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Report of the Comptroller and Auditor General of India on Compliance of the Fiscal Responsibility and Budget Management Act, 2003 for the year 2019-20

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Union Government
Department of Economic Affairs
(Ministry of Finance)
Report No. 18 of 2022

Report of the
Comptroller and Auditor General of India
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PREFACE

The Comptroller and Auditor General of India (CAG) was, vide Rule 8 framed under Section 7A of the Fiscal Responsibility and Budget Management (FRBM) Act 2003, entrusted with the responsibility of periodically reviewing the compliance of the provisions of the FRBM Act 2003 and present such reviews before both Houses of Parliament beginning with the Financial Year 2014-15.

This is the fifth report of the CAG on compliance with the provisions of the Act and the Rules made thereunder, by the Central Government for the year ended March 2020. This is the second report since the Act and Rules were significantly amended with effect from 01 April 2018. The report critically examines the achievements vis-à-vis FRBM targets and compares actuals with projections made in Medium-Term Policy Statements and Medium-Term Expenditure Framework and analyses reasons for variation. Besides, transparency and disclosure related issues have also been highlighted for action by the Government.

The observations being presented in the Report are primarily based on examination of Budget documents relating to the Financial Year 2019-20 and the Union Government Finance Accounts for that year. In addition, reliance was also placed on publications of various Ministries including the Ministry of Finance, and reports and publications of PSUs and other Government bodies.

The Report contains significant results arising from the review of compliance of the provisions of the Act and the Rules. The instances mentioned in this Report are those which came to notice during test audit for 2019-20. Matters pertaining to the period earlier than 2019-20, which have a bearing on fiscal indicators have also been included, wherever relevant.

The audit has been conducted in conformity with the auditing standards issued by the CAG.

EXECUTIVE SUMMARY

Introduction

The Government of India enacted Fiscal Responsibility and Budget Management (FRBM) Act, 2003 to lay down the responsibility of the Central Government to ensure intergenerational equity in fiscal management and long-term macro-economic stability. The FRBM Act requires the Central Government to contain fiscal deficit, remove fiscal impediments in the effective conduct of monetary policy and follow prudential debt management by setting limits on borrowings, debt, and deficits. The Act stipulates enhanced transparency in the fiscal operations of the Central Government and the conduct of fiscal policy in a Medium-Term Framework. FRBM Rules 2004 framed under Section 8 of the Act, came into force in July 2004. The Act and Rules have, thereafter, been amended from time to time with the latest amendment having been made in April 2018.

Section 7A of the Act introduced in 2012, entrusted the Comptroller and Auditor General of India, to conduct a periodical review of compliance of the provisions of the Act by the Union Government.

What the Report covers

This Report for the Financial Year 2019-20 discusses the compliance by the Central Government of the provisions of FRBM Act, 2003 and the Rules made thereunder. The scope of the Audit covers the Union Government Finance & Appropriation Accounts for Financial Year 2019-20 along with Budget documents for Financial Year 2021-22 read with the statements under the FRBM Act, applicable for Financial Year 2019-20. Audit has examined a few cases of off-budget financing and analyzed impact of such operations on overall fiscal indicators.

During the review, Audit examined (i) consistency of Rules framed under the provisions of the Act; (ii) achievement of targets by the Government as set out in the FRBM Act and Rules; (iii) achievement of targets of Receipts and Expenditure as set out in various Fiscal Statements; (iv) Analysis of trends in receipts, expenditure, and macro-economic parameters in relation to the Act and the rules made thereunder and (v) issues of transparency and adequacy of disclosures made by the Government.

Major observations

Important audit observations relating to compliance of the provisions of the Act and Rules made thereunder, and on other related topics, are as follows.

FRBM Targets and Achievements

- The GDP at current prices for Financial Year 2019-20 was estimated at ₹2,00,74,856 crore. Primary Deficit was on a decreasing path from Financial year 2011-12 at ₹2,30,898 crore to Financial Year 2018-19 at ₹1,88,510 crore. However, it nearly doubled in the Financial Year 2019-20 from ₹1,88,510 crore to ₹3,75,755 crore. Fiscal Deficit remained stable during years 2016-17 to 2018-19 (ranging from 3.49 *per cent* of GDP in year 2016-17 to 4.15 *per cent* of GDP in year 2018-19) after dipping from Financial Year 2015-16 (4.25 *per cent* of GDP), while it went up in Financial Year 2019-20 (4.65 *per cent* of GDP as per BAG and 5.14 *per cent* of GDP as per UGFA).

