing and fisheries, which includes inland and marine sectors.

The Department advises the State Governments/Union Territories in the formulation of policies and programmes in the field of animal husbandry, dairy development and fisheries.

Budget and expenditure

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

Table 8.1: Budget and expenditure

(Rupees in crore)

Year	Total Provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2004-05	807.28	19.41	765.33	18.38	41.95	1.03
2005-06	918.92*	20.22	818.07*	1.70	100.85	18.52
2006-07	1140.76	15.14	1007.41	2.85	133.35	12.29

* Includes charged appropriation and disbursement of Rs. 8.42 crore

Audit findings

Persistent saving

8.3 According to Rule 48(2) of the General Financial Rules, Ministries/Departments are required to prepare their estimates, keeping in view the trends of disbursements during the previous years and other relevant factors like instructions on economy issued by the Ministry of Finance, from time to time. Scrutiny of Appropriation Accounts for the years 2004-07 revealed that there were persistent unspent/under utilization of provisions under the following sub-heads, which indicated unrealistic budgeting, deficient financial management and slackness in implementing the schemes. The details of sub-heads are given below:

**Report of the CAG on
Union Government Accounts 2006-07**

Table 8.2: Persistent saving

(Rupees in crore)

Sub-head	2004-05		2005-06		2006-07	
	Original provision	Saving	Original provision	Saving	Original provision	Saving
3451.00.090.39-Department of Animal Husbandry, Dairying and Fisheries	9.25	1.10	11.58	2.74	13.00	1.25
2403.00.101.01-Animal Quarantine Certification Services	-	-	5.85	1.16	5.00	2.09
2403.00.102.01-Central Cattle Breeding Farms	15.10	2.19	17.16	3.18	15.62	1.53
2403.00.102.03- Central Frozen Semen Production and Training Institute Hesserghatta	2.01	0.65	7.63	3.54	3.03	0.99
2403.00.103.15- Central Poultry Development Organization	9.61	0.74	-	-	10.98	0.95
2403.00.104.01-Sheep Breeding and Development	5.26	0.84	7.36	2.22	6.22	0.66
2404.00.111.01 – Administration	7.26	0.22	8.22	0.44	9.16	3.76
2404.00.111.02- Procurement	151.72	6.43	172.93	25.53	175.09	31.33
2404.00.111.06- Transport	3.92	0.26	5.96	1.40	5.44	1.14
2405.00.102.01 – Landing and Birthing facilities	1.14	0.16	1.20	0.16	1.32	0.27
2405.00.103.03- Fishery Survey of India	33.85	5.46	35.61	3.96	33.65	5.13
2405.00.103.05 – Off shore Fisheries	11.75	3.75	12.15	2.88	7.67	2.32
2405.00.103.07 – Landing and Birthing facilities	1.50	0.27	9.00	3.99	6.50	3.50
2405.00.103.10 – Maintenance of Dredger	2.00	0.51	2.00	0.31	1.00	0.79
2405.00.800.09 – Aquaculture Authority	0.81	0.22	0.99	0.30	1.01	0.32
2405.00.800.11- Strengthening of Database and Information Networking	6.75	4.85	-	-	3.45	1.66
3601.03.583.02- Feed and Fodder Development	14.00	4.85	13.50	1.88	12.40	3.08
3601.03.601.10 – Strengthening Infrastructure for quality and clean milk	37.42	12.78	-	-	33.50	8.85
3601.04.576.06 – National Project for Cattle and Buffalo Breeding	-	-	1.00	0.50	1.00	0.47
3601.04.577.05 – Foot and Mouth Disease Control Programme	-	-	9.95	3.00	6.95	3.00

Surrender of unspent provision

8.4 Rule 56 (2) of the General Financial Rules provides that unspent provisions in a grant or appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the end of the financial year.

Unspent provision should also not to be held in reserve for any possible future excess. Test check revealed that contrary to this, the Department, every year, surrendered unspent provisions on the last day of the financial year. The details of amounts surrendered during 2004-07 are given below:

Table 8.3: Surrender of unspent provision

(Rupees in crore)

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2004-05	41.95	1.03	28.11	0.69	31.03.2005
2005-06	100.85	18.52	91.26	18.00	31.03.2006
2006-07	133.35	12.29	124.86	11.80	31.03.2007

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

Rush of expenditure

8.5 As per Rule 56(3) of the General Financial Rules, rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and should be avoided. Contrary to this, large disbursements were made in the last quarter of the financial years 2004-05 and 2005-06. A few instances are given below:

Table 8.4: Rush of expenditure

(Rupees in crore)

Year	Major-head	Total expenditure	Expenditure incurred in the last quarter	Percentage of expenditure during the last quarter of the financial year
2004-05	4405- Capital Outlay on Fisheries	14.90	14.90	100
2005-06	4405- Capital Outlay on Fisheries	1.70	1.70	100

Unrealistic Budgeting

8.6 As per Rule 48 (2) of the General Financial Rules, Ministries/ Departments have to inter alia prepare their estimates keeping in view the trends of disbursements during the previous years and other relevant factors like the economy instructions issued by the Ministry of Finance from time to time.

Scrutiny of Appropriation Accounts for the years 2004-07 revealed that under a number of sub-heads shown in **Appendix-VIII-A** entire provisions remained unutilized and were re-appropriated to other heads, defeating the original purpose for which the budget provisions were passed by the Parliament.

Unnecessary supplementary grants

8.7 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 case, the entire supplementary provision was re-appropriated to other heads. This indicates lack of monitoring.

Table 8.5: Unnecessary supplementary grants

(Rupees in lakhs)

Year	Sub-head	Provision	Actual disbursement	Unspent provision
2004-05	3601.04.576.08-Assistance to States for Livestock Insurance	S- 900.00	-	900.00

Outstanding utilisation certificates

8.8 As per Rule 212 (1) of the General Financial Rules, the certificates of actual utilisation of the grants received for the purpose for which it was sanctioned are required to be submitted within twelve months of the closure of the financial year by the Institution or Organization concerned. The purpose of furnishing the certificates is to ensure that the grants had been utilized 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. Where the certificate is not received within the prescribed period, the Ministry/Department will be at liberty to blacklist such Institution or Organization from any future grant, subsidy or other financial support. Scrutiny of records pertaining to utilization certificates for the grants released up to 2005-06 by the Ministry of Agriculture revealed that utilization certificates in 244 cases involving Rs. 2107.13 crore were outstanding as of 31.3.2007.

Excess expenditure over appropriation/re-appropriation

8.9 In cases where the existing provision is not sufficient to cover the payments, the Pay and Accounts office (PAO) can make payment only on receipt of an assurance in writing from the Head of Department controlling the grant that the necessary funds to accommodate the disbursement would be provided by issue of re-appropriation orders etc.

Test check of Head-wise Appropriation Accounts for the years 2004-07 revealed that in the following cases, re-appropriation orders were not issued to accommodate the final excess expenditure over the available provision, indicating ineffective budgetary control.

Table 8.6: Excess expenditure over appropriation/re-appropriation

(Rupees in crore)

Year	Sub-heads	Original (O) Re-appropriation (R)	Total grant	Actual expenditure	Excess expenditure
2004-05	3601.04.588.01 – Assistance for Poultry Development	O 4.32	14.37	14.57	0.20
		R 10.05			
2005-06	2404.00.111.01-Administration	O 8.22	7.14	7.78	0.64
		R - 1.08			
	2404.00.111.03-Processing	O 23.21	22.97	23.90	0.93
		R - 0.24			

Deficient internal audit system

8.10 The Internal Audit Wing of the Ministry of Agriculture under the administrative control of Chief Controller of Accounts is responsible for conducting internal audit of the units under the Ministry. The details of internal audit conducted during the last three years are as under:-

Table 8.7: Functioning of Internal Audit

Year	Total No. of units	No. of units planned	No. of units actually inspected
2004-05	184	96	93
2005-06	180	116	93
2006-07	181	82	51

The above table indicates that the position of internal audit of the Ministry was not satisfactory. Only 51 to 93 units had been inspected during the years 2004-07. Keeping in view the large amount of funds funded by the Ministry and its range of activities, there is an urgent need to establish/make regularity, propriety and economy of expenditure.

Grant No. 7: Department of Chemicals and Petrochemicals

(Ministry of Chemicals and Petrochemicals)

Introduction

8.11 Department of Chemicals and Petrochemicals endeavors to (i) formulate and implement policies and programmes for achieving growth, development and regulations of chemicals & petrochemicals and pharmaceutical sectors in the country (ii) ensure availability of good quality essential pharmaceuticals of mass consumption at reasonable prices and (iii) foster the spirit of public-private partnership for the overall development of the above mentioned sectors of industry.

Budget and Expenditure

8.12 The over all position of budget provisions, actual disbursements and unspent provision under the voted portion of grant for last three years is given below: -

Table 8.8: Budget and Expenditure

(Rupees in crore)

Year	Total Provision		Actual Disbursement		Unspent Provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2004-05	382.72	41.67	249.84	26.08	132.88	15.59
2005-06	758.95	174.48	709.46	72.07	49.49	102.41
2006-07	909.77	488.39	850.42	456.28	59.35	32.11

Audit findings

Unspent provision and excess over provision

8.13 Under the voted portion of the grant, the gross unspent provision was partly offset by excess disbursement under other heads resulting in net unspent provision during 2004-07 as shown below: -

Table 8.9: Unspent provision and excess over provision

(Rupees in crore)

Year	Gross unspent provision		Unspent provision offset by excess		Net unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2004-05	132.88	18.07	-	2.48	132.88	15.59
2005-06	51.20	102.41	1.71	-	49.49	102.41
2006-07	69.67	37.10	10.32	4.99	59.35	32.11

Large unspent provisions in the revenue and capital section of the grant are indicative of a need to review budgetary assumptions or/and efficiency of the programme management. Major cases of unspent provisions during 2004-05 to 2006-07 are shown in **Appendix-VIII-B**.

The study revealed that the expenditure was not incurred as estimated and planned. This not only suggests poor budgeting but also shortfall in performance and deficiencies in implementation of various schemes, as the objectives for which original grant or appropriation was provided remained unspent. Necessary steps need to be taken to make the budgetary exercise more realistic not only to minimize large-scale variations between the estimates and actual, but also to gainfully utilize the scarce resources.

Delay in Surrender of unspent provision

8.14 Rule 56 (2) of the General Financial Rules provides that 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 financial year. Unspent provision should also not be held in reserve for possible future

excess. However, contrary to this, Department surrendered unspent provision on the last day of the financial years 2004-07 as detailed below: -

Table 8.10: Delay in Surrender of unspent provision

(Rupees in crore)

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2004-05	132.88	15.59	132.76	15.59	31.03.2005
2005-06	49.49	102.41	41.57	92.24	31.03.2006
2006-07	59.35	32.11	59.03	32.10	31.03.2007

Persistent Unspent Provision

8.15 There were persistent unspent provisions during 2004-07 under the sub-heads as detailed below, which indicated deficient budgeting and financial management.

Table 8.11: Persistent Unspent Provision

(Rupees in crore)

Sl.No.	Sub head	2004-05	2005-06	2006-07
1.	2852.04.800.01- Central Institute of Plastics Engineering and Technology	28.44	38.42	-
2.	2852.05.205.03 – Grant to Institute of Pesticides Formulation Technology	2.99	2.63	-
3.	2852.05.205.06 – Chemical Promotion and Development Scheme	2.85	0.73	0.99
4.	2852.05.206.08 – National Pharmaceutical Pricing Authority (NPPA)	0.29	0.61	2.41
5.	6857.02.190.06 – Bengal Chemicals and Pharmaceuticals Limited	0.01	5.27	1.99

Rush of Expenditure

8.16 As per rule 56 (3) of the General Financial Rules, rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and should be avoided. Contrary to this, disbursements ranging from 44 percent to 91 percent of the total expenditure were made during January-March of the financial years. Expenditure incurred during the month of March in the past three years 2004-07 ranged from 22 *per cent* to 47 *per cent* of the total expenditure under the major heads as detailed below:

Table 8.12: Rush of expenditure

<i>(Rupees in crore)</i>						
Year	Major Head	Total expenditure	Expenditure during the last quarter of financial year	Expenditure incurred in March	Percentage of expenditure during last quarter of the financial year	Percentage of expenditure during the month of March of the year
2004-05	2852-Industries	243.54	220.54	67.51	91	28
	6857-Loans for Chemical and Pharmaceutical Industries	25.57	13.06	9.96	51	39
2005-06	6856-Loans for Petrochemical Industries	1.49	1.29	0.42	87	28
	6857-Loans for Chemical and Pharmaceutical Industries	70.58	41.56	33.06	59	47
2006-07	6857-Loans for Chemical and Pharmaceutical Industries	106.97	47.09	23.44	44	22

Excess expenditure over appropriation/re-appropriation

8.17 It is an important function of the Accounts Office to see that no payment is made in excess of the budget allotment under any sub-head or primary unit of appropriation. In case 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 year 2004-07 disclosed that in the following cases, the department had made payments in excess of available provision, though the department did not issue any re-appropriation orders to accommodate the final excess expenditure over the available provisions. This was indicative of deficient budgetary control:

Table 8.13: Excess expenditure over appropriation/re-appropriation

<i>(Rupees in crore)</i>						
Sl. No.	Sub-head	Original/ re-appropriation	Total grant	Actual expenditure	Excess Expenditure	
2005-06						
1.	3451.00.090.30 – Department of Chemical and Petrochemicals	O 7.19 R 0.50	6.69	6.75	0.06	
2.	2852.05.205.01 – Bhopal Gas Leak Disaster (Processing of claims) Act, 1985	O 673.88 R 0.28	674.16	674.48	0.32	

Review of Selected Grants

(Rupees in crore)

Sl. No.	Sub-head	Original/ re-appropriation	Total grant	Actual expenditure	Excess Expenditure
2006-07					
3.	3451.00.090.30 – Department of Chemical and Petrochemicals	O 9.52 R - 1.00	8.52	8.55	0.03
4.	2852.05.205.06 – Chemical Promotion and Development Scheme	O 2.00 R -1.09	0.91	1.01	0.10
5.	2852.05.206.08 – National Pharmaceutical Pricing Authority (NPPA)	O 7.35 R -2.47	4.88	4.94	0.06

Unrealistic Budgeting

8.18 Rule 48(2) the General Financial Rules provides that 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 from time to time.

Scrutiny of Appropriation Accounts for the years 2004-07 revealed that under the sub- heads as detailed below, provisions remained unutilized during these years and were either re-appropriated to other heads or surrendered, defeating the original purpose for which the budget provision was made by the Parliament. The percentage of unutilized provision ranged from 51 *per cent* to 87 *per cent* during these years.

Table 8.14: Unrealistic Budgeting

(Rupees in crore)

Sl. No.	Sub-head	Original provision	Unutilized provision	Percentage of on utilized provision
2004-05				
1.	2852.04.800.01- Central Institute of Plastics Engineering and Technology	38.30	28.44	74
2.	2852.05.205.03 – Grant to Institute of Pesticides Formulation Technology	5.73	2.99	52
3.	2852.05.205.06 – Chemical Promotion and Development Scheme	3.40	2.84	84
2005-06				
4.	2852.04.800.01 – Central Institute of Plastics Engineering and Technology	49.30	38.42	78
5.	2852.05.205.03 – Grant to Institute of Pesticides Formulation Technology	3.33	2.63	79
6.	2852.05.205.06 – Chemical Promotion and Development Scheme	1.00	0.73	73
7.	6857.01.190.03 – Hindustan Insecticides Limited	59.00	51.45	87

(Rupees in crore)

Sl. No.	Sub-head	Original provision	Unutilized provision	Percentage of on utilized provision
8.	6857.02.190.03 – Indian Drugs and Pharmaceuticals Limited	14.20	7.20	51
9.	6857.02.190.04 – Hindustan Antibiotics Limited	63.00	32.70	52
2006-07				
10.	2852.05.205.01 – Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985	58.83	51.38	87
11.	2852.05.205.06 – Chemical Promotion and Development Scheme	2.00	1.09	55

Non-utilization of entire funds

8.19 Scrutiny of Appropriation Accounts for the years 2004-05 to 2006-07 revealed that the entire provision under the sub-heads remained unutilized by the Ministry as per details given below. This was indicative of the fact that budget estimates/supplementary were not prepared after adequate pre-budget scrutiny of projects and schemes.

Table 8.15: Non-utilization of entire funds.

(Rupees in crore)

Sl. No.	Sub-Head	Total Provision	Unspent provision
2004-05			
1	6857.02.190.03-Indian Drugs and Pharmaceuticals Ltd.	14.27	14.27
2005-06			
2.	6857.02.190.05-Smith Stanistreet Pharmaceuticals Ltd.	3.09	3.09
2006-07			
3.	6856.00.190.03-Central Institute of Plastics Engineering Technology	30.00	30.00

Unrealistic estimation of Supplementary demands.

8.20 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. Supplementary demand should only be made in exceptional and urgent cases.

In the following case although supplementary provision was obtained during 2006-07 in anticipation of higher expenditure yet, 99.90 per cent of the supplementary provision was left unspent.

Table 8.16: Unrealistic estimation of Supplementary demands.

(Rupees in crore)

Year	Sub-head	Provision	Actual disbursement	Unspent provision
2006-07	2852.05.205.01-Bhopal Gas Leak Disaster (Processing of claims) Act, 1985	O 6.89 S 51.94	6.94	51.89

Grant No. 82: Department of Scientific and Industrial Research

(Ministry of Science and Technology)

Introduction

8.21 The Department of Scientific and Industrial Research (DSIR) set up in January 1985 is one of the three constituted Departments of Ministry of Science and Technology. Its main functions are to encourage industry to increase their share in country's R&D expenditure, support a larger cross section of small and medium industrial units to develop state-of-the art globally competitive technologies of high commercial potential, catalyze faster commercialization of lab-scale R&D, enhance the share of technology intensive exports in overall exports, strengthen industrial consultancy & technology management capabilities and establish user friendly information network to facilitate scientific & industrial research in the country. DSIR is responsible for the implementation of plan scheme 'Technology Promotion, Development and Utilisation (TPDU) Programme' apart from coordinating the activities of two autonomous bodies, namely Council of Scientific and Industrial Research (CSIR), Consultancy Development Centre (CDC) and two public sector undertakings 'National Research Development Corporation (NRDC) and Central Electronics Limited (CEL)'.

Budget and Expenditure

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

Table 8.17: Budget and Expenditure

(Rupees in crore)

Year	Total provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2004-05	1336.92	13.10	1283.93	2.06	52.99	11.04
2005-06	1536.06	20.97	1451.61	18.48	84.45	2.49
2006-07	1749.92	0.10	1486.41	0.02	263.51	0.08

Audit findings

Excess expenditure over appropriation/re-appropriation

8.23 In accordance with the provisions contained in Appendix-14 to Rule 57 and 63 of the General Financial Rules, it is an important function of the Accounts office to ensure that no payment is made in excess of the budget allotment under any sub-head or primary unit of appropriation. In case where the existing provision is not sufficient to cover the payment, the Pay and Accounts Office (PAO) can make payment in excess of the budget allotment under any sub-head or primary unit only on receipt of an assurance in writing from the head of the department controlling the grant that necessary funds to accommodate the disbursement would be provided by issue of re-appropriation orders etc.

Test check of the head-wise Appropriation Accounts for the years 2004-07 revealed that in the following cases, the PAO had made payments in excess of available provisions and the department did not issue any re-appropriation orders to accommodate the final excess expenditure over the available provisions indicating in-effective internal control mechanism.

Table 8.18: Excess expenditure over appropriation/re-appropriation

(Rupees in crore)					
Year	Sub-head	Original (O) Supplementary (S) Re-appropriation (R)	Total Grant	Actual expenditure	Excess (+)
2004-05	3425.60.151.01- Administration	O 192.00 S 0.01 R 10.98	202.99	203.00	0.01
2006-07	3425.60.200.03- Grants-in-aid for Technology Promotion Development and Utilization Programme	O 33.55 S 0.01 R - 9.55	24.01	24.22	0.21

Surrender of unspent provision

8.24 Rule 56 (2) of the General Financial Rules provides that 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 financial year. Unspent provision should also not be kept in reserve for possible future excess. Test check revealed that contrary to the rules, DSIR surrendered unspent provisions every year towards the end of the financial years despite approval of the Revised Estimates in the month of December/January. The details of amounts surrendered during 2004-07 are given below:

Table 8.19: Surrender of unspent provisions

(Rupees in crore)

Year	Unspent provisions		Amount surrendered		Amount not surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	Revenue	Capital	
2004-05	52.99	11.04	51.30	11.00	1.69	0.04	31 March 2005
2005-06	84.45	2.49	56.13	2.00	28.32	0.49	31 March 2006
2006-07	263.51	0.08	172.00	Nil	91.51	0.08	26 March 2007

Unrealistic estimation of supplementary grants.

8.25 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, DSIR made supplementary provisions in anticipation of higher expenditure but final expenditure was less than even the original grants/ appropriations. The entire amount of supplementary provision was, therefore, unnecessary, indicating deficient budgeting.

Table 8.20: Unrealistic estimation of supplementary grants

(Rupees in crore)

Year	Sub-head	Provision	Actual expenditure	Unspent provisions
2004-05	3425.60.151.02- National Laboratories	O 927.04	905.47	0.01
		S 31.00		
		R -52.56		
2005-06	3425.60.200.03- Grants-in-aid for Technology Promotion Development and Utilisation Programme	O 26.95	19.80	1.01
		S 0.01		
		R. -6.15		
2006-07	3425.60.151.02- National Laboratories	O 1167.25	993.85	68.81
		S 0.01		
		R - 104.60		

Rush of expenditure

8.26 As per Rule 56 (3) of the General Financial Rules, rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and should be avoided. Contrary to this, the head-wise expenditure incurred by the Department during the month of March in past three years under the following sub heads ranged between 20 per cent and 100 per cent of the total expenditure:

Table 8.21: Rush of expenditure

Year	Sub-head	Expenditure		Percentage of expenditure during the month of March of the financial year
		During the year	In March	
2004-05	3425.60.151.03- Scientists Pool	4.00	1.00	25
	3425.60.151.04- Research Schemes, Scholarship and Fellowships	98.00	48.50	49
	3425.60.151.09- New Millennium Indian Technology Leadership Initiative	50.00	16.25	33
	3425.60.200.03- Grants-in-aid for Technology Promotion, Development and Utilisation Programme	13.23	7.30	55
	6859.02.190.05- Loan to Central Electronics Ltd.	2.00	2.00	100
2005-06	3425.60.151.03- Scientists Pool	4.00	1.00	25
	3425.60.200.02- Assistance to Scientific Institutions and Professional Bodies	0.60	0.60	100
	3425.60.200.04- Implementation of Information Technology	0.45	0.41	91
	4859.02.190.02- Central Electronic Ltd.	10.00	5.00	50
2006-07	3425.60.151.01- Administration	248.00	58.25	23
	3425.60.151.03- Scientists Pool	4.50	1.13	25
	3425.60.151.04- Research Schemes, Scholarship and Fellowships	125.00	25.00	20
	3425.60.200.03- Grants-in-aid for Technology Promotion Development and Utilisation Programme	24.22	7.12	29

Persistent saving

8.27 According to Rule 48 (2) of the General Financial Rules, Ministries/ Departments are required to prepare their estimates, keeping in view the trends of disbursements during the previous years and other relevant factors like instructions on economy issued by the Ministry of Finance from time to time. Scrutiny of Appropriation Accounts for the years 2004-07 revealed that there was persistent under utilization of provisions under some heads which indicated unrealistic budgeting, deficient financial management and slackness in implementing/ shortfall in performance of the schemes. The details of such heads are given below:

Table 8.22: Persistent saving

(Rupees in crore)

Sub-head	2004-05			2005-06			2006-07		
	Budget provision	Disbursement	Saving	Budget Provision	Disbursement	Saving	Original provision	Budget Provision	Saving
3451.00.090.01- Department of Scientific and Industrial Research	4.81	4.04	0.77	4.90	3.72	1.18	5.25	3.84	1.41
3425.60.151.02- National Laboratories	958.04	905.47	52.57	1054.43	1003.50	50.93	1167.26	993.85	173.41
3425.60.151.09- New Millennium Indian Technology Leadership Initiative	-	-	-	70.00	43.54	26.46	90.00	33.61	56.39
5425.00.800.08- Special Construction Work / Building for Asian and Pacific Centre for Transfer of Technology	0.10	0.06	0.04	0.97	0.48	0.49	0.10	0.02	0.08

Deficient internal audit system

8.28 The Internal Audit Wing of the Ministry of Science and Technology work directly under the Controller of Accounts. Pay and Accounts Office (PAO) of the Ministry of Science and Technology (MST) is not conducting the internal audit of the Department of Scientific and Industrial Research (DSIR). Thus, the primary function of the internal audit to verify the accuracy and completeness of accounts was not being discharged by the PAO office.

Grant No. 87 -Ministry of Social Justice and Empowerment

Introduction

8.29 The Ministry of Social Justice and Empowerment is responsible for the welfare of the disadvantaged and marginalized sections of the society such as Scheduled Castes, Minorities, Backward Classes, Children in need of care and protection, Senior Citizens, persons with disabilities and victims of substance (Drug) abuse etc. The mission of the ministry is to empower the disadvantaged and marginalized sections of the society through educational, economic and social rehabilitation and manpower development programmes.

Budget and expenditure

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

Table 8.23: Budget and expenditure

(Rupees in crore)

Year	Total provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2004-05	1377.28	179.75	1231.36	173.60.	145.92	6.15
2005-06	1581.61	118.10	1539.02	118.10	42.59	-
2006-07	1675.83	202.29	1603.22	123.50	72.61	78.79

Audit findings

Persistent unspent provision

8.31 There were persistent unspent provisions in the revenue and capital sections of the grant under various heads of accounts during the last three years. Some cases of persistent unspent provisions during 2004-07 are indicated in **Appendix-VIII-C**. Large number of unspent provisions under the grant reflected deficient budgeting assumptions in the Ministry.

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

The Ministry attributed the savings to non-receipt of proposals and claims for grants from the UT administrations, imposition of mandatory cut in non-salary items by the Ministry of Finance, transfer of some schemes to other ministries and non-approval of some schemes. The reply of the ministry was not tenable, as besides the fact that the savings were persisting year after year, the contributory reasons cited for savings could have been avoided with effective monitoring.

Schemes affected by persistent unspent provisions:

Some of the schemes affected by persistent underspending are discussed below:

8.32 (i) Assistance to voluntary organisations for programmes relating to aged

The scheme of Integrated Programme for Older Persons is being implemented since November 1992 with an aim to empower and improve the quality of life of older persons. Under the scheme, financial assistance up to 90 percent of the project cost is provided to Non-governmental organizations (NGOs) for establishing and maintaining old age homes, day care centers and mobile medicare units and to provide non-institutional services to older persons. However, a significant portion of budget provisions made for these important

activities remained unutilised during the years 2004-07 as indicated in the following table:

Table 8.24: Unspent provision

<i>(Rupees in crore)</i>			
Year	Budget provision	Unspent amount	Percentage of unspent amount to budget
2004-05	18.79	3.12	17
2005-06	24.05	9.99	42
2006-07	26.00	13.61	52

Thus, under utilization of the approved outlay on the scheme indicated lax implementation leading to non-achievement of the aims and objectives of this scheme.

8.32 (ii) Scheme for the street children

The objective of this programme is to prevent destitution of children without homes and family ties and facilitate their withdrawal from life on the streets. The scheme seeks to provide shelter, nutrition, health care, education, recreation facilities to these children and to protect them against abuse and exploitation. Major portion of budget provisions made for the welfare of street children remained unutilised during 2004-07 as indicated in the following table: -

Table 8.25: Unspent provision

<i>(Rupees in crore)</i>			
Year	Budget provision	Unspent provision	Percentage of Unspent
2004-05	12.55	0.77	6
2005-06	17.20	6.61	38
2006-07	12.00	12.00	100

The non-utilisation/under utilisation of funds resulted in non-providing of envisaged facilities and prevent exploitation of street children.

8.32 (iii) Scheme for Welfare of Working Children in need of care and protection

With a view to prevent continued or future exploitation of the children, the ministry formulated (March 2001) a Scheme for the Welfare of Working Children in need of care and protection. The aim of the scheme is to provide opportunities including non-formal education, vocational training etc. to working children to facilitate their entry/re-entry into mainstream education in cases where they have either not attended any learning system or where for some reasons, their education has been discontinued. The details of budget provisions and savings during 2004-07 under the scheme were as under:

Table 8.26: Unspent provision

(Rupees in crore)

Year	Budget provision	Unspent provision	Percentage of saving
2004-05	7.00	7.00	100
2005-06	7.00	5.88	84
2006-07	3.00	3.00	100

Entire provision under this scheme remained unutilised during 2004-05 and 2006-07 and only 16 *per cent* of the provision was utilized during 2005-06.

Inaccurate budgeting

8.33 According to Rule 48 (2) of the General Financial Rules ministries/departments are required to prepare their estimates keeping in view the trend of disbursements during the previous years and other relevant factors like the economy instructions issued by the Ministry of Finance.

8.33 (i) Review of grant revealed that under various sub-heads, the entire or/and large provisions remained unutilised during the three years 2004-07, which were re-appropriated to other heads. The basic purpose for which the budget provisions were made remained unfulfilled. The detail of sub head which registered large scale unspent provision is given in Appendix-VIII D.

8.33 (ii) During 2006-07, the Ministry obtained Supplementary Grant of Rs. 5.50 crore under “3601.04.341.07 - Post Matric Scholarship Scheme”. The entire supplementary grant of Rs. 5.50 crore remained unutilised by the ministry, which showed lackadaisical approach of the ministry for utilising funds specifically demanded from the Parliament.

8.33 (iii) Funds were provided under sub head “4235.02.190.02 - National Handicapped Finance and Development Corporation” without taking into account the unspent balances lying with the corporation which resulted in under spending. The details are as under:

Table 8.27: Unspent provision

(Rupees in crore)

Year	Provision	Actual expenditure	Savings (percentage)	Reasons
2004-05	11.00	1.00	10.00 (90)	Saving was due to availability of unspent balance with the Corporation.
2006-07	11.00	5.50	5.50 (50)	Saving was due to availability of unspent balance lying with the Corporation.

8.33 (iv) During 2006-07, Rs. 67.47 crore (constituting 44 *per cent* of the original provision of Rs. 152.47 crore) under the Capital section of head “National Finance and Development Corporation for weaker sections” remained unutilised. The ministry attributed the under utilization to more

requirements in the revenue section which were obtained through the supplementary grant separately.

Surrender of unspent provision

8.34 As per the provisions of Rule 56(2) of the General Financial Rules and the instructions issued by the Ministry of Finance from time to time, the unspent amount should be surrendered immediately when these are foreseen, without waiting till the end of the year. The ministry surrendered unspent provisions on the last day of the financial years 2004-07. The details of amounts surrendered under Revenue and Capital Sections during 2004-07 were as under:

Table 8.28: Surrender of unspent provision

(Rupees. in crore)

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2004-05	145.92	6.15	141.97	6.16	31.3.2005
2005-06	42.59	--	33.98	--	31.3.2006
2006-07	72.61	78.79	4.82	60.50	31.3.2007
Total	261.12	84.94	180.77	66.66	

During all three years, the amount surrendered on the last day of the financial year were consistently much less than the unspent amount. Out of the total unspent provisions of Rs. 346.06 crore under revenue and capital sections during the last three years, Rs. 247.43 crore only were surrendered and that too on the last day of the financial years.

The Ministry attributed the non-surrender of unspent funds amounting to Rs. 72.88 crore to transfer of two schemes to the Ministry of Women & Child Development and Ministry of Minority Affairs and added that it was not within its domain to either surrender or transfer the funds after the orders of the Ministry of Finance were issued. The reply of the Ministry is not tenable as the expenditure under the transferred schemes was to be made under the specific schemes irrespective of the ministry or the agency operating the grant.

Rush of expenditure

8.35 As per Rule 56 (3) of the General Financial Rules, rush of disbursement, particularly in the closing months of the financial year should be avoided. However, under large number of major heads of accounts as shown in **Appendix-VIII-E** disbursements ranging from 28 to 62 percent of the total disbursements were made during March in the years 2004-07. The disbursements during the last quarters ranged between 48 and 80 *per cent* of the total disbursements in the year. The funds released in March to various organizations cannot be constructively spent during the year.

The Ministry stated that action had been taken to ensure that funds were not crowded towards the end of the financial year.

Non-observance of the guidelines of the Planning Commission

8.36 Planning Commission issues guidelines for preparation of annual budget proposals by the ministries. As per the guidelines, the plan proposals for 2004-05 to 2006-07 were to be prepared after taking into consideration various factors such as physical achievements under each scheme, outcome of Zero Based Budgeting (ZBB) decisions, plans and priorities of the Government outlined in the National Common Minimum Programme (NCMP) etc. The tentative size of the annual plans was to be indicated with increases ranging from 5 to 15 percent over the previous year.

Test checks revealed that the ministry prepared plan proposals on the basis of tentative size, without taking into account other factors like physical achievements against the targets and outcome budget.

Deficient internal audit system

8.37 The internal audit of the ministry is under the control of the Chief Controller of Accounts (CCA), Ministry of Human Resource Development. During 2004-07, the CCA conducted 11 audits as detailed in **Appendix-F**. Out of these 11 units, 7 were outstation units. It was observed that records of the various divisions of the Ministry, which were responsible for incurring plan expenditure under welfare schemes, and of the Drawing & disbursing Officers (DDO) were left unaudited during the period 2004-07. Only one Division of the Ministry was audited during September 2004. Thus, the coverage of the internal audit system was insignificant.

The CCA attributed the deficient internal audit system to non-existence of a separate Internal Audit Wing for the Ministry of Social Justice & Empowerment and added that the proposal to have Internal Audit Team was being considered by creating posts or by outsourcing the same.

Chapter 9

MANAGING GOVERNMENT FINANCES: A GENERAL EVALUATION

Indicators of Fiscal Performance

9.1 This chapter presents a summarised position of government finances over 1992-2007, 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 1992-2007 encompassing the VIII, IX and X Five Year Plan periods.