(Para 3.2)

- Analysis of Government's expenditure showed that while there was decrease in expenditure on education as a proportion of total expenditure since Financial Year 2017-18, the health expenditure showed an increase during that period. Further, capital expenditure during Financial Year 2019-20 decreased to 12.72 *per cent* of total expenditure from 14.71 *per cent* in Financial Year 2018-19.

(Para 3.3.2)

- The Mid-Year Benchmarks for Financial Year 2019-20 prescribed that both Revenue deficit (RD) and Fiscal Deficit (FD) as of 30 September 2019 be contained to not more than 70 as *per cent* of BE for the whole year. It was seen that the actual deficits, however, reached to 99.80 *per cent* (in case of Revenue Deficit) and 92.60 *per cent* (in case of Fiscal Deficit) of the BE respectively by the mid-year. Against an annual reduction target of 0.10 *per cent* of GDP for Fiscal Deficit, which translated to a year-end FD of 3.30 *per cent* of GDP, the Fiscal Deficit as per UGFA (₹10,31,126 crore) increased to 5.14 *per cent* of the GDP in Financial Year 2019-20 and as per BAG (₹9,33,651 crore) increased to 4.65 *per cent* of the GDP in that year.

(Para 3.3.1, 3.4.2 and 3.4.3)

Tax & Non-Tax Revenues

- The projections for Tax revenues in Financial Year 2019-20 were at 7.70 *per cent* (₹16,27,275 crore) and 8.00 *per cent* (₹16,74,523 crore) of GDP, which were later decreased to 7.85 *per cent* (₹16,49,582 crore) and 7.36 *per cent* (₹15,04,587 crore) of GDP in the BE and RE stage, respectively. The actual collections were lower at 6.77 *per cent* (₹13,59,382 crore) of the GDP, due to a reduction in revenues of Corporation Tax, Minimum Alternate Tax, etc. Conversely, the actuals for Non-tax revenue (₹3,27,157 crore) at 1.62 *per cent* of GDP, were significantly higher than the Medium term fiscal policy projections and the BE at 1.49 *per cent* (₹3,13,179 crore), but slightly lower than RE at 1.69 *per cent* (₹3,45,514 crore due to Dividend & Profit).

(Para 3.5.1)

- Actuals of 'Other non-debt Capital Receipts' at ₹50,349 crore, were about 52.05 *per cent* lower than BE, as the planned disinvestment of CPSEs did not materialize in Financial Year 2019-20.

(Para 3.5.2)

Government Debt

- The Central Government Debt for Financial Year 2019-20 from figures drawn out of the UGFA, was ₹1,04,99,914 crore, i.e., 52.30 *per cent* of the GDP. However, given the FRBM target of reduction of Central Government Debt to 40 percent of GDP by end of 2025, from the current level of 52.30 *per cent* the target could be hoped to be achieved only with faster growth in GDP.

(Para 3.6.1)

- Regarding the target of restricting General Government Debt to 60 *per cent* of the GDP by the year 2024-25, the Government need to have in place a requisite plan laying down annual reduction in targets. Further, the calculation of General Government Debt as per definition of FRBM Act was not available. While the General Government Debt at the end of Financial Year 2018-19 was mentioned in the Status Paper on Government Debt as 68.60 *per cent* of the GDP, the corresponding figures for Financial Year 2019-20 were still in progress and hence unavailable.

(Para 3.6.2)

Debt Sustainability

- Analysis of trends of various Debt sustainability indicators for the five-year period from 2015-16 to 2019-20, revealed that the same turned negative during the year 2019-20 on account of near doubling of the Primary Deficit over the year 2018-19 and low GDP growth rate (6.22 *per cent* in the year 2019-20 compared to 10.59 *per cent* for the year 2018-19).

  Analysis showed that the net interest cost to total revenue received was around 30 *per cent* of the total revenue and showed an increasing trend since 2015-16.

(Para 4.2.1)

Extra Budgetary Resources

- Ministry of Civil Aviation, Government of India did not disclose ₹14,985 crore (arranged on Government guarantee) raised by Air India Asset Holding Limited (AIAHL) under their jurisdiction, in the notes below Statement 27. Similarly, borrowings of ₹36,440 crore by IRFC for funding the projects of the Indian Railways were not disclosed in Statement 27. Further, there were instances of EBRs not included from Statement 27, including the carry forward liability of ₹43,483 crore by the end of 2019-20 on account of outstanding fertilizer subsidy and funds of ₹74,988 crore raised by NHAI.