Table 9.1: Indicators of Resource Mobilisation

(Per cent)

Period	Revenue Receipt/ GDP	Gross Tax Receipt/ GDP	Revenue Buoyancy*	Tax Buoyancy*	Return on Advances	Return on Investment	User Charges Recovery-Social Services	User Charges Recovery-Economic Services
1992-2007	12.39	9.50	0.97	1.06	13.54	7.97	3.46	50.27
VIII Plan (1992-97)	12.71	9.32	0.93	0.96	11.23	2.35	9.57	57.22
IX Plan (1997-02)	12.37	8.65	0.82	0.86	14.15	5.30	3.59	55.80
X Plan (2002-07)	12.29	10.07	1.13	1.55	14.29	12.40	2.17	44.56
2002-03	12.20	8.80	1.53	2.01	15.11	8.83	2.03	43.07
2003-04	12.26	9.20	1.10	1.41	15.91	9.84	1.91	45.27
2004-05	12.05	9.75	0.96	1.52	14.30	13.29	1.49	51.37
2005-06	12.08	10.26	1.09	1.42	13.36	14.79	4.28	45.39
2006-07	12.73	11.48	1.46	1.87	12.03	14.67	1.03	40.32

* Revenue and Tax buoyancy coefficients are in ratios.

9.3 The ratio of revenue receipts to GDP witnessed a decelerating trend. Compared to the values during the VIII Plan (1992-1997), the ratio declined to 12.37 during the IX Plan (1997-2002) and further to an average of 12.29 during the X Plan (2002-07). Tax collections, however, remained buoyant during X Plan period and exhibited the increasing trend. These trends were also reflected in consistently increasing tax-GDP ratio during the X Plan period and exceeded 10 *per cent* in 2005-06 for the first time since 1992-93. The momentum was sustained and it reached the level of 11.48 per cent during the current year. Though there was an improvement in tax buoyancy during the recent years, this needs to be sustained. Revenue buoyancy, which was less than one during the VIII Plan (1992-1997) and deteriorated further during IX Plan (1997-2002), not only improved but also exceeded one in four out of five years during the X Plan period. There appeared a positive improvement in return from investment and loans and advances, but recovery of user charges witnessed significant decline over the years. Resource mobilisation efforts, therefore, presented a somewhat mixed picture.

Management of Expenditure

9.4 In expenditure management, eight indicators shown in table 9.2 were identified to capture its growth and quality. Plan expenditure, capital expenditure and development expenditure are indicators of the quality of expenditure. The parameters of ratio of expenditure to GDP and buoyancy (with reference to revenue receipt) indicate relationship of expenditure with GDP and its responsiveness to changes in these parameters. Values of these parameters over the defined time frame are indicated in Table 9.2.

Table 9.2: Indicators of Expenditure Management

Period	TE/GDP	RE/ GDP	RE/ TE	PE/TE	CE/TE	DE*/TE	<i>(Per cent)</i>	
							Buoyancy of TE to NRR	Buoyancy of RE to NRR
1992-2007	18.69	15.81	84.60	23.05	8.06	41.10	0.93	1.03
VIII Plan (1992-97)	19.66	15.51	78.88	23.68	9.61	42.24	0.76	0.94
IX Plan (1997-02)	19.51	16.31	83.61	20.99	7.00	40.40	1.09	1.28
X Plan (2002-07)	17.88	15.61	87.27	24.17	8.19	41.16	0.74	0.84
2002-03	19.38	16.66	85.99	23.40	6.40	39.96	0.53	0.70
2003-04	18.33	15.91	86.83	24.13	6.98	40.10	0.49	0.57
2004-05	17.57	14.57	82.93	24.20	9.77	38.69	0.75	0.32
2005-06	17.08	15.16	88.74	23.08	9.21	41.28	0.76	1.30
2006-07	17.63	15.95	90.47	25.57	8.15	41.04	0.89	0.99

TE = Total Expenditure, RE = Revenue Expenditure; PE = Plan Expenditure; CE = Capital Expenditure; NRR = Net Revenue Receipts and DE denotes Development expenditure which is total expenditure on social and economic services and the denominator total expenditure here excludes loans and advances.

9.5 As in the case of parameters on resources mobilisation, movement of parameters relating to expenditure also presented a mixed picture. Capital expenditure as a percentage of total expenditure witnessed deceleration to 7

per cent during IX Plan (1997-2002) from the level of 9.61 *per cent* in VIII Plan (1992-97). It however exhibited an acceleration trend during the X Plan period on average regained the trend growth rate during 1992-2007. The share of development expenditure and plan expenditure in total expenditure remained almost stable over time while that of revenue expenditure has reflected an increasing trend and risen from an average of 78.88 *per cent* in VIII Plan (1992-97) to 83.61 *per cent* in IX Plan (1997-2002) and further to an average of 87.27 *per cent* during the X Plan (2002-07). The buoyancy of total and revenue expenditure with revenue receipts indicated a mixed trend during the period 1992-2007.

Management of Fiscal Imbalances

9.6 Five indicators shown in table 9.3 were identified to capture management of fiscal imbalances. These included the ratio of revenue, fiscal and primary deficit to GDP, the ratio of revenue deficit to fiscal deficit and the balance from current revenue (BCR). Though deficits are essentially the outcomes of the government's policy with regard to its receipts and expenditure, they serve as useful proxies for fiscal health. The Fiscal Responsibility and Budget Management (FRBM) Act of 2003 and Rules made thereunder, as they stand now, has mandated the government to take appropriate steps to (i) eliminate revenue deficit by 31 March 2009 and thereafter build adequate revenue surplus, and (ii) to bring down the fiscal deficit to not more than 3 *per cent* of GDP by 31 March 2009. The values of these parameters over the specified periods as mentioned above are indicated in Table 9.3.

Table 9.3: Indicators of Management of Fiscal Imbalances

Period	Revenue Deficit/GDP	Fiscal Deficit/GDP	Primary Deficit/GDP	(Per cent)	
				Revenue Deficit/Fiscal Deficit	Balance From Current Revenue (Rupees in crore)
1992-2007	3.42	5.12	0.72	66.86	-11859
VIII Plan (1992-97)	2.80	6.04	1.77	46.26	-2191
IX Plan (1997-02)	3.95	6.23	1.49	63.26	-28622
X Plan (2002-07)	3.32	4.16	-0.08	79.74	-4763
2002-03	4.47	5.48	0.41	81.56	-38195
2003-04	3.65	2.93	-1.71	124.77	-22348
2004-05	2.52	3.32	-0.87	75.82	8794
2005-06	3.08	4.62	0.66	66.51	2161
2006-07	3.22	4.43	0.69	72.62	25771

9.7 The ratios of deficits to GDP and the ratio of revenue deficit to the fiscal deficit indicate vulnerability of Union finances. Finances become vulnerable to the extent that fiscal deficit is not used for creating assets, as there is no addition to the repayment capacity and no asset back up for the liabilities incurred. This ratio increased from an average of 46.26 *per cent* during the VIII Plan (1992-1997) to the peak level of 124.77 *per cent* in 2003-04. It was for the first time that revenue deficit exceeded fiscal deficit. During

the subsequent years though the ratio indicated an improvement but still it is considerably higher and exceeds the levels already attained during the VIII and IX Plan periods. Complete elimination of revenue deficit as mandated by the FRBM Act 2003 may therefore need greater efforts. The ratio of fiscal deficit to GDP, which had witnessed a sharp improvement in 2003-04 due to augmented recovery of past loans, could not sustain the momentum during subsequent years even though recoveries of loans and advances continued to exceed fresh advances. The fiscal policy has a significant role in maintaining the macroeconomic stability but its efficacy and effectiveness depends upon the structure of fiscal deficit. However, the large structural fiscal deficit caused due to dominant share of structural primary deficit and structural interest payments have reduced the role that cyclical component of fiscal deficit can play during the periods of macroeconomic fluctuations. The primary surplus, which was experienced consecutively for two years in 2003-04 and 2004-05 for the first time in over 30 years again turned into a deficits in 2005-06 and 2006-07 mainly on account of enhanced spending on social and economic services and transfers to States and UT Governments. Balance from the current revenue indicates the non-plan revenue balances and if these are positive, there is to that extent, funding of plan expenditure from the current revenue. BCR, which had turned negative in 1990-91, became positive in 2004-05 and continued to be positive in 2005-06 and 2006-07. Greater efforts are needed to address the fiscal imbalances which indicate deteriorating trend during the current year.

Management of Fiscal Liabilities

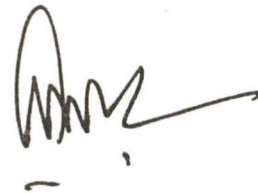
9.8 Sustainability of debt is the key issue in the assessment of government finances. Higher the debt to GDP ratio, larger is likely to be the cost at which the government is able to borrow. Average rate of interest, difference between the interest and GDP growth (referred as Domar gap) and the ratio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

Table 9.4: Indicators of Management of Fiscal Liabilities

Period	Fiscal Liabilities/ GDP	Debt Redemption to Debt Receipt	Average Interest Rate on Total Liabilities	Domar Gap	Ratio of Assets to Liabilities	Fiscal Liabilities/ Revenue Receipts	Buoyancy of Assets
1992-2007	58.35	96.92	7.54	4.67	46.65	471	0.66
VIII Plan (1992-97)	60.72	93.10	7.91	8.63	57.68	478	0.83
IX Plan (1997-02)	58.92	94.70	9.06	1.43	50.90	476	0.70
X Plan (2002-07)	57.25	98.68	7.40	5.68	40.26	466	0.53
2002-03	62.98	97.87	8.90	-1.14	44.78	516	0.40
2003-04	60.01	105.33	8.28	4.23	41.48	489	-0.10
2004-05	58.32	95.78	7.89	5.17	39.36	484	0.43
2005-06	55.19	99.44	7.75	6.34	39.32	457	0.98
2006-07	52.96	97.20	7.84	7.82	37.71	416	0.59

9.9 Trends in parameters relating to the management of fiscal liabilities also present a mixed picture. The debt to GDP ratio after getting consolidated during the IX Plan (1997-2002) witnessed a sharp increase in 2001-02 and after reaching the peak level in 2002-03 it exhibited the declining trend in subsequent years. However, while the ratio got moderated in the last three years due to a lower growth of fiscal liabilities relative to GDP, it is still considerably higher. While the interest rate on fiscal liabilities increased during the IX Plan, a deceleration was observed in the recent years. Nevertheless, due to a larger overhang of debt, the Government could not avail of the full benefits of moderation in the interest rate. The Domar gap remained positive except during 2002-03. The ratio of assets to liabilities declined consistently from an average of 57.68 *per cent* during the VIII five year Plan to 50.90 in IX Plan (1997-2002) and further to an average of 40.26 during the X Plan (2002-07). The ratio 37.71 *per cent* in 2006-07 indicates that over 62 *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 1992-2007 was 0.66 indicating that for each one *per cent* increase in liabilities, assets had grown only at 0.66 *per cent*. Buoyancy of assets continued to decelerate from VIII Plan period to 2003-04 when the assets actually declined over the previous year but in the subsequent years buoyancy has picked up and was 0.59 in the current year after reaching the peak level of 0.98 in 2005-06.

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.



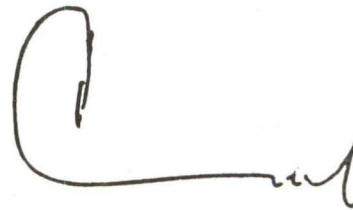
(A.K.THAKUR)

**Director General of Audit
Central Revenues**

New Delhi

Dated 29 November 2007

Countersigned



(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

New Delhi

Dated 30 November 2007

LIST OF APPENDICES

Sl. No.	Appendix No.		Page No.
1.	III-A	Total Expenditure of Union Government	122
2.	V-A	Total liability of Union Government	123
3.	V-B	Unutilised external assistance-sectorwise	124
4.	VI-A	Authorisation and Disbursements	125
5.	VI-B	Net unspent provision in grants/appropriations.	127
6.	VI-C	Proportion of Charged and Voted Disbursements under Civil Ministries	128
7.	VI-D	Rush of Expenditure during the month of March 2007 and last quarter of 2006-07	129
8.	VII-A	Statement showing cases of expenditure without adequate re-appropriation of fund (Rupees one crore and more)	136
9.	VII-B	Details of unspent provision exceeding Rs. 100 crore under a grant/appropriation	139
10.	VII-C	Instances of cases where the amounts surrendered were more than the unspent provision	141
11.	VII-D	Significant Cases of Major Appropriations which were Injudicious on Account of Non-utilisation (Cases of re-appropriation of amount more than Rupees one crore only mentioned)	142
12.	VII-E	Significant Cases of Major Appropriations which were Injudicious on Account of Non-utilisation (Cases of re-appropriation of amount more than Rupees two crore only mentioned)	144
13.	VII F	Position of Original and Supplementary Grants/appropriations	145
14.	VII G	Statement showing cases of unrealistic budgetary assumptions (Savings of Rupees two crore and above)	146
15.	VIII-A	Unrealistic budgeting	159
16.	VIII-B	Unspent provision	161
17.	VIII-C	Persistent and unspent provision	164
18.	VIII-D	Inaccurate budgeting	166
19.	VIII-E	Rush of expenditure	171
20.	VIII-F	Deficient Internal audit system	172

Report of the CAG on
Union Government Accounts 2006-07

APPENDIX-III-A
(Refers to paragraph 3.8)
Total Expenditure of Union Government

(Rupees in crore)

Year	Revenue	Capital	Loans & Advances	Total
1992-93	132794	20586	17619	170999
1993-94	152317	24650	21874	198841
1994-95	177699	19266	23898	220863
1995-96	198302	17544	24810	240656
1996-97	226372	15704	29035	271111
1997-98	277732	20225	35471	333428
1998-99	300456	25200	46594	372250
1999-00	343195	29023	27359	399577
2000-01	342647	25426	27761	395834
2001-02	375582	31295	38614	445491
2002-03	409591	30497	36222	476310
2003-04	440086	35401	31330	506817
2004-05	455571	53654	40108	549333
2005-06	540637	56119	12493	609249
2006-07	658240	59293	10019	727552

**Report of the CAG on
Union Government Accounts 2006-07**

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

(Rupees in crore)

Year	Internal Debt	External Debt		Public Account		Total Liability	
		At historical rate	At current rate	Small Savings, Provident Fund etc.	Reserve Fund & Deposits	At historical rate	At current rate
1976-77	14458	8611	*	7709	2830	33608	*
1977-78	18996	8985	*	9130	3062	40173	*
1978-79	19855	9373	*	10756	3499	43483	*
1979-80	24319	9964	*	12486	3445	50214	*
1980-81	30864	11298	*	13953	3633	59748	*
1981-82	35653	12328	*	16578	3626	68185	*
1982-83	46939	13682	*	19887	4364	84872	*
1983-84	50264	15120	*	23874	6003	95261	*
1984-85	58537	16636	*	29705	8563	113441	*
1985-86	71039	18153	*	36859	11433	137484	*
1986-87	86312	20299	*	44928	15006	166545	*
1987-88	98646	23223	*	54528	19165	195562	*
1988-89	114498	25746	*	68536	20991	229771	*
1989-90	133193	28343	*	87065	19592	268193	*
1990-91	154004	31525	*	107107	21922	314558	*
1991-92	172750	36948	109608	121500	23464	354662	427322
1992-93	199100	42269	120813	136802	23752	401923	480467
1993-94	245712	47345	127798	160355	24556	477968	558421
1994-95	266467	50928	142389	192222	28993	538610	630071
1995-96	307869	51249	148583	213435	33680	606233	703567
1996-97	344475	54239	149077	239042	37919	675675	770513
1997-98	388998	55332	161442	291867	42097	778294	884404
1998-99	459696	57254	177934	333261	41595	891806	1012486
1999-00	714254	58437	186075	172212	47508	992411	1120049
2000-01	803698	65945	190017	186592	58535	1114770	1238842
2001-02	913061	71546	199897	213449	73133	1271189	1399540
2002-03	1020689	59612	196068	251293	80126	1411720	1548176
2003-04	1141706	46125	184203	241349	92376	1521556	1659634
2004-05	1275971	60877	191271	263048	92989	1692885	1823279
2005-06	1389758	94243	194199	275380	109462	1868843	1968799
2006-07	1544975	102716	201233	307546	131295	2086532	2185049

* Current rate of exchange is not available.

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

(Rupees in crore)

Sl. No.	Sector	Unutilised external assistance at current rate
1.	Power	3265.28
2.	Roads	13368.53
3.	Social	1848.35
4.	Urban Development	14278.93
5.	Water Resources Management	6017.93
6.	Atomic Energy	6429.38
7.	Agriculture and Rural Development	9121.81
8.	Environment and Forestry	3153.61
9.	Infrastructure sector (General)	1667.94
10.	Others	2929.24
11.	Infrastructure sector (Railways)	1318.45
12.	Energy (Non-conventional)	777.92
13.	Structure adjustment/Fast disb.	366.44
14.	Health	4260.03
15.	Industry and Finance	130.66
16.	Fertilizer Sector	3344.90
17.	Water Supply and Sanitation	3503.47
18.	Total	75782.87

Report of the CAG on
Union Government Accounts 2006-07

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

(Rupees in crore)

Nature of disbursements	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual disburse- ments	Unspent provision
A - Civil					
Voted					
I. Revenue	310212.08	90636.98	400849.06	380076.08	20772.98
II. Capital	33433.97	8800.45	42234.42	30406.36	11828.06
III. Loans and Advances	5517.72	576.85	6094.57	5302.82	791.75
Total	349163.77	100014.28	449178.05	415785.26	33392.79
Charged					
IV. Revenue	176988.69	5146.14	182134.83	184537.57	*(+)2402.74
V. Capital	80.65	5.70	86.35	39.08	47.27
VI. Public Debt	1098307.66	349581.44	1447889.10	1485638.37	*(+)37749.27
VII. Loans and Advances	5173.68	702.01	5875.69	197.82	5677.87
Total	1280550.68	355435.29	1635985.97	1670412.84	*(+)34426.87
Grand Total	1629714.45	455449.57	2085164.02	2086198.10	*(+)1034.08
Recoveries in reduction of disbursements			51653.16	45952.77	
Total Net Provision			2033510.86		
Total Net Disbursement				2040245.33	
B - Posts					
Voted					
I. Revenue	6533.64	365.24	6898.88	6779.09	119.79
II. Capital	385.97	0.01	385.98	284.73	101.25
Total	6919.61	365.25	7284.86	7063.82	221.04
Charged					
III. Revenue	0.05	0.18	0.23	0.03	0.20
IV. Capital	-	0.01	0.01	0.01	-
Total	0.05	0.19	0.24	0.04	0.20
Grand Total	6919.66	365.44	7285.10	7063.86	221.24
Recoveries in reduction of disbursements			155.75	207.16	
Total Net Provision			7129.35		
Total Net Disbursement				6856.70	

*Excess

Report of the CAG on
Union Government Accounts 2006-07

(Rupees in crore)

Nature of disbursements	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual disbursements	Unspent provision
C - Defence Services					
<i>Voted</i>					
I. Revenue	54581.80	144.00	54725.80	54827.49	(+) 101.69*
II. Capital	37444.25	-	37444.25	33791.19	3653.06
Total	92026.05	144.00	92170.05	88618.68	3551.37
<i>Charged</i>					
III. Revenue	22.64	6.59	29.23	19.04	10.19
IV. Capital	13.75	64.05	77.80	37.05	40.75
Total	36.39	70.64	107.03	56.09	50.94
Grand Total	92062.44	214.64	92277.08	88674.77	3602.31
Recoveries in reduction of disbursements			319.60	286.93	
Total Net Provision			91957.48		
Total Net Disbursement				88387.84	
Total	Voted	448109.43	100523.53	548632.96	37165.20
CFI	Charged	1280587.12	355506.12	1636093.24	1670468.97
Grand Total CFI (excluding Railways)		1728696.55	456029.65	2184726.20	2181936.73
Total recoveries in reduction of expenditure				46446.86	
Total CFI as per Finance Account				2135489.87	

* 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 2006-07

APPENDIX-VI-B
(Refers to Paragraph 6.6)
Net unspent provision in Grants/Appropriations

(Rupees in crore)

Grants and Appropriations affected	Unspent provision		Excess		Net unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
A - Civil						
Voted	20772.98	12619.81	-	-	20772.98	12619.81
No. of grants	92	67	-	1		
Charged	1185.18	1025.14	3587.92	33049.27	(+)2402.74*	(+)32024.13*
No. of Appropriations	37	10	2	1		
B - Posts						
Voted	119.79	101.25	-	-	119.79	101.25
No. of grants	1	1	-	-	-	-
Charged	0.20	-	-	-	0.20	-
No. of Appropriation	1	-	-	-	-	-
C - Defence Services						
Voted	565.48	3653.06	667.17	-	(+)101.69*	3653.06
No. of grants	4	1	1	-		
Charged	10.19	40.75	-	-	10.19	40.75
No of Appropriations	5	1	-	-		

* Excess

**Report of the CAG on
Union Government Accounts 2006-07**

**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.	1995-96	96720	282079	378799	90196	231831	322027	28	72
2.	1996-97	107583	313320	420903	96316	280355	376671	26	74
3.	1997-98	145613	486038	631651	132239	452232	584471	23	77
4.	1998-99	139083	504105	643188	139488	468679	608167	23	77
5.	1999-2000	157780	512075	669855	148642	453196	601838	25	75
6.	2000-01	173677	530530	704207	160753	405289	566042	28	72
7.	2001-02	218136	481679	699815	201574	473950	675524	30	70
8.	2002-03	230649	547152	777801	213833	504119	717952	30	70
9.	2003-04	254328	564275	818603	231100	599889	830989	28	72
10.	2004-05	278555	703835	982390	252254	724942	977196	26	74
11.	2005-06	330051	1193138	1523189	301269	1288817	1590085	19	81
12.	2006-07	449178	1635986	2085164	415785	1670413	2086198	20	80

Report of the CAG on
Union Government Accounts 2006-07

APPENDIX-VI-D
(Refers to paragraph 6.10)

Rush of Expenditure during the month of March 2007 and last quarter of 2006-07

(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	Expenditure incurred during last quarter	Percentage of expenditure during the last quarter of financial year
1 – Department of Agriculture and Cooperation						
1.	6402 – Loans for Soil and Water Conservation	5.00	2.50	50	2.50	50
5 – Atomic Energy						
2.	4859 – Capital Outlay on Telecommunications and Electronic Industries	8.49	-	-	8.49	100
3.	5401 – Capital Outlay on Atomic Energy Research	713.75	134.45	19	290.10	41
6 – Nuclear Power Scheme						
4.	4801 – Capital Outlay on Power Projects	1183.68	41.69	4	1011.60	85
5.	6801 – Loans for Power Projects	1919.37	486.78	25	833.25	43
8 – Department of Fertilisers						
6.	3475 – Other General Economic Services	704.16	704.16	100	704.16	100
9 – Ministry of Civil Aviation						
7.	5053 – Capital Outlay on Civil Aviation	15.62	7.74	50	12.85	82
8.	7053 – Loans for Civil Aviation	15.00	7.75	52	12.75	85
11 – Department of Commerce						
9.	4407 – Capital Outlay on Plantation	30.00	30.00	100	30.00	100
12 – Department of Industrial Policy and Promotion						
10.	2852 – Industries	375.48	176.27	47	206.87	55
15 – Department of Information Technology						
11.	3453 – Foreign Trade and Export Promotion	1.05	0.12	11	1.05	100
12.	4859 – Capital Outlay on Telecommunications and Electronic Industries	18.10	3.43	19	9.60	53
13.	5475 – Capital Outlay on Other General Economic Services	82.98	33.90	41	52.50	63

Report of the CAG on
Union Government Accounts 2006-07

<i>(Rupees in crore)</i>						
Sl. No.	Description of the Grant and Major Head	Total expenditure under major head	Expenditure in March	Percentage of expenditure in March to total expenditure	Expenditure incurred during last quarter	Percentage of expenditure during the last quarter of financial year
16 - Ministry of Company Affairs						
14.	3451-Secretariat Economic Services	45.83	28.41	62	31.28	68
15.	5475-Capital Outlay on other General Economic Services	36.80	31.82	86	35.60	97
18 - Department of Food & Public Distributions						
16.	3456 - Civil Supplies (Charged)	0.12	0.12	100	0.12	100
19 - Ministry of Culture						
17.	3601-Grants-in-aid to State Governments	2.70	0.81	30	1.48	55
28- Ministry of Development of North Eastern Region						
18.	2250-Other Social Services	15.37	3.84	25	6.51	42
19.	6851-Loans for Village and Small Industries	5.56	-	-	2.00	36
29 - Ministry of Environment and Forest						
20.	2406 - Forestry and Wildlife	496.74	69.93	14	245.67	49
21.	3601 - Grants-in-aid to State Governments	196.15	17.22	9	121.33	62
22.	4406 - Capital Outlay on Forestry and Wildlife	2.82	0.29	10	2.05	73
23.	5425 - Capital Outlay on Other Scientific & Environmental Research	5.91	0.61	10	2.39	40
24.	6406 - Loans for Forestry and Wild Life	10.49	-	-	10.49	100
30- Ministry of External Affairs						
25.	4059-Capital Outlay on Public Works	1.00	0.46	46	0.68	68
26.	4216-Capital Outlay on Housing	0.40	0.22	55	0.25	63
31- Department of Economic Affairs						
27.	2075-Miscellaneous General Services	3.10	2.13	69	2.15	69
28.	3075-Other Transport Services	1517.45	801.23	53	801.23	53
33- Payments to Financial Institutions						
29.	2075-Miscellaneous General Services	125.00	-	-	125.00	100

Report of the CAG on
Union Government Accounts 2006-07

(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	Expenditure incurred during last quarter	Percentage of expenditure during the last quarter of financial year
30.	2235-Social Security and Welfare	1610.46	1607.46	100	1607.46	100
31.	2416-Agricultural Financial Institutions	2629.08	2146.20	82	2146.20	82
32.	2885-Other outlay on Industries and Minerals	530.14	235.34	44	530.14	100
33.	3466-International Financial Institutions	1.81	0.66	36	0.66	36
34.	3475-Other General Economic Services	4152.72	4152.72	100	4152.72	100
35.	4885-Other capital outlay on Industries and Minerals	140.00	-	-	50.00	36
34-Appropriation-Interest Payments						
36.	2049-Interest Payments	154280.29	24902.91	16	60558.17	39
35-Transfers to State & U.T. Governments						
37.	2075-Miscellaneous General Services	12304.13	8511.36	69	8511.36	69
38.	3602-Grants-in-aid to Union Territory Governments	325.00	101.56	31	203.12	62
41- Department of Revenue						
39.	2020-Collection of Taxes on Income and Expenditure	0.33	0.09	27	0.14	42
43- Indirect Taxes						
40.	4047-Capital Outlay on Other Fiscal Services	24.86	20.10	81	24.86	100
45 – Ministry of Food Processing Industries						
41.	4408 – Capital Outlay on Food, Storage and Warehousing	31.05	15.05	48	15.05	48
46-Department of Health and Family Welfare						
42.	2251-Secretariat-Social Services	22.82	1.35	6	10.10	44
43.	2210-Medical and Public Health	3988.28	756.31	19	1517.38	38
44.	3602-Grants-in-aid to Union Territory Governments	19.24	3.82	20	8.29	43
45.	3606-Aid Materials and Equipments	115.45	27.73	24	75.15	65

**Report of the CAG on
Union Government Accounts 2006-07**

(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	Expenditure incurred during last quarter	Percentage of expenditure during the last quarter of financial year
46.	4210-Capital Outlay on Medical and Public Health	361.15	108.16	30	178.16	49
47- Department of AYUSH						
47.	3601-Grants-in-aid to State Governments	174.93	23.06	13	86.79	50
48 – Department of Heavy Industries						
48.	2852 – Industries	2366.76	1188.01	50	1205.09	51
49.	4858 – Capital Outlay on Engineering Industries	594.62	194.62	34	574.12	97
50- Ministry of Home Affairs						
50.	2013-Council of Ministers	0.05	0.04	80	0.05	100
51.	3601-Grants-in-aid to State Governments	66.27	5.42	8	55.20	83
51-Cabinet						
52.	2013-Council of Ministers	121.34	8.95	7	53.82	44
53.	2055-Police	143.26	47.50	33	69.14	48
54.	4055-Capital Outlay on Police	2.83	1.30	46	1.45	51
52- Police						
55.	3601-Grants-in-aid to State Governments	918.70	245.72	27	418.35	46
56.	3602-Grants-in-aid to Union Territory Governments	6.24	6.24	100	6.24	100
57.	4055-Capital Outlay on Police	1846.68	599.51	32	757.56	41
58.	7601-Loans & Advances to State Governments	11.00	-	-	8.13	74
53-Other Expenditure of the Ministry of Home Affairs						
59.	2070-Other Administrative Services	10.33	5.02	49	5.18	50
60.	2245-Relief on Accounts of natural calamities	220.01	158.71	72	174.86	79
61.	2250-Other Social Services	0.58	0.55	95	0.55	95
62.	3053-Civil Aviation	13.78	6.43	47	7.02	51

**Report of the CAG on
Union Government Accounts 2006-07**

(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	Expenditure incurred during last quarter	Percentage of expenditure during the last quarter of financial year
57-Department of Women and Child Development						
63.	2235-Social Security and Welfare	280.16	104.69	37	166.63	59
58-Ministry of Information and Broadcasting						
64.	2221-Broadcasting	1124.09	312.34	28	593.62	53
65.	4220-Capital Outlay on Information and Publicity	20.20	6.33	31	9.54	47
66.	6220-Loans for Information and Publicity	15.00	15.00	100	15.00	100
59-Ministry of Labour and Employment						
67.	3601-Grants-in-aid to State Governments	51.45	21.98	43	28.70	56
68.	3602-Grants-in-aid to Union Territory Governments	0.49	0.49	100	0.49	100
64-Ministry of Non-conventional Energy Sources						
69.	2810 – Non-conventional Sources of Energy	300.03	75.76	25	190.76	64
70.	3601 – Grants-in-aid to State Governments	16.68	4.26	26	10.76	65
71.	4810 – Capital Outlay on Non-conventional Sources of Energy	40.03	40.00	100	40.03	100
65-Ministry of Overseas Indian Affairs						
72.	2061 – External Affairs	10.56	4.19	40	7.13	68
66-Ministry of Earth Sciences						
73.	3403 – Oceanographic Research	288.55	70.57	25	110.49	38
67 – Ministry of Panchayati Raj						
74.	2515- Other Rural Development Programmes	69.58	58.00	83	67.44	97
69-Ministry of Personnel, Public Grievances and Pensions						
75.	2070-Other Administrative Services	61.65	9.03	15	28.68	47
76.	4059-Capital Outlay on Public Works	2.47	-	-	2.12	86
77.	7601-Loans & Advances to State Governments	11.00	6.50	59	6.50	59

Report of the CAG on
Union Government Accounts 2006-07

<i>(Rupees in crore)</i>						
Sl. No.	Description of the Grant and Major Head	Total expenditure under major head	Expenditure in March	Percentage of expenditure in March to total expenditure	Expenditure incurred during last quarter	Percentage of expenditure during the last quarter of financial year
70 – Ministry of Petroleum and Natural Gas						
78.	4802 – Capital Outlay on Petroleum	528.58	528.58	100	528.58	100
71–Ministry of Planning						
79.	3475-Other General Economic Service	20.37	5.45	27	8.65	42
80.	3601-Grants-in-aid to State Governments	3.00	0.03	1	2.20	73
78 – Department of Rural Development						
81.	3054 – Road and Bridges	9995.32	4945.42	49	5780.21	58
79 – Department of Land Resources						
82.	2506 – Land Reforms	0.94	0.80	85	0.87	93
83.	3601 – Grants in aid to State Governments	175.45	102.54	58	141.91	81
81 – Department of Science and Technology						
84.	5455 – Capital Outlay on Meteorology	34.88	14.70	42	20.27	58
85.	7425 – Loans for other Scientific Research	35.00	19.10	55	26.10	75
84 – Department of Shipping						
86.	3601 – Grants in aid to State Governments	12.00	11.07	92	11.07	92
87.	3605 – Technical and Economic Co-operation with other countries	1.31	1.31	100	1.31	100
88.	4858 – Capital Outlay on Engineering Industries	9.50	7.00	74	7.00	74
89.	5051 – Capital Outlay on Ports and Light-House	145.42	80.29	55	88.38	61
90.	5052 – Capital Outlay on Shipping	25.51	24.71	97	24.71	97
91.	6858 – Loan for Engineering Industries	57.01	36.57	64	46.34	81
85 – Department of Road Transport and Highways						
92.	3055 – Road Transport	43.88	22.28	51	28.18	64
93.	7075 – Loans for Other Transport Services	395.50	195.50	49	195.50	49
88– Department of Space						
94.	3252 – Satellite Systems	355.22	73.60	21	173.34	49
95.	3402 – Space Research	2227.00	747.52	34	1055.44	47

Report of the CAG on
Union Government Accounts 2006-07

(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	Expenditure incurred during last quarter	Percentage of expenditure during the last quarter of financial year
96.	5252 – Capital Outlay on Satellite Systems	21.54	11.45	53	14.94	69
97.	5402 – Capital Outlay on Space Research	380.07	159.04	42	203.82	54
90 – Ministry of Steel						
98.	2852 - Industries	397.69	252.25	63	253.69	64
91–Ministry of Textiles						
99.	4851 – Capital Outlay on Village and Small Industries	18.35	14.17	77	14.86	81
100.	4860 – Capital Outlay on Consumer Industries	0.32	0.32	100	0.32	100
99– Department of Urban Development						
101.	3601 – Grants- in-aid to State Governemnts	353.54	158.24	45	213.28	60
100– Department of Public Works						
102.	4202 – Capital Outlay on Sports, Art and Culture	1.86	0.60	32	0.87	47
103.	4885 – Capital Outlay on Industries and Minerals	3.60	1.49	41	1.64	46
101 – Stationery and Printing						
104.	2058 – Stationery and Printing	132.40	97.21	73	110.40	83
102 – Ministry of Housing and Urban Poverty Alleviation						
105.	2215 – Water Supply and Sanitation	27.57	27.57	100	27.57	100
106.	2216 –Housing	23.91	12.03	50	18.44	77
107.	2217 – Urban Development	13.94	8.27	59	10.46	75
103 – Ministry of Water Resources						
108.	7601 – Loan and Advances to State Governments	2.64	1.60	61	1.60	61
104- Ministry of Youth Affairs & Sports						
109.	4202-Capital Outlay on Education, Sports, Art and Culture	2.72	1.29	47	1.42	52
Defence Services						
27-Capital Outlay on Defence Services						
110.	4076-Capital Outlay on Defence Services	37522.05	13741.98	37	17729.34	47