(Para 5.2.2 and 5.2.3)

Guarantees

- At the end of 2019-20, guarantees given by the Union Government to various CPSEs and other bodies stood at ₹4,66,881 crore which constitutes 2.32 *per cent* of GDP. In 2019-20, the additional guarantees extended by the Government were shown as ₹60,907 crore or 0.30 *per cent* of GDP. However, GoI guarantees amounting to ₹14,985 crore for borrowings of Air India Asset Holding Limited (AIAHL) and ₹5,262.30 crore raised by FCI were not considered for including in Statement 4 of the UGFA. Thus, by including these omitted guarantees, the actual additional guarantees would be 0.4 *per cent* of GDP for the year 2019-20, but still within the guarantees target of the FRBM (0.5 *per cent* of GDP in any Financial Year).

(Para 6.2 and 6.3)

Issues relating to Disclosures and Transparency

- Inconsistency within the budget documents of current as well as previous years and with UGFA were noticed regarding disclosure of arrears of interest (₹1,926 + ₹18,117 = ₹20,043 crore), variation between the closing balance of the previous year carried forward as opening balance in the Asset register (₹8,908.06 crore), and inconsistency in figures of loans to Foreign Governments (₹523.36 crore i.e., a difference of ₹14,751.13 crore and ₹14,227.77 crore).

(Para 7.2.1, 7.2.2 and 7.2.3)

- The liabilities of the Central Government as disclosed in the budget varied from that as per the UGFA for Financial Year 2019-20. The liabilities of the Central Government for 2019-20 as contained in the Receipt Budget (₹1,02,46,952 crore) varied from that stated in the UGFA (₹1,01,98,473 crore). The requisite reconciliation was, however, yet to be furnished by the Ministry.

(Para 7.3)

CHAPTER 1 Introduction

Chapter 1 Introduction

1.1 Background of the FRBM Act

In the 1990s and in early 2000s, borrowing levels of both the Union and State Governments were very high; due to which the revenue deficit, the fiscal deficit, as well as the Debt to GDP[1] ratio, all stood at high levels. To introduce the fundamentals of fiscal discipline at various levels of the Government, the Fiscal Responsibility and Budgetary Management (FRBM) Bill in the Parliament in December 2000 was introduced, in line with the recommendations of a committee set up for that purpose. Thus, Parliament enacted the FRBM Act in 2003 which received the President's assent in August 2003. This Act aims to make the Central Government responsible for ensuring intergenerational equity in fiscal management and long-term macro-economic stability by removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability. Later, under Section 8 of the Act, the FRBM Rules 2004 were framed, which came into force in July 2004.

The FRBM Act has since been amended four times in 2004, 2012, 2015 and latest in 2018. The brief highlights of the changed provisions are laid out in **Figure 1.1**.

Figure 1.1: Details of FRBM amendments made

(Figures as percentage of GDP)

Fiscal Indicators		Target detail	Principal Act/ Rules	1st Amend-ment (in 2004)	2nd Amend-ment (in 2012)	3rd Amend-ment (in 2015)	4th Amendment (in 2018)
1.	**Revenue Deficit[2]**	Target	Zero	Zero	2	2	Target has been removed
		Annual reduction	0.50	0.50	0.60	0.40	
		Beginning with	2004-05	2004-05	2013-14	2015-16	
		Sunset Target date	31 March 2008	31 March 2009	31 March 2015	31 March 2018	
2.	**Fiscal Deficit[3]**	Target	3	3	3	3	3
		Annual reduction	0.30	0.30	0.50	0.40	0.10
		Beginning with	2004-05	2004-05	2013-14	2015-16	2018-19
		Sunset Target date	31 March 2008	31 March 2009	31 March 2017	31 March 2018	31 March 2021

1 GDP – Gross Domestic Product. It is an indicator of overall production activity. The level of production is important because it largely determines how much a country can afford to consume and it also affects the level of employment.