**Report of the CAG on
Union Government Accounts 2006-07**

**APPENDIX-VII-A
(Refers to paragraph 7.3)**

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

					<i>(Rupees in crore)</i>	
Sl. no.	Sub-head		Provision	Actual expenditure	Final excess expenditure	
Civil						
11-Department of Commerce						
1.	2407.03.015.01 – Rubber Board	O R	89.34 (-20.03)	74.72	5.41	
2.	3453.00.800.08 – Marine Products Export Development Authority	O R	67.00 (-) 14.40	54.75	2.15	
30-Ministry of External Affairs						
3.	2052.00.090.02 – Ministry of External Affairs	O S R	127.66 15.68 6.76	151.61	1.51	
4.	2061.00.101.01 – Management and Establishment	O S	899.99 51.41	962.16	10.76	
5.	3605.00.101.11 – Aid to Nepal	O R	65.00 118.00	186.40	3.40	
6.	3605.00.101.15 – Aid to Other Developing Countries	O R	391.99 (-) 9.33	412.33	29.67	
7.	4216.01.700.18 - External Affairs	O R	31.00 2.50	39.75	6.25	
34- Appropriation-Interest Payments						
8.	2049.01.101 – Interest on Market Loans	O R	83348.79 (-) 2118.77	84146.49	2916.47	
9.	2049.01.103.01 – Discount on Treasury Bills - 91 Days Treasury Bills	O S R	510.00 566.00 0.30	1388.81	312.51	
10.	2049.01.108 - Discount on Treasury Bills – Interest on 182 Days Treasury Bills	O R	440.00 120.00	679.69	119.69	
11.	2049.01.110 - Interest on 364 Days Treasury Bills	O R	1605.00 23.00	2178.88	550.88	
12.	2049.01.116 - 14 Days Treasury Bills	O R	1500.00 640.00	2171.79	31.79	
13.	2049.01.200.03 – Compensation and other Bonds	O R	3406.50 3755.78	7670.72	508.44	
14.	2049.02.216 -Interest on Loans from the IBRD	O R	952.84 180.52	1135.70	2.34	
15.	2049.03.104.02 – Other State Provident Funds	O R	1154.71 4.46	1330.25	171.08	
16.	2049.03.111.01 - Interest on Deposits Scheme for retiring Government employees	O	40.00	44.02	4.02	
17.	2049.05.105.01 – Railway Pension Fund	O R	91.28 9.71	107.55	6.56	

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. no.	Sub-head		Provision	Actual expenditure	Final excess expenditure
37 – Appropriation-Repayment of Debt					
18.	6001.00.106.05 – Special Bearer Bonds	O	1.00	3.74	2.74
19.	6001.00.115 – 14 Days Treasury Bills	O S R	780000.00 305803.46 83507.54	1210749.26	41438.26
20.	6001.00.106.31 – 6.5% Savings Bonds, 2003 (Non-Taxable)	O	-	97.54	97.54
21.	6001.00.110 – 364 Days Treasury Bills	O S	26860.00 1159.00	29018.33	999.33
39- Pensions					
22.	2071.01.115.01-Ordinary Pensions	O S	350.00 22.00	374.00	2.00
52- Police					
23.	2055.00.800.08 – Indo-Pak Border Works	O R	44.35 (-) 10.87	50.10	16.62
58- Ministry of Information and Broadcasting					
24.	2220.01.105.01 – Films Division	O R	27.74 0.36	29.20	1.10
25.	2220.60.112.01 – Employment News Services	O R	29.17 (-) 6.41	24.27	1.51
26.	4220.01.200.04 – Film Festival Complex-Additions and Alterations	O R	3.18 (-)2.86	2.10	1.78
80- Department of Drinking Water Supply					
27.	3601.04.264.03 – Accelerated Rural Water Supply Programme	O R	2994.50 155.53	3151.49	1.46
84- Department of Shipping					
28.	3051.03.101.05 – General Reserve Fund	O	49.40	54.00	4.60
85- Department of Road Transport and Highways					
29.	3055.00.004.20 – Road Safety	O R	37.20 (-) 6.80	33.30	2.90
30.	3601.01.821.02 – Road Works under BRDB	O R	586.54 (-) 158.91	432.18	4.55
100- Department of Public Works					
31.	2059.80.001.01 - Direction	O R	60.03 (-) 6.14	56.07	2.18
Defence Services					
22 – Defence Services - Army					
32.	101- Pay and Allowances of Army	O R	13587.80 (-) 183.59	13869.24	465.03
33.	103 – Pay and Allowances & Misc. expenditure Auxiliary Forces	O R	250.32 1.37	258.06	6.37
34.	104 – Pay and Allowances of Civilians	O R	1452.41 6.96	1482.12	22.75
35.	105- Transportation	O R	1239.98 35.00	1298.57	23.59

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. no.	Sub-head		Provision	Actual expenditure	Final excess expenditure
36.	110 – Stores	O	9698.15		
		R	143.72	9932.34	90.47
37.	111 - Works	O	3215.57		
		R	0.10	3254.19	38.52
38.	112 – Rashtriya Rifles	O	1414.23		
		R	33.12	1514.24	66.89
23 – Defence Services - Navy					
39.	111 - Works	O	464.04		
		R	12.89	488.90	11.97
40.	112 - Joint Staff	O	374.55		
		S	58.67	443.35	5.00
		R	5.13		
24 – Defence Services – Air Force					
41.	101.- Pay and Allowances of Air Force	O	2205.00		
		S	34.46	2265.55	6.47
		R	19.62		
42.	111 - Works	O	875.70		
		R	4.70	909.06	28.66
26 – Defence Services – Research and Development					
43.	110 – Stores	O	1470.97		
		R	(-) 115.66	1368.71	13.40
27 – Capital Outlay on Defence Services					
44.	102 – Heavy and Medium Vehicles	O	585.76		
		R	75.54	684.23	22.93
45.	112 – Rashtriya Rifles	O	15.30		
		R	(-) 14.52	22.82	22.04
46.	103 – Other Equipments	O	1297.07		
		R	(-) 122.11	1186.65	11.69
47.	202 – Construction Works	O	218.87		
		R	(-) 49.81	186.38	17.32
48.	101 – Aircraft and Aero-engine	O	11272.90		
		R	(-) 1375.07	12913.72	3015.89
					51128.49

Report of the CAG on
Union Government Accounts 2006-07

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
Civil		
Revenue – Voted		
1.	1-Department of Agriculture & Co-operation	111.27
2.	3- Department of Animal Husbandry & Dairying	133.35
3.	5-Atomic Energy	107.36
4.	6-Nuclear Power Schemes	205.83
5.	18-Department of Food & Public Distribution	205.13
6.	20-Ministry of Defence	1038.97
7.	29-Ministry of Environment & Forests	147.17
8.	30-Ministry of External Affairs	118.37
9.	31-Department of Economic Affairs	132.31
10.	33-Payments to Financial Institutions	1687.99
11.	35-Transfers to State & U.T. Governments	722.36
12.	43-Indirect Taxes	153.79
13.	46-Department of Health and Family Welfare	2274.91
14.	48-Department of Heavy Industry	138.52
15.	52-Police	600.93
16.	53- Other Expenditure of the Ministry of Home Affairs	183.38
17.	54-Transfers to Union Territory Governments	355.77
18.	55-Department of School Education & Literacy	373.19
19.	56-Department of Higher Education	192.38
20.	57-Department of Women and Child Development	128.08
21.	58-Ministry of Information and Broadcasting	171.38
22.	59-Ministry of Labour and Employment	105.40
23.	61-Law and Justice	199.72
24.	64-Ministry of New and Renewal Energy	207.85
25.	67-Ministry of Panchayati Raj	1826.07
26.	70-Ministry of Petroleum & Natural Gas	368.24
27.	72-Ministry of Power	556.41
28.	78-Department of Rural Development	2624.31
29.	80-Department of Drinking Water Supply	704.61
30.	81-Department of Science and Technology	490.04
31.	82-Department of Scientific and Industrial Research	263.51
32.	85-Department of Road Transport and Highways	515.54
33.	88-Department of Space	505.09
34.	89-Ministry of Statistics & Prog. Implementation	145.50
35.	91-Ministry of Textiles	763.18
36.	99-Department of Urban Development	197.19
37.	103-Ministry of Water Resources	195.08
38.	104-Ministry of Youth Affair and Sports	138.45
Revenue – Charged		
39.	35-Transfers to State & U.T. Governments	1161.69
Capital – Voted		
40.	5-Atomic Energy	164.03
41.	6-Nuclear Power Schemes	713.39
42.	18-Department of Food & Public Distribution	134.24
43.	20-Ministry of Defence	310.91

Report of the CAG on
Union Government Accounts 2006-07

Sl. No	Grant No. and Controlling Ministry /Department	Amount of Unspent provision
44.	36-Loans to Government Servants etc.	176.90
45.	44-Department of Disinvestment	7680.01
46.	46-Department of Health and Family Welfare	144.39
47.	48-Department of Heavy Industry	115.16
48.	52-Police	192.72
49.	72-Ministry of Power	737.70
50.	81-Department of Science and Technology	111.93
51.	84-Department of Shipping	145.58
52.	85-Department of Road Transport and Highways	281.18
53.	88-Department of Space	116.58
54.	91-Ministry of Textiles	218.62
55.	94-Andaman and Nicobar Islands	229.06
Capital – Charged		
56.	35-Transfers to State & U.T. Governments	1000.00
DEFENCE		
Revenue – Voted		
57.	25- Defence Ordnance Factories	458.05
Capital – Voted		
58.	27- Capital Outlay on Defence Services	3653.06
DEPARTMENT OF POSTS		
Revenue – Voted		
59.	13 – Department of Posts	119.79
Capital – Voted		
60.	13 – Department of Posts	101.25

Report of the CAG on
Union Government Accounts 2006-07

APPENDIX-VII-C
(Refers to paragraph 7.6)

Instances of cases where the amounts surrendered were more than the unspent provision

(Rupees in crore)

Sl. No	Grant/Appropriation	Total unspent provision	Amount surrendered
Civil			
Revenue – Voted			
1.	53 – Other Expenditure of the Ministry of Home Affairs	183.38	226.92
Capital – Voted			
2.	50 – Ministry of Home Affairs	8.75	10.02
Capital – Charged			
3.	37 – Repayment of Debt	@	3749.34
Defence Services			
Revenue – Voted			
4.	22 – Defence Services – Army	*	34.97

@ Excess Expenditure of Rs.33049.27 crore

* Excess Expenditure of Rs.667.17 crore

Report of the CAG on
Union Government Accounts 2006-07

APPENDIX VII-D
(Refers to paragraph 7.9)

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

<i>(Rupees in crore)</i>					
Sl no.	Number and name of grant	Major Head	Sub-Head	Amount of re-appropriation to the sub-head	Final unspent provisions under sub-head after re-appropriation
Civil					
1.	5 – Atomic Energy	2852 - Industries	2852.09.202.02 – Stainless Steel Seamless Tube Plant	2.11	4.09
2.	14- Department of Telecommunications	2071 – Pension and other retirement benefits	2071.01.104.01 – Ordinary Pensions	18.00	38.53
3.	30 - Ministry of External Affairs	2061- External Affairs	2061.00.800.07 – Special Delegations	1.02	2.40
4.	34 - Appropriation- Interest Payments	2049- Interest Payments	2049.01.125 – Special Government of India securities issued to NSSF against reinvestment of sums received on redemption of Special Central/State Governments securities	19.29	44.20
5.	-do-	-do-	2049.03.104.04 – State Railway Provident Fund	10.89	24.39
6.	-do-	-do-	2049.03.109.02 – Special Securities Issued to Nationalised Banks	129.11	188.86
7.	-do-	-do-	2049.60.701.03 – Other Expenditure	1.19	2.30
8.	43- Indirect Taxes	2037- Customs	2037.00.102.04 – Directorate of Logistics	2.12	3.18
9.	-do-	-do-	2038.00.001.03 – National Academy of Customs, Excise and Narcotics	1.85	2.15
10.	65- Ministry of Overseas Indian Affairs	2061 – External Affairs	2061.00.800.03 – Other Schemes	1.62	1.81

**Report of the CAG on
Union Government Accounts 2006-07**

<i>(Rupees in crore)</i>					
Sl no.	Number and name of grant	Major Head	Sub-Head	Amount of re-appropriation to the sub-head	Final unspent provisions under sub-head after re-appropriation
11.	66- Ministry of Earth Sciences	3425 – Other Scientific Research	3425.60.600.01 – National Centre for Medium Range Weather Forecasting (NCMRWF)	1.01	2.48
12.	91- Ministry of Textiles	2857- Village & Small Industries	2851.00.104.10 – Design and Technical Upgradation	1.84	4.44
13.	-do-	-do-	2852.08.600.16 – Write Off of Loans and Interest to Jute Corporation of India	212.16	509.65
14.	100- Public Works	4059 – Capital Outlay and Public Works	4059.80.051.07 – Audit	2.00	6.01
15.	103- Ministry of Water Resources	3601- Grants-in-Aid to State Governments	3601.04.528.01 – Command Area Development	7.87	12.79
Department of Posts and Telecommunications					
16.	13 – Postal Services	3201-Postal Services	3201.05.053.05-Deduct amount transferred to BSNL on account of recurring expenditure on P&T colonies/staff quarters	7.90	8.00
17.	-do-	-do-	3201.08.101- Post Cards, Envelops, Stamps etc.	6.25	6.51
				426.23	

Report of the CAG on
Union Government Accounts 2006-07

APPENDIX VII-E
(Refers to paragraph 7.10)

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

<i>(Rupees in crore)</i>					
Sl no.	Number and name of grant	Major Head	Sub. Head	Amount of re-appropriation from the sub-Head	Amount of excess under the sub-head after re-appropriation
Civil					
1.	30 – Ministry of External Affairs	3605 – Technical and Economic Cooperation with Other Countries	3605.00.101.15 – Aid to Other Developing Countries	9.33	29.66
2.	34 – Appropriation-Interest Payments	2049- Interest Payment	2049.01.101 – Interest on Market Loans	2118.77	2916.47
3.	37 – Appropriation – Repayment of Debt	6001- Internal Debt Central Government	6001.00.105.04 – Asian Development Bank	2.84	4.06
4.	52 – Police	2055- Police	2055.00.800.08 – Indo-Pak Border Works	10.87	16.62
5.	103 – Ministry of Water Resources	3601- Grants-in-aid to State Governments	3601.04.528.01 – Command Area Development	7.88	12.79
Defence Services					
6.	22 – Defence Services-Army	2076 - Defence Services-Army	101-Pay & Allowances of Army	183.59	465.03
7.	27 – Capital Outlay on Defence Services	4076 - Capital Outlay on Defence Services	01.112- Rashtriya Rifles	14.52	22.04
8.	-do-	-do-	03.101- Air Craft and Aero Engine	1375.07	3015.89
				3722.87	

**Report of the CAG on
Union Government Accounts 2006-07**

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

(Rupees in crore)

Year	Provision	Revenue		Capital					Total
		Voted	Charged	Voted		Charged			
				Capital	Loans & Advances	Public Debt	Capital	Loans & Advances	
2000-01	Original	132204	153591	14185	5775	354767	25	21216	681763
	Supplementary	19672	19	486	1355	-	6	906	22444
	Percentage	15	-	3	23	-	24	4	3
2001-02	Original	158814	131178	20389	5215	285150	35	21339	622120
	Supplementary	20256	13	3842	9620	40628	1	3334	77694
	Percentage	13	-	19	184	14	3	16	13
2002-03	Original	183815	140769	18672	4914	321155	23	26842	696190
	Supplementary	18187	12	684	4376	56787	1	1564	81611
	Percentage	10	-	4	89	18	4	6	12
2003-04	Original	208340	143833	19634	7086	367079	36	25763	771771
	Supplementary	15888	4744	1862	1517	21702	4	1115	46832
	Percentage	8	3	9	21	6	11	4	6
2004-05	Original	215854	151300	23148	14669	342119	32	28899	776021
	Supplementary	22539	78	599	1744	180366	1	1041	206368
	Percentage	10	-	3	12	53	3	4	27
2005-06	Original	260249	164936	25972	6302	601477	53	1179	1060168
	Supplementary	34784	612	1101	1643	420204	4	4674	463022
	Percentage	13	-	4	26	70	8	396	44
2006-07	Original	310212	176989	33434	5517	1098308	80	5174	1629714
	Supplementary	90637	5146	8800	577	349582	6	702	455450
	Percentage	29	3	26	10	32	8	14	28

**Report of the CAG on
Union Government Accounts 2006-07**

APPENDIX VII-G

(Refers to paragraph 7.16)

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

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
Grant No. 02- Department of Agricultural Research and Education					
1.	2415.01.150.10 – Externally Aided Projects/Schemes	92.50	11.50	81.00	88
2.	2415.80.798.03 – Other Programmes	45.50	4.72	40.78	90
Grant No. 08- Department of Fertilisers					
3.	2852.03.004.02 – Grants under Indo-UK Fertiliser Development Programme	12.95	4.00	8.95	69
4.	2852.03.004.05 – S&T Programme of Department	4.97	2.08	2.89	58
Grant No.9- Ministry of Civil Aviation					
5.	5053.80.800.01 – Civil Aviation Security	5.00	0.15	4.85	97
Grant No. 10- Ministry of Coal					
6.	2803.00.101.01 – Payment against collection of cess (Excise Duty) towards Development of Transportation Infrastructure in Coal field Areas	26.94	13.81	13.13	49
7.	2803.00.004.01 – Other Schemes	21.09	6.00	15.09	72
8.	2803.00.800.02 – Environmental Measures and Subsidence Control	55.90	8.00	47.90	86
Grant No. 11- Department of Commerce					
9.	2407.01.016.01 – Tea Board	120.11	42.48	77.63	65
10.	2407.02.800.01 – Coffee Board	29.00	13.00	16.00	55
11.	3453.00.800.36 – Modernisation and Upgradation	4.86	2.40	2.46	51
12.	5453.80.800.07 – Modernisation and Upgradation	4.00	1.79	2.21	55
Grant No. 12- Department of Industrial Policy and Promotion					
13.	2852.80.800.09 – Undertaking Investment Promotion Activities	15.00	3.31	11.69	78
14.	2852.80.800.19 – National Manufacturing Competitiveness Council	7.00	2.41	4.59	66
Grant No. 16- Ministry of Company Affairs					
15.	3451.00.090.05 – Ministry of Company Affairs	91.95	45.83	46.12	50
16.	3475.00.800.58 – National Company Law Tribunal (NCLT)	5.74	0.29	5.45	95
Grant No. 17- Department of Consumer Affairs					
17.	3456.00.001.04 – Projects under Consumer Welfare Fund	33.00	3.94	29.06	88

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
18.	3602.03.361.01 – Strengthening of Consumer Disputes Redressal Agencies	4.00	-	4.00	100
19.	5475.00.102.12 – National Consumer Dispute Redressal Commission	3.15	-	3.15	100
20.	5475.00.102.13 – Strengthening of Weight Measures Infrastructure	8.99	-	8.99	100
21.	7475.00.103.07 – Loans to Consumer Co-operative in Urban Areas	5.00	2.35	2.65	53
Grant No. 18- Department of Food & Public Distribution					
22.	2408.01.001.02 – Other Offices	8.25	0.29	7.96	96
23.	2408.01.102.03 – Subsidies payable for settlement of claims on account of Refixation of Ex-factory Price Levy Sugar for 1974-75	10.00	2.59	7.41	74
24.	2408.01.800.06 – Reimbursement of Internal Transport and freight charges to sugar factories on export shipments and payments of other permissible claims	50.00	20.96	29.04	58
25.	4408.02.190.04 – Food Corporation of India	32.25	3.00	29.25	91
26.	6860.04.190.07 – Sugar factories for production of anhydrous alcohol or ethanol from alcohol	75.00	2.28	72.72	97
Grant No. 19- Ministry of Culture					
27.	2205.00.106.03 – Archaeological Exploration and Excavations	7.00	3.35	3.65	52
28.	2205.00.107.09 – Indian Museum, Kolkata	12.50	7.30	5.20	42
29.	4202.04.104.01 – Buildings	5.00	0.48	4.52	90
30.	4202.04.106.01 – Buildings	13.50	7.62	5.88	44
31.	4202.04.107.01 – Buildings	14.00	1.64	12.36	88
32.	4202.04.108.01 – Buildings	15.00	3.04	11.96	80
Grant No. 28- Ministry of Development of North Eastern Region					
33.	4552.00.800.03 – Housing for N.E.C. Staff/N.E.C. Guest House	6.00	0.79	5.21	87
Grant No. 30- Ministry of External Affairs					
34.	3605.00.101.09 – Aid to Bangladesh	50.00	19.42	30.58	61
35.	3605.00.101.16 – Aid for Disaster Relief	5.10	1.60	3.50	69
36.	3605.00.101.20 – Aid to African Countries	60.00	10.00	50.00	83
37.	7605.00.097 – Loans to Government of Bhutan	70.40	35.20	35.20	50
Grant No. 31- Department of Economic Affairs					
38.	2047.00.800.01 – Interest on deposits under Compulsory Deposits (Income Tax Payers) Scheme, 1974	1.00	0.13	0.87	87
39.	2070.00.800.28 – Grants in Aid to Pension Fund Regulatory and Development Authority	5.00	3.00	2.00	40

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
40.	2075.00.800.14- Umbrella Support Project for Country Co-operation Frame Work - II	4.00	2.19	1.81	45
41.	3605.00.101.30-Development Assistance	214.17	4.53	209.64	98
42.	5475.00.800.12-Assistance for Infrastructure Development	500.00	-	500.00	100
43.	7605.00.051.01-New Credit	5.00	-	5.00	100
44.	7605.00.061.01-New Credit	21.00	2.92	18.08	86
45.	7605.00.094.09-New Credit 1994	18.00	-	18.00	100
46.	7605.00.102.01-New Credit	5.00	0.51	4.49	90
Grant No. 33- Payments to Financial Institutions					
47.	2885.01.800.01 – Grants to Industrial Credit and Investment Corporation Bank of India	25.00	9.95	15.05	60
48.	2885.01.800.03 – Subsidy in lieu of Concession in the rate of interest on Loans	99.33	0.08	99.25	100
49.	2885.01.800.06 – Grants to Small Industrial Development Bank of India	20.00	5.00	15.00	75
50.	2885.01.800.11 – Redemption of Securities to Stress Assets Stabilisation Fund	1500.00	-	1500.00	100
51.	5465.01.190.16 – Investments for General Reserve in L.I.C.	80.00	-	80.00	100
Grant No. 34-Appropriation – Interest Payments					
52.	2049.03.117 – Interest on Defined Contribution Pension Scheme	23.50	2.31	21.19	90
53.	2049.05.101.04 – Lighthouse and Lightships Depreciation Reserve Fund	8.00	4.38	3.62	45
54.	2049.05.101.06 – Badarpur Thermal Power Station Depreciation Reserve Fund	109.21	18.49	90.72	83
55.	2049.60.101.30 – Interest under Section 9(2) and 18(6) of Textile Undertakings (Nationalisation) Act, 1995	25.32	-	25.32	100
56.	2049.60.106.01 – Interest on 6.96% Oil Companies Government of India Special Bonds, 2009	1376.40	627.69	748.71	54
Grant No. 35- Transfers to State and Union Territory Governments					
57.	3601.01.113.01 – Grants to States for VAT related expenditure	10.00	-	10.00	100
58.	3601.01.114.01 – Assistance for beautification of Golden Temple Complex	27.50	13.75	13.75	50
59.	3601.02.101.24 – Nutrition Programme for Adolescent Girls (NPAG)	162.77	64.47	98.30	60
60.	3601.02.101.27 – National E-Governance Action Plan (NEGAP)	300.00	121.76	178.24	59
61.	3601.02.101.37 – Tsunami Rehabilitation Programme (TRP)	304.00	163.35	140.65	46

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
62.	7601.06.200 – Other Ways and Means Advances	1000.00	-	1000.00	100
Grant No. 36- Loans to Government Servants etc.					
63.	7610.00.201.01 – Ministries and Union Territory Administrations	240.00	117.43	122.57	51
64.	7610.00.202.01 – Advances for purchase of Motor Cars	37.00	19.11	17.89	48
Grant No. 37- Appropriation – Repayment of Debt					
65.	6001.00.106.15 – 9% Relief Bonds, 1987	3.00	0.21	2.79	93
66.	6001.00.106.23 – 9% Relief Bonds, 1999	1171.26	600.29	570.97	49
67.	6001.00.106.24 – 8% Relief Bonds, 2002	383.42	113.54	269.88	70
68.	6001.00.114 – Ways and Means Advances	50000.00	25226.00	24774.00	50
69.	6001.00.126.01 – 91 Days Treasury bills	78000.00	33225.77	44774.23	57
70.	6001.00.126.04 – 182 Days Treasury bills	29000.00	10834.86	18165.14	63
Grant No. 41- Department of Revenue					
71.	2875.01.107.02 – Purchase of Opium	31.93	18.35	13.58	43
72.	2875.01.109.01 – Management	17.06	6.09	10.97	64
73.	3602.01.110.05 – Compensation of UTs for Revenue loss due to introduction of VAT	49.00	-	49.00	100
Grant No. 42- Direct Taxes					
74.	4059.01.800.01 – Acquisition of Ready built Accommodation	19.00	2.63	16.37	86
75.	4216.01.111.01 – Acquisition of Ready built Flats	7.00	1.25	5.75	82
Grant No. 43- Indirect Taxes					
76.	2038.00.001.01 – Inspection	160.57	43.68	116.89	73
77.	3606.00.228.01 – Drug Enforcement Commodities and Training Assistance	5.23	1.88	3.35	64
78.	4216.01.108.01 – Acquisition of Ready built Flats	10.00	4.55	5.45	55
79.	4047.00.037.01 – Preventive & other Functions	55.68	24.87	30.81	55
Grant No. 45- Ministry of Food Processing Industries					
80.	2408.01.103.07 – Horticulture based Industries Scheme for Human Resources Development	14.95	5.96	8.99	60
Grant No. 46- Department of Health and Family Welfare					
81.	2210.05.105.41 – Establishment of AIIMS type Super-Speciality Hospitals-cum Teaching Institutions and Upgrading of State Government Hospitals	75.00	6.27	68.73	92
82.	2210.05.800.05 – Grants to National Board of Examination	4.60	-	4.60	100

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
83.	2210.06.107.03 – National Institute of Biological Standardisation and Quality Control	34.40	7.41	26.99	78
84.	2210.06.800.08 – Health Sector Disaster Preparedness and Management	9.00	-	9.00	100
85.	2210.06.800.24 – New Initiatives under Central Scheme	100.00	47.23	52.77	53
86.	2210.06.800.27 – Integrated Disease Surveillance Programme	55.00	12.93	42.07	76
87.	2210.06.800.29 – Emergency Medical Relief	40.00	21.71	18.29	46
88.	2211.00.003.03 – Family Welfare Training and Research Centre, Mumbai	5.98	1.23	4.75	79
89.	2211.00.003.19 – Male Participation	2.92	0.89	2.03	70
90.	2211.00.108.06 – Projects through Autonomous/Voluntary Organisation/Societies	7.00	-	7.00	100
91.	2211.00.108.07 – Activities under assistance received from UNFPA	2.21	0.13	2.08	94
92.	2211.00.108.08 – USAID assisted Project - SIFPSA, U.P., Luchnow	50.00	16.84	33.16	66
93.	2211.00.109.03 – Training in RCH	7.38	1.84	5.54	75
94.	2211.00.109.07 – Procurement of Drugs & Equipments (Other than Vaccines etc.)	250.00	-	250.00	100
95.	2211.00.200.04 – Social Marketing of Contraceptives	48.05	20.31	27.74	58
96.	2211.00.200.21 – Free supply of FP Material	100.00	42.69	57.31	57
97.	2211.00.800.09 – Measures under National Population Policy	9.00	2.37	6.63	74
98.	2211.00.800.13 – Involvement of NGOs in FP Programme under Public-Private Partnership-PIP	30.18	3.68	26.50	88
99.	2211.00.800.14 – Management Information System	19.50	8.87	10.63	55
100.	3601.04.243.02 – Externally Aided Component	2.72	-	2.72	100
101.	3601.04.246.01 – Supply of RCH Drugs & Equipments	214.00	-	214.00	100
102.	3601.04.263.07 – National Leprosy Control Programme (General Component)	7.00	-	7.00	100
103.	3601.04.263.69 – Integrated Disease Surveillance Programme	38.00	-	38.00	100
104.	3602.04.240.02 – Free supply of FP Material	3.75	0.40	3.35	89
105.	3602.04.246.01 – Supply of RCH Drugs & Equipments	10.00	-	10.00	100

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
106.	3602.04.246.02 – Routine Immunisation Programme	5.50	3.10	2.40	44
107.	3606.00.237.05 –Material Assistance for Strengthening of National Immunisation Programme and Polio Eradication	181.00	62.61	118.39	65
108.	4210.03.105.05 – Lady Hardinge Medical College & Smt. S.K. Hospital	8.20	1.75	6.45	79
109.	4210.04.101.13 – Bulk Purchase of Material and Equipment for Integrated Disease Surveillance Programme	35.00	-	35.00	100
Grant No. 47- Department of AYUSH					
110.	2210.02.101.08 – National Ayurvedic Hospital in Delhi	15.00	0.04	14.96	100
111.	2210.02.200.07 – Grants for Extra Mural Research Projects through Research Instt. (Pvt./Semi Govt./Govt./Universities/NGO) etc.	17.09	4.18	12.91	76
112.	2210.05.103.01 – Grants to National Institute of Unani Medicine, Bangalore	8.00	3.00	5.00	63
113.	3601.04.225.08 – Development and upgradation of AYUSH Institutions/Colleges	50.00	26.86	23.14	46
Grant No. 48- Department of Heavy Industry					
114.	2852.80.800.18 – Scheme of Grants-in-aid to Support to Bharat Earth Movers Ltd.	64.00	-	64.00	100
115.	4854.60.800.01 – Crucial Balancing Investments for sustained viability of PSEs	2.60	-	2.60	100
Grant No. 50- Ministry of Home Affairs					
116.	2250.00.103.01 – Protection and Up-keep of acquired properties at Ayodhya	3.50	0.13	3.37	96
117.	3601.01.106.01 – Deployment of Home Guards during the Parliament and State Assembly Elections	4.00	-	4.00	100
118.	3601.01.110.04 – Narcotics Control Bureau	2.50	-	2.50	100
119.	4059.80.201.03 – Human Rights Commission	4.00	-	4.00	100
120.	4059.80.051.33 – National Fire Service College, Nagpur	6.00	0.60	5.40	90
Grant No. 52- Police					
121.	2055.00.104.05 – Research	931.00	499.99	431.01	46
122.	2055.00.104.06– Border Check Posts	20.00	7.76	12.24	61
123.	4055.00.800.06 – Management of other Border	130.11	12.58	117.53	90
124.	4055.00.800.06 – Indo-China Border	10.00	0.90	9.10	91
125.	4055.00.800.06 – Indo Myanmar Border Works	2.00	-	2.00	100

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
Grant No. 53- Other Expenditure of the Ministry of Home Affairs					
126.	2070.00.800.26 – National Identity Card Schemes	10.10	3.33	6.77	67
127.	2235.01.112.04 – Displaced Persons from PAK-occupied Kashmir & Chhamb Niabat Area	2.00	-	2.00	100
128.	2235.60.200.02 – Free Railway Passes to Freedom Fighters	55.00	29.34	25.66	47
129.	2245.80.102.06 – Cyclone Risk Mitigation Project with World Bank Assistance	10.10	-	10.10	100
130.	2245.80.102.12 – Building up of Specialized capability for rapid intervention in case of disasters	32.48	0.08	32.40	100
131.	3601.01.343.01 – Mizoram	18.85	-	18.85	100
132.	3601.01.343.04 – Assam	9.99	-	9.99	100
133.	3601.01.343.06 – Jammu & Kashmir Relief & Rehabilitation	168.23	69.31	98.92	59
134.	3601.01.347.01 – Displaced Persons from former East Pakistan	3.61	-	3.61	100
Grant No. 54- Transfers to Union Territory Governments					
135.	3602.02.101.01 – National Capital Territory of Delhi	458.67	157.26	301.41	66
Grant No. 55- Department of School Education & Literacy					
136.	2251.00.090.01 – Department of Elementary Education and Literacy	13.59	5.56	8.03	59
137.	2202.01.112.04 – Assistance for Meeting Cooking Cost to UTs without legislature	4.00	0.27	3.73	93
138.	2202.01.112.07 – Payment towards fee for consultancy/Experts and Evaluation/studies	7.00	-	7.00	100
139.	2202.01.800.19 – District Primary Education Programme (EAP)	197.91	97.91	100.00	51
140.	3602.04.187.01 – Assistance for Meeting Cooking Cost	30.00	1.27	28.73	96
141.	3602.04.187.02 – Management, Monitoring and Evaluation	80.00	10.94	69.00	86
Grant No. 56- Department of Higher Education					
142.	2202.02.800.33 – Integrated Education for Disabled Children-Voluntary Organisations	13.15	5.54	7.61	58
143.	2202.02.800.37 – Information and Communication Technology in Schools-Grants to Voluntary Organisations	7.50	-	7.50	100
144.	2202.02.800.39 – Access & Equity-Grants to Voluntary Organisations	6.00	3.00	3.00	50