2 Revenue Deficit means the difference between Revenue Expenditure and Revenue Receipts. It indicates increase in liabilities of the Central Government without corresponding increase in assets of that Government. (Section 2 (e) of FRBM Act)

3 Fiscal deficit means the excess of total disbursements from the Consolidated Fund of India (excluding repayment of debt) over total receipts into the Fund (excluding debt receipts), during a Financial Year. (Section 2 (a) of FRBM Act)

3.	**Effective Revenue Deficit**[4]	Target	Introduced in 2012	Zero	Zero	Target has been removed
		Annual reduction		0.80	0.50	
		Beginning with		2013-14	2015-16	
		Sunset Target date		31 March 2015	31 March 2018	
4.	**Guarantee**	Aggregate guarantees in any Financial Year not to exceed 0.50 *per cent* of GDP, beginning with 2004-05				No additional guarantee for any loan on security of CFI, in excess of 0.50 *per cent* of GDP, in any financial year
5.	**Liability/ Debt**	Not to assume additional liabilities (including external debt at current exchange rate) in excess of nine *per cent* of GDP for 2004-05 and progressively reduce the limit of nine *per cent* of GDP by at least one *percentage* point of GDP in each subsequent Financial Year				General Government debt and Central Government debt not to exceed 60 *per cent* and 40 *per cent* of GDP respectively by the end of the 2024-25.

1.2 Union Budget and compliance of the FRBM Act

A. The Act provides that the Central Government shall lay in each financial year (FY) three forms before the Houses of Parliament – (a) Medium-term Fiscal Policy *cum* Fiscal Policy Strategy Statement (Form F1), (b) Macroeconomic Framework Statement (Form F2), and (c) Medium-term Expenditure Framework Statement (Form F3).

Section 3 (1) of the Act

B. While Form F1 and Form F2 are required to be laid at the time of presentation of Budget (Section 3 (1A) of FRBM Act, 2003), Form F3 is required to be laid in the immediately following session of Parliament, in which the above policy statements were laid.

Section 3 (1B) of the Act

The Union Budget for Financial Years 2017-18 *and 2018-19 contained the projections for the year* 2019-20 *in the mandatory statements, F1 and F2. Similarly, in Union Budget for Financial Year 2019-20, the budget estimates (BE) for 2019-20 were made which were later revised as revised estimates (RE) in Union Budget for Financial Year 2020-21, followed by actuals in Budget for 2021-22. Thus, analysis for the budget projections vis-à-vis actuals were spread across a period of five union budgets.*

i.) The Medium-term Fiscal Policy Statement (in Form F1) shall set forth a three-year rolling target for prescribed fiscal indicators (under Rule 5 of the FRBM Rules, 2004) with specification of underlying assumptions. The Statement presents an assessment of

[4] Effective Revenue Deficit means the difference between the revenue deficit and grants for creation of Capital Assets. (FRBM Act Section 2 (aa) – FRBM Act amendment 2012)

sustainability relating to the use of capital receipts including market borrowings for generating productive assets.

Section 3 (2) and 3 (3) of the Act

ii.) The Fiscal Policy Strategy Statement (in Form F1) inter alia, contains – the policies of the Central Government for the ensuing Financial Year relating to taxation, expenditure, subsidies, market borrowings and other liabilities, lending and investments, pricing of administered goods and services, securities, and description of other activities such as underwriting and guarantees which have potential budgetary implications.

An evaluation as to how the current policies of the Central Government are in conformity with the fiscal management principles set out in section 4 of the FRBM Act, 2003 and the objectives set out in the Medium-term Fiscal Policy Statement.

Section 3 (4) of the Act

A gist of the mandatory F1 Statement presented before the Parliament across Financial Years 2017-18 to 2020-21 about Financial Year 2019-20 is given in **Annexure 1.1**.

iii.) The Macroeconomic Framework Statement (in Form F2) shall contain an assessment of the growth prospects of the economy with specification of underlying assumptions. It contains assessment relating (a) the growth in the GDP, (b) the fiscal balance of the Union Government as reflected in the gross fiscal balance, and (c) the external sector[5] balance of the economy as reflected in the current account balance of the balance of payments.

Section 3 (5) of the Act

The Government presented the requisite statement along with the Union budgets. The Form F2 for Financial Year 2020-21 may be referred in **Annexure 1.2**.

iv.) The Medium-term Expenditure Framework Statement (MTEF in Form F3) shall set forth a three-year rolling target for prescribed expenditure indicators with specification of underlying assumptions and risk involved. It consists of (i) the expenditure commitment of major policy changes involving new service, new instruments of service, new schemes, and programmes, and (ii) the explicit contingent liabilities, which are in the form of stipulated annuity payments over a multi-year timeframe.

Section 3 (6A) of the Act

The projections for Financial Year 2019-20 were made in Financial Years 2017-18 and 2018-19. However, the MTEFs for Financial Year 2019-20 could not be laid for which the requisite deviation statement required to be placed before the Parliament was made.

1.3 Structure of the Report

The present Report is the annual review by the CAG of India as per Rule 8 of FRBM (Amendment) Rules 2018 to examine compliance of the provisions of the Act by the

[5] The external sector is the portion of a country's economy that interacts with the economies of other countries. In the goods market, the external sector involves exports and imports. In the financial market it involves capital flows.

Government for Financial Year 2019-20. Chapter 2 discusses about the mandate for FRBM Act and Rules, while the audit findings are discussed in successive Chapters.

Chapter 3: FRBM targets and Achievements

It contains analysis with respect to achievement against targets for both revenue and fiscal indicators for Financial Year 2019-20 and examination of impact of audit observations on the Union Government Finance Accounts.

This Chapter also contains analysis of variations between projections/estimates and actuals for Financial Year 2019-20 across MTFP and other policy statements and budget documents over a period of five years from the first projections made for the two years.

Chapter 4: Debt Sustainability

It comprises analysis of debt sustainability indicators of the Central Government during the five-year period from Financial Year 2015-16 to Financial Year 2019-20.

Chapter 5: Extra Budgetary Resources

It contains observations relating to the Government Expenditure using *Extra Budgetary Resources* which does not get factored in the computation of fiscal indicators for the relevant years. Pertinent case studies and findings thereupon along with inadequacies in the statement 27 of Expenditure profile of budget documents have been highlighted.

Chapter 6: Guarantees

This Chapter analyses the trend of additions in guarantees given by Government in a Financial Year as a percentage of GDP over five-year period.

Chapter 7: Disclosures and Transparency

This Chapter incorporates paras relating to inconsistencies within budget documents (about deficit figures) of current as well as previous years regarding disclosure of arrears of interest, various between the opening and closing balances in the asset register and loans to foreign Governments.

CHAPTER 2

Mandate of FRBM Act and Rules

Chapter 2 Mandate of FRBM Act and Rules

2.1 Salient features of FRBM Act and Rules (Applicable for Financial Year 2019-20)

Section 4 (1) of the FRBM Act provides that the Central Government shall

i.) take appropriate measures to limit the fiscal deficit up to **three *per cent* of GDP** by the 31 March 2021.

ii.) endeavor to ensure that by the end of Financial Year 2024-25

- the General Government debt does not exceed **60 *per cent* of GDP**.
- the Central Government debt does not exceed **40 *per cent* of GDP**.

iii.) not give additional guarantees with respect to any loan on security of the Consolidated Fund of India in excess of **one-half *per cent* of GDP**, in any Financial Year.

iv.) endeavor to ensure that the fiscal targets specified in clauses (i) and (ii) are not exceeded after stipulated target dates.

Further, under Section 5 of the Act, except for certain[6] circumstances, the Act does not allow the Central Government to borrow from Reserve Bank of India (RBI).

The Minister-in-charge of the Ministry of Finance shall review, on half-yearly basis, the trends in receipts and expenditure in relation to the budget and place before both Houses of Parliament the outcome of such reviews according to Section 7 (1) of the Act

To ensure greater transparency in its fiscal operation in the public interest, the Central Government shall at the time of presenting the annual financial statement and demands for grants also place five disclosure forms (D-1 to D-5)[7] mandated under FRBM Rule 6.

2.2 Audit mandate drawn from FRBM Act

Through an Amendment in the FRBM Act in May 2012, a new Section 7A[8] was inserted that prescribed for periodical review by the CAG of the Compliance of the provisions of FRBM Act by the Government. Subsequently, in October 2015, a new Rule 8 was inserted in the FRBM Rules which prescribed for the CAG to carry out an annual review beginning with Financial Year 2014-15, and to submit its report to the President, who shall cause it to be laid on the table of both Houses of the Parliament. Such review should include:

a) Analysis of achievement and compliance of targets and priorities set out in the Act and the Rules, Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement, Macro-economic Framework Statement and Medium-Term Expenditure