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
145.	2202.80.004.08 – Scheme for Intellectual Property Education, Research and Public Outreach	4.50	1.74	2.76	61
146.	2203.00.102.03 – Indian Institutes of Science for Education Research (IISER) at Pune and Kolkatta	50.00	10.25	39.75	80
147.	2203.00.105.04 – Grants for Quality Improvement Programme – Community Polytechnics	25.60	8.91	16.69	65
148.	2203.00.105.09 – Polytechnics for Disabled Persons	3.60	1.42	2.18	61
149.	2203.00.112.38 – Setting up of New Indian Institutes of Information Technology	4.50	-	4.50	100
150.	2203.00.112.39 – Setting up of New Schools of Planning and Architecture	5.00	-	5.00	100
151.	2203.00.800.10 – Technology Development Mission	4.50	-	4.50	100
152.	3601.01.166.01 – Improvement in the Pay Scale of University and College Teachers	10.00	-	10.00	100
153.	3601.03.160.01 – Assistance for upgradation of existing/setting up of New Polytechnics	4.05	-	4.05	100
154.	3601.03.162.02 – Development of Sanskrit Education	14.58	8.22	6.36	44
155.	3601.04.172.04 – Access & Equity	2.10	-	2.10	100
156.	3601.04.180.01 – Vocationalisation of Education	16.50	2.50	14.00	85
Grant No. 57- Department of Women and Child Development					
157.	2235.02.103.46 – Swayamsidha	2.50	0.27	2.23	89
Grant No. 58- Ministry of Information and Broadcasting					
158.	2220.01.800.02 – Childrens Film Society	5.36	2.75	2.61	49
159.	2220.02.001 – Direction and Administration	3.00	-	3.00	100
160.	2220.02.800 – Other Expenditure	5.85	-	5.85	100
161.	4220.01.200.01- Setting up of Museum of Moving Images (Films Division)	7.00	0.59	6.41	92
162.	4220.60.101.03 – Setting up of National Press Centre and Mini Media Centers of Press Information Bureau	10.00	0.07	9.93	99
163.	4220.60.101.06 – Building & Towers for Private FM Radio Stations	10.00	0.63	9.37	94
Grant No. 59- Ministry of Labour and Employment					
164.	2230.01.106.04 – Health	7.45	4.45	3.00	40
165.	2230.01.109.07 – Construction of Houses for Beedi Workers and low-income occupation clusters	5.00	-	5.00	100

Report of the CAG on
Union Government Accounts 2006-07

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
166.	2230.01.111.05 – Social Security for Unorganised Sector Workers Scheme	4.00	-	4.00	100
Grant No. 61- Law and Justice					
167.	2020.00.001.06 – National Tax Tribunal	10.40	-	10.40	100
168.	3602.04.891.01 – Grants for Infrastructural facilities for Judiciary	10.00	-	10.00	100
Grant No. 63- Ministry of Mines					
169.	2853.02.004.01 – Indian Bureau of Mines	5.81	2.32	3.49	60
Grant No. 65- Ministry of Overseas Indian Affairs					
170.	2052.00.090.34 – Ministry of Overseas Indian Affairs	20.16	11.27	8.89	44
171.	4059.60.051.23 – Pravasi Bhartiya Kendra	2.50	0.02	2.48	99
Grant No. 69- Ministry of Personnel, Public Grievances and Pensions					
172.	2052.00.090.05 – Ministry of Personnel, Public Grievances and Pensions	61.90	31.71	30.19	49
173.	2070.00.003.14 – Capacity Building for Project Appraisal	3.00	-	3.00	100
174.	4055.00.800.05 – Central Bureau of Investigation	10.10	0.11	9.99	99
175.	4059.80.051.05 – Lal Bahadur Shastri National Academy of Administration	17.93	2.12	15.81	88
Grant No. 70- Ministry of Petroleum and Natural Gas					
176.	2802.80.800.05 – Petroleum Regulatory Board	15.00	0.02	14.98	100
Grant No. 71- Ministry of Planning					
177.	2245.80.102.08 – Tsunami Rehabilitation Programme	15.00	0.47	14.53	97
178.	3451.00.101.10 – National Knowledge Commission	4.00	1.38	2.62	66
179.	3475.00.800.52 – 50 th Year Initiative for Planning	11.64	4.31	7.33	63
180.	3475.00.800.71 – Strengthening Evaluation Capacity in Government	8.55	0.26	8.29	97
Grant No. 72- Ministry of Power					
181.	2801.02.102.01 – General	11.69	1.97	9.72	83
182.	2801.02.797.01 – Depreciation – Badarpur Thermal Power Station	6.34	1.06	5.28	83
183.	2801.80.800.23 – Setting up of Joint SERC for Union Territories except Delhi	3.00	-	3.00	100
Grant No. 78- Department of Rural Development					
184.	2216.03.800.15 – Rural Building Centres/ Innovative Stream	8.02	0.38	7.64	95
185.	2501.06.101.08 – Strengthening of Management Information System	3.00	-	3.00	100

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
186.	2515.00.800.21 – Grants to Council for advancement of People’s Action and Rural Technology	70.00	35.00	35.00	50
Grant No. 79- Department of Land Resources					
187.	3602.03.467.03 – Modernisation of Revenue and Land Administration	2.00	-	2.00	100
Grant No. 80- Department of Drinking Water Supply					
188.	2215.01.102.06 – Human Resource Development	25.00	0.10	24.90	100
189.	2215.01.102.07 – Monitoring and Evaluation	2.00	-	2.00	100
190.	2215.01.102.09 – Information, Education and Communication	10.00	1.38	8.62	86
191.	2215.01.102.14 – Management Information System and Computerisation	8.00	0.01	7.99	100
192.	2215.02.105.05 – Monitoring and Evaluation	12.00	3.11	8.89	74
193.	2215.02.105.06 – Human Resource Development	5.00	-	5.00	100
194.	2215.02.105.12 – Information, Education and Communication	62.00	13.83	48.17	78
195.	3601.04.264.02 – Monitoring and Investigating Units	2.50	0.28	2.22	89
196.	3601.04.264.06 – Human Resource Development	36.00	-	36.00	100
197.	3601.04.264.07 – Information, Education and Communication	20.00	-	20.00	100
198.	3601.04.264.08 – Management Information System and Computerisation	12.00	2.67	9.33	78
Grant No. 84- Department of Shipping					
199.	2852.06.102.21 – Subsidy to non-Central PSU Shipyards and Private Sector Shipyards	18.01	-	18.01	100
200.	3051.80.004.01 – Other items (R&D Scheme)	10.00	0.22	9.78	98
201.	3052.02.001.01 – Director General of Shipping	17.37	9.45	7.92	46
202.	3056.00.190.03 – Grants for implementation of VRS for CIWTC	26.00	-	26.00	100
203.	5051.01.102.01 – Other Expenditure	40.00	-	40.00	100
204.	5051.02.200.05 – Post Tsunami Works	89.76	44.52	45.24	50
205.	5051.03.101.01 – Construction and Improvement of Light houses	29.60	7.05	22.55	76
206.	5052.01.800.01 – Survey Vessels	20.00	-	20.00	100
207.	5075.60.800.07 – Development of Web based Electronic Data Interchange for Major Port	7.83	1.66	6.17	79
208.	6858.03.190.04 – Cochin Shipyard Ltd.	7.51	-	7.51	100

Report of the CAG on
Union Government Accounts 2006-07

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
Grant No. 85 – Department of Road Transport and Highways					
209.	3054.02.800.02 – Road work	18.57	8.93	9.64	52
210.	3054.04.337.07 – Grants from Central Road Fund to UT Governments without Legislature	6.07	1.76	4.31	71
211.	3601.04.105.01 – Road of Inter-State or Economic Importance	162.06	93.10	68.96	43
212.	3601.04.106.01 – Roads of Economic Importance	110.00	-	110.00	100
213.	3602.02.105.01 – Roads in Delhi	43.84	22.27	21.57	49
214.	3602.02.105.02 – Roads in Pondicherry	3.60	-	3.60	100
215.	3602.04.105.01 – Roads of Inter-State or Economic Importance	8.55	0.50	8.05	94
Grant No. 86- Ministry of Small Scale Industries					
216.	2851.00.102.07 – Collection of Statistics of Small Scale Industries	3.95	0.60	3.35	85
217.	2851.00.102.56 – Micro Finance Programme	29.28	10.00	19.28	66
218.	2851.00.800.28 – National Commission on Enterprises in the Unorganised/Informal Sector	29.57	5.55	24.02	81
219.	6851.00.102.01 – Provision for implementation of VRS etc.	4.00	-	4.00	100
Grant No. 89- Ministry of Statistics and Programme Implementation					
220.	3454.02.800.04 – Programme Implementation	4.60	1.52	3.08	67
221.	5475.00.112.27 – Institutional Development & Capacity Building	17.71	10.44	7.27	41
Grant No. 91- Ministry of Textiles					
222.	2851.00.103.38 – Integrated Handloom Cluster Development Scheme	10.00	5.47	4.53	45
223.	2851.00.104.27 – Integrated Development Package for J&K	5.00	2.71	2.29	46
224.	2851.00.104.30 – Credit Guarantee Scheme	3.50	0.06	3.44	98
225.	2851.00.108.01 – Technical Service Centres for Powerloom	7.82	3.90	3.92	50
226.	2852.08.202.03 – Payments to Textile Committee against collection of Cess on Textile	21.00	10.30	10.70	51
227.	2852.08.202.15 – Cotton Technology Mission	100.00	25.00	75.00	75
228.	2852.00.202.16 – Procurement of Cotton by Cotton Corporation of India under Price Support	280.00	119.84	160.16	57
229.	2852.08.202.27 – Integrated Textile Parks	189.00	101.55	87.45	46
230.	3601.01.726.04 – Scheme for Reimbursement of one time rebate @ 10% given by the handloom agencies on sale of Handloom Cloth	60.50	19.05	41.45	69

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
231.	3602.04.726.02 – Deen Dayal Hathkargha Protsahan Yojana	2.50	-	2.50	100
232.	4860.01.190.03 – Payments in terms of Textiles Undertakings (Nationalisations), Act 1995 No. 39 of 1995	27.32	0.32	27.00	99
233.	6860.01.190.01 – National Textile Corporation	250.00	62.50	187.50	75
234.	6860.01.190.06 – The Elgin Mills Company Limited	5.00	-	5.00	100
Grant No. 92- Ministry of Tourism					
235.	3452.80.003.08 – Capacity Building for Service Provider	10.00	5.02	4.98	50
236.	3452.80.800.15 – Provision for refund of disinvestments Proceeds of ITDC	4.39	-	4.39	100
237.	5452.01.102.12 – Asstt. For Large Revenue Generating Projects	47.00	1.02	45.98	98
Grant No.99 – Department of Urban Development					
238.	2215.02.191.03 – Pilot Project on Solid Waste Disposal near Airport in Selected Cities	35.00	6.00	29.00	83
239.	2217.05.191.04 – Jawahar Lal Nehru National Urban Renewal Mission	30.00	1.84	28.16	94
240.	2217.05.800.12 – Urban Information System	24.00	2.30	21.70	90
241.	2217.05.800.13 – Pooled Finance Development Fund	50.00	-	50.00	100
242.	2217.05.800.18 – Viability Gap Fund for SPVs of Urban Infrastructure Projects	25.00	-	25.00	100
243.	2217.05.800.19 – National Mission Mode Project on e-governance	75.00	-	75.00	100
244.	2217.80.001.02 – Urban Transport Planning	29.99	1.98	28.01	93
245.	2217.80.004.01 –Research in Urban and Regional Planning	25.00	3.81	21.19	85
Grant No.100 – Public Works					
246.	2059.01.799.01 – Stock	90.00	40.65	49.35	55
247.	4059.80.051.14 – Mines	7.00	3.39	3.61	52
248.	4059.80.051.15 – Non-Conventional Energy Sources	3.00	0.81	2.19	73
Grant No.102 – Ministry of Housing and Urban Poverty Alleviation					
249.	2216.02.190.03 – Grants to HUDCO for implementation of Valmiki Ambedkar Awas Yojna	73.11	10.69	62.42	85
250.	2216.80.800.05 – Assistance for National Strategy for Urban poor from United Nations Development Programme	9.00	4.11	4.89	54

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Sub-head	Budget provision	Actual disbursement	Unspent provision	Percentage of unspent provision to budget provision
Grant No.103 – Ministry of Water Resources					
251.	2701.80.004.05 – Research and Development Programme	12.56	5.79	6.77	54
252.	2701.80.004.07 – Hydrology Project	14.07	0.81	13.26	94
253.	2701.80.005.01 – National Water Development Agency	41.00	18.77	22.23	54
254.	2702.02.005.13 – Hydrology Project	2.78	0.55	2.23	80
255.	2711.01.800.13 – Survey and Investigation of Kosi High Dam	13.90	5.20	8.70	63
256.	3601.01.752.01 – Sutlej Yamuna Link Canal Project	25.00	-	25.00	100
257.	3601.03.786.08 – Extension of embankments on Lalbakeya, Kamla, Bagmati and Khando Rivers	32.25	18.34	13.91	43
258.	3601.03.786.12 – Maintenance of Flood Protection works of Kosi & Gandak Projects	5.24	2.50	2.74	52
259.	3601.04.786.03 – Critical Anti-erosion works in Ganga Basin States	81.20	39.62	41.58	51
Grant No.104 – Ministry of Youth Affairs and Sports					
260.	2204.00.102.17 – Scheme relating to HIV/AIDS	5.20	-	5.20	100
261.	2204.00.103.23- Scheme of financial assistance for Development & Empowerment of Adolescents	6.50	1.20	5.30	82
262.	2204.00.103.26 – Scheme relating to HIV/AIDS	3.80	-	3.80	100
263.	2204.00.104.34 – State Sports Academy	2.00	-	2.00	100
264.	2204.00.104.35 – Scheme for Dope Test	4.00	-	4.00	100
265.	2204.00.104.40 – Scheme relating to Awards	5.00	1.28	3.72	74
266.	4202.03.800.09 – State Sports Academy	2.00	-	2.00	100

**Report of the CAG on
Union Government Accounts 2006-07**

**Appendix-VIII-A
(Refers to Paragraph 8.6)
Unrealistic budgeting**

(Rupees in crore)

Year	Sub-head	Original provision	Unspent provision
2004-05	3601.03.601.11- Dairy/Poultry Venture Capital Fund	5.70	5.70
	3601.04.576.08- Assistance to States for Livestock Insurance	9.00	9.00
	3602.04.576.03- National Project for Cattle and Buffalo Breeding	0.50	0.50
	3602.04.579.01- Conservation of Threatened Livestock Breeds	0.50	0.50
	3602.04.632.03- Landing and Berthing facilities for Fishing Crafts at Major and Minor Ports	0.50	0.50
2005-06	2403.00.105.05-Assistance to UTs without legislature for piggery Development	2.00	2.00
	2405.00.800.12-National Fisheries Development Board	5.00	5.00
	3601.03.601.11-Dairy/Poultry Venture Capital Fund	10.50	10.50
	3601.04.576.08-Assistance to States for Livestock Insurance	45.30	45.30
	3601.04.586.01-Assistance to States for Integrated Piggery Development	10.00	10.00
	3601.04.586.05-Integrated Development of small Ruminants	13.50	13.50
	3602.04.576.03-National Project for Cattle and Buffalo Breeding	1.00	1.00
	3602.04.579.02-Assistance for Integrated Piggery Development	1.00	1.00
	3602.04.579.03-Integrated Development of Small Ruminants	0.50	0.50
	3602.04.588.01-Assistance for Poultry Development	0.50	0.50
	3602.04.632.01-Development of Marine Fisheries	1.00	1.00
	4405.00.103.03-Deep Sea Fisheries	11.50	11.50
	4405.00.109.02- Central Institute of Fisheries Nautical and Engineering Training	5.15	5.15
	2006-07	2403.00.103.16-Rural Backyard Poultry Development	0.50
2403.00.105 .05- Assistance to UTs without legislature for Piggery Development		1.00	1.00
3601.04.576.08- Assistance to States for Livestock Insurance		1.00	1.00
3601.04.586.01- Assistance to States for Integrated Piggery Development		4.00	4.00
3601.04.586.05- Integrated Development of Small Ruminants		12.00	12.00
3601.04.588.02- Rural Backyard Poultry Development		8.30	8.30
3602.04.576.05- Assistance to UTs with legislature for Livestock Insurance		1.00	1.00
3602.04.579.02- Assistance for Integrated Piggery Development		1.00	1.00

Report of the CAG on
Union Government Accounts 2006-07

Year	Sub-head	Original provision	Unspent provision
	3602.04.579.03- Integrated Development of Small Ruminants	0.50	0.50
	3602.04.601.01- Strengthening Infrastructure for Quality & Clean Milk	0.50	0.50
	3602.04.632.01- Development of Marine Fisheries	0.50	0.50
	4405.00.103.03- Deep Sea Fisheries	7.00	7.00
	4405.00.109.02- Central Institute of Fisheries Nautical and Engineering Training	5.15	5.15

**Report of the CAG on
Union Government Accounts 2006-07**

Appendix-VIII-B
(Refers to Paragraphs No. 8.13)
Unspent Provision

(Rupees in crore)

Sl. No.	Name of the sub head	Original Provision	Actual Disbursement	Unspent Provision	Reasons advanced for unspent provisions by the department
2004-05					
I – Revenues Section (Voted)					
1.	2852.04.800.01 – Central Institute of Plastics Engineering and Technology	38.30	9.86	28.44	Due to non-receipt of external assistance.
2.	2852.05.205.01 – Bhopal Gas Leak Disaster (Processing of claims) Act, 1985	305.11	211.93	93.18	Due to variation in exchange rate and non-settlement of cases as per action plan and consequent non-filling of post of judicial officers and their supporting staff.
3.	2852.05.205.03 – Grant to Institute of Pesticides Formulation Technology	5.73	2.74	2.99	Due to difficulty in obtaining the specialized manpower for Organization for Prohibition of Chemical Weapons facilities.
4.	2852.05.205.06 – Chemical Promotion and Development Scheme	3.40	0.55	2.85	Expenditure towards conduct of feasibility study of setting up of Mega Chemicals Project was executed by Indian Company at a lesser cost.
II. Capital Section (Voted)					
5.	6857.01.190.04 – Hindustan Organics Chemicals Limited	7.19	5.59	1.60	Due to ceiling imposed by the Ministry of Finance to incur expenditure not more than one third of the allocation in the last quarter of the year.
6.	6857.02.190.03 – Indian Drugs and Pharmaceuticals Limited	14.27	Nil	14.27	Due to the fact that company was able to meet the salary expenditure from their earnings.
7.	6857.02.190.04 – Hindustan Antibiotics Limited	9.43	7.27	2.16	Due to non-payment of terminal benefits to the employees of Maharashtra Antibiotics Pharmaceutical Limited on account of Special Leave Petition filed in the Supreme Court as per advice of Ministry of Finance.
2005-06					
I – Revenues Section (Voted)					
8.	2852.04.800.01 – Central Institute of Plastics Engineering and Technology	49.30	10.88	38.42	Due to decision to provide external assistance in the form of loan
9.	2852.05.205.03 – Grant to Institute of Pesticides Formulation Technology	3.33	0.70	2.63	Saving was due to less release owing to non-furnishing of UCs for the earlier releases.

**Report of the CAG on
Union Government Accounts 2006-07**

Sl. No.	Name of the sub head	Original Provision	Actual Disbursement	Unspent Provision	Reasons advanced for unspent provisions by the department
10.	2852.05.205.06 – Chemical Promotion and Development Scheme	1.00	0.27	0.73	Saving was due to non-finalization of the relevant scheme under Chemical Promotion and Development Scheme.
11.	2852.05.206.08 – National Pharmaceutical Pricing Authority	3.56	2.95	0.61	Saving was due to austerity instructions under medical, domestic travels, wages and OAE, Head of Accounts etc.
II. Capital Section (Voted)					
12.	6857.01.190.03 – Hindustan Insecticides Limited	59.00	7.55	51.45	Saving was due to non-approval of the competent authority for compensation of loss of working capital owing to shifting of Delhi factory & also cut imposed in the Revised Estimates.
13.	6857.01.190.04 – Hindustan Organics Chemicals Limited	7.00	6.00	1.00	Saving was due to ceiling imposed by the Ministry of Finance.
14.	6857.02.190.03 – Indian Drugs and Pharmaceuticals Limited	14.20	7.00	7.20	Saving was due to the fact that the company was able to meet the expenditure from its own earnings.
15.	6857.02.190.04 – Hindustan Antibiotics Limited	63.00	30.30	32.70	Saving was due to late approval of the rehabilitation package by the cabinet.
16.	6857.02.190.05 – Smith Stanistreet Pharmaceuticals Limited	3.09	-	3.09	Entire provision remained unutilized due to company being under liquidation process.
17.	6857.02.190.06 – Bengal Chemicals Pharmaceuticals Limited	15.00	9.73	5.27	Saving was due to non-receipt of approval of the cabinet.
18.	6857.02.190.07 – Bengal Immunity Limited	11.69	10.00	1.69	Saving was due to company being under liquidation process.
2006-07					
I – Revenues Section (Voted)					
19.	3451.00.090.30 – Department of Chemical and Petrochemicals	9.52	8.55	0.97	Saving was due to transfer of funds to Hindustan Antibiotics Limited, provision for which was initially kept under Secretariat Head.
20.	2852.05.205.01- Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985	58.83	6.94	51.89	Saving was due to non-submission of claims by Bhopal Gas Leak Disaster Victims.
21.	2852.05.205.06 – Chemical Promotion and Development Scheme	2.00	1.01	0.99	Saving was due to non-finalization of some schemes.
22.	2852.05.206.08 – National Pharmaceutical Pricing Authority (NPPA)	7.35	4.94	2.41	Saving was due to non-utilization of funds kept for information Technology owing to procedural formalities.

**Report of the CAG on
Union Government Accounts 2006-07**

Sl. No.	Name of the sub head	Original Provision	Actual Disbursement	Unspent Provision	Reasons advanced for unspent provisions by the department
II. Capital Section (Voted)					
23.	4857.01.190.03 – Hindustan Organics Chemicals Limited	275.00	270.00	5.00	Saving was due to approval of less proposals by the Cabinet.
24.	6856.00.190.03 – Central Institute of Plastics Engineering Technology	30.00	-	30.00	Due to non-release of loans to Organization of Petroleum Exporting Countries owing to procedural formalities.
25.	6857.02.190.06 – Bengal Chemicals and Pharmaceuticals Limited	26.48	24.49	1.99	Due to a cut imposed on non-plan expenditure by the Ministry of Finance.

**Report of the CAG on
Union Government Accounts 2006-07**

**Appendix-VIII-C
(Refers to paragraph 8.31)
Persistent unspent provision**

(Rupees in crore)

Sl.No	Sub-head	Year	Provision	Actual expenditure	Unspent provision
1.	2225.03.001.02-National Commission for Economical Backward Classes	2004-05	1.66	0.40	1.26
		2005-06	0.60	0.02	0.58
		2006-07	1.12	0.25	0.87
2.	2225.03.277.05-Boys and Girls Hostel	2004-05	1.00	-	1.00
		2006-07	0.50	-	0.50
3.	2225.01.277.09-Post Matric Scholarship	2004-05	0.10	0.01	0.09
		2005-06	0.30	-	0.30
		2006-07	0.20	0.02	0.18
4.	2235.02.101.01-Expansion and Improvement of National Institute for the Blind, Deaf, Mentally Retarded and the Orthopaedically Handicapped.	2004-05	59.74	50.05	9.69
		2005-06	66.11	61.96	4.15
		2006-07	64.41	62.79	1.62
5.	2235.02.101.10-Other Schemes	2004-05	179.99	151.56	28.43
		2005-06	175.59	148.27	27.32
		2006-07	166.64	138.31	28.33
6.	2235.02.102.27-Assistance to Homes for Infant & Young Children for promotion in-country adoption.	2004-05	2.65	2.23	0.42
		2005-06	5.00	2.24	2.76
		2006-07	2.50	-	2.50
7.	2235.02.102.28-Scheme for the Street Children	2004-05	12.55	11.78	0.77
		2005-06	17.20	10.59	6.61
		2006-07	12.00	-	12.00
8.	2235.02.102.31- Scheme for Welfare of Working Children in need of care and Protection	2004-05	7.00	-	7.00
		2005-06	7.00	1.12	5.88
		2006-07	3.00	-	3.00
9.	2235.02.105.01-Education work for Prohibition	2004-05	26.09	25.50	0.59
		2005-06	30.64	22.35	8.29
		2006-07	24.50	20.44	4.06
10.	2235.02.106.04-National Institute of Social Defence	2004-05	4.31	4.01	0.30
		2005-06	5.35	4.55	0.80
		2006-07	6.10	4.59	1.51

Report of the CAG on
Union Government Accounts 2006-07

(Rupees in crore)

Sl.No	Sub-head	Year	Provision	Actual expenditure	Unspent provision
11.	2235.02.107.05-Assistance to Voluntary Organizations for Programmes relating to Aged	2004-05	18.79	15.68	3.11
		2005-06	24.05	14.06	9.99
		2006-07	26.00	12.39	13.61
12.	2235.02.107.07-Assistance to Voluntary Organizations for Construction of old aged homes etc.	2004-05	1.25	0.49	0.76
		2005-06	1.25	0.42	0.83
		2006-07	1.00	-	1.00

Report of the CAG on
Union Government Accounts 2006-07

Appendix-VIII-D
(Refers to paragraph 8.33)
Inaccurate Budgeting

(Rupees in crore)

Sl. No.	Major head & Sub-head	Original provision	Actual disbursement	Unspent provision	Percentage of unspent provision	Reasons given by the Ministry
2004-05						
1.	2225.01.277.02-Boys Hostels	4.00	2.49	1.51	38	Saving was due to non-receipt of adequate proposals from universities owing to non providing of matching shares by State Governments.
2.	2225.01.277.15-Residential Schools for Scheduled Castes Students	8.50	-	8.50	100	Saving was due to non formulation of scheme
3.	2225.03.001.02-National Commission for Economically Backward Classes.	1.66	0.40	1.26	76	Saving was due to non-functioning of the commission for full year owing to revision of constitution.
4.	2225.80.001.08-National Commission for De-notified, Nomadic and Semi-Nomadic Tribes.	1.15	0.63	0.52	45	Saving was due to revising of the commission for continuation.
5.	2235.02.101.10-Other Schemes	179.99	151.56	28.43	16	Saving was due to non-setting up of some composite Regional Centres, non-formation of some schemes and clearance of fewer proposals by the Technical Advisory Committee & non-receipt of Inspection Reports.
6.	2235.02.102.31-Scheme for Welfare of Working Children in need of Care and Protection	7.00	-	7.00	100	Saving was due to late approval of this scheme by the Hon'ble Supreme Court.

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Major head & Sub-head	Original provision	Actual disbursement	Unspent provision	Percentage of unspent provision	Reasons given by the Ministry
7.	2235.02.107.07- Assistance to Voluntary Organizations for Construction of old aged homes	1.25	0.49	0.76	61	Saving was due to non-receipt of adequate proposals from Voluntary Organizations.
8.	2235.02.200.03- Information & Mass Education Cell	5.00	2.79	2.21	44	Saving was due to non- receipt of adequate proposals complete in all respect from various agencies.
9.	3601.03.376.02- Upgradation of merit of Schedules Castes and Scheduled Tribe students through extra coaching	18.00	1.77	16.23	90	Saving was due to non-approval of the notification of the scheme by the cabinet committee on Economic Affairs.
10.	3601.03.376.03- Assistance to meritorious Scheduled Caste students for pursuing studies in residential Public schools	4.50	-	4.50	100	Entire provision remained unutilized due to non- formulation of the scheme.
11.	3601.04.341.04- Coaching and Allied scheme	3.00	1.35	1.65	55	Saving was due to non- receipt of adequate proposals from state government of Chhatisgarh, H P and Jharkhand.
12.	3601.04.341.08- Pre-matric Scholarship Scheme	15.94	9.84	6.10	38	Saving was due to non- receipt of adequate proposals from state government of Bihar, Kerala, Karnataka, Haryana and Jharkhand.
2005-06						
13.	2225.03.800.02- Assistance to Voluntary Organizations for Backward Classes	5.00	3.24	1.76	35	Saving was due to less receipt of sufficient proposals from Voluntary Organizations and Inspection Reports from state government.

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Major head & Sub-head	Original provision	Actual disbursement	Unspent provision	Percentage of unspent provision	Reasons given by the Ministry
14.	2225.03.001.02- National Commission for Economically Backward Classes	60.00	1.98	58.02	97	Saving was due to cut on non-plan and non-salary items by the Ministry of Finance.
15.	2235.02.102.27- Assistance to Homes for Infant and Young Children for promotion in-country adoption	5.00	2.24	2.76	55	Saving was due to non- receipt of adequate proposals from Voluntary Organizations and Inspection Reports from state government.
16.	2235.02.102.28- Scheme for Street Children	17.20	10.59	6.61	38	Saving was due to non- receipt of adequate proposals from Voluntary Organizations and Inspection Reports from state government.
17.	2235.02.102.31- Scheme for Welfare of Working Children in need of care and protection	7.00	1.12	5.88	84	Saving was due to non- receipt of adequate proposals from Voluntary Organizations.
18.	2235.02.107.05- Assistance to Voluntary Organizations for programmes relating to Aged	24.05	14.06	9.99	42	Saving was due to less- receipt of adequate proposals from Voluntary Organizations and Inspection Reports from state government.
19.	2235.02.107.07- Assistance to Voluntary Organizations for construction of old aged homes etc.	1.25	0.42	0.83	66	Saving was due to cut on non-salary items by the Ministry of Finance and non-receipt of complete proposals from new Voluntary Organizations..
20.	3601.03.376.04- Residential Schools for Scheduled Castes students	5.00	-	5.00	100	Entire provision remained unutilized due to non-formulation of the scheme.

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Major head & Sub-head	Original provision	Actual disbursement	Unspent provision	Percentage of unspent provision	Reasons given by the Ministry
2006-07						
21.	2225.01.277.02- Boys Hostels	6.00	3.23	2.77	46	Saving was due to non-receipt of sufficient proposals from universities.
22.	2225.01.277.14- Girls Hostels	8.00	5.32	2.68	33	Saving was due to non-receipt of sufficient proposals from universities.
23.	2225.01.277.18- Top Class Educations for Scheduled Castes	5.00	-	5.00	100	Entire provision remained unutilized due to non-approval of the scheme.
24.	2225.01.800.26- Strengthening of Machinery for Enforcement of PCR, Act and Prevention of Atrocities Act	0.60	0.02	0.58	97	-
25.	2225.03.001.02- National Commission for Economically Backward Classes	1.12	0.25	0.87	78	Saving was due to delay in setting up of Commission.
26.	2225.03.800.02- Assistance to Voluntary Organizations for Backward Classes	5.50	2.22	3.28	60	Saving was due to non-receipt of sufficient proposals from Voluntary Organizations and Inspection Reports from state government.
27.	2225.80.102.01- Grants to Non- Government Institutions for running Pre- examination training centres for Scheduled Castes/Scheduled Tribes	4.80	2.67	2.13	44	Saving was due to authorization of Rs. 96 lakh to Ministry of Minority Affairs to operate the scheme.
28.	2225.80.800.05- Centenary celebration of Baba Saheb Dr. B.R. Ambedkar	1.00	-	1.00	100	Due to receipt of incomplete proposals

**Report of the CAG on
Union Government Accounts 2006-07**

(Rupees in crore)

Sl. No.	Major head & Sub-head	Original provision	Actual disbursement	Unspent provision	Percentage of unspent provision	Reasons given by the Ministry
29.	2235.02.107.04- Assistance to Voluntary Organisation for providing Social Defence Services	3.50	1.15	2.35	67	Saving was due to non-receipt of sufficient proposals from Voluntary Organizations.
30.	2235.02.107.05- Assistance to Voluntary Organizations for programmes relating to Aged	26.00	12.39	13.61	52	Saving was due to receipt of inadequate proposals from Voluntary Organizations.
31.	2235.02.107.07- Assistance to Voluntary Organizations for construction of old aged homes etc.	1.00	-	1.00	100	Entire provision remained unutilized due to receipt of inadequate proposals from Voluntary Organizations.
32.	3601.04.341.04- Coaching and Allied Scheme	3.00	1.25	1.75	58	Saving was due to receipt of inadequate proposals from the state government than anticipated.
33.	3601.04.366.02- Prevention and control of Juvenile Maladjustments	20.70	-	20.70	100	-
34.	4225.80.190.16- National Finance and Development Corporation for Weaker sections.	152.47	85.00	67.47	44	Saving was due to more requirements in Revenue Section.

**Report of the CAG on
Union Government Accounts 2006-07**

**Appendix-VIII-E
(Refers to paragraph 8.35)**

Rush of expenditure

(Rupees in crore)

Year	Description of the Major Head	Total expenditure under the major head	Expenditure in March	Percentage on expenditure in March to total expenditure	Expenditure incurred during last quarter	Percent-age of expenditure during the last quarter of financial year
2004-05	2013-Council of Ministers	0.04	0.02	50	0.03	75
	2225-Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes	53.94	21.71	40	27.24	51
	2235-Social Security & Welfare	278.01	99.35	36	154.63	56
	4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes	172.60	106.50	62	125.21	73
2005-06	2225-Welfare of Scheduled Castes, Scheduled tribes & Other Backward Classes	99.31	27.89	28	62.41	63
	2235-Social Security & Welfare	283.82	103.40	36	136.20	48
	4235-Capital Outlay on Social Security & Welfare	11.00	6.00	55	6.00	55
2006-07	2225-Welfare of Scheduled Castes, Scheduled tribes & Other Backward Classes	151.81	76.67	51	121.91	80

**Report of the CAG on
Union Government Accounts 2006-07**

Appendix-VIII-F
(Refers to paragraph 8.37)
Deficient internal audit system

Year	Name of Division/Unit audited	Dates of audit	Period of audit
2004-05	Director, SC/ST, Pune	16.8.04 to 19.8.04	4/96 to 3/04
	PAO, SJE	6.9.04 to 17.9.04	4/99 to 3/04
2005-06	National Commission for Backward Classes, Delhi	1.3.06 to 10.3.06	5/96 to 3/01
	National Commission for Scheduled Castes, Ahmedabad	19.12.05 to 22.12.05	4/99 to 3/05
	National Commission for Scheduled Castes, Bangalore	19.12.05 to 23.12.05	4/03 to 3/05
	National Commission for Scheduled Castes, Kolkatta	26.8.05 to 30.8.05	4/99 to 3/04
2006-07	National Commission for Scheduled Castes, Hyderabad	18.4.06 to 21.4.06	12/03 to 3/06
	PAO, SJE	5.9.06 to 15.9.06	4/04 to 3/06
	National Commission for Backward Classes, Delhi	6.11.06 to 10.11.06	3/01 to 3/06
	National Commission for Scheduled Castes, Patna	11.12.06 to 15.12.06	4/96 to 3/06
	National Commission for Scheduled Castes, Guwahati	29.1.07 to 2.2.07	4/94 to 3/06

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, <i>ad hoc</i> 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 <i>vis-a-vis</i> 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 2006-07**

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	<p>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.</p> <p>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.</p>
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 2006-07**

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

**Report of the CAG on
Union Government Accounts 2006-07**

Reserve Money	This is the monetary base. It is the sum of net RBI credit to government, RBI's claims on commercial and cooperative banks, RBI's credit to the commercial sector, net foreign exchange of the RBI, government's currency liabilities to the public <i>minus</i> the net non-monetary liabilities of the RBI.
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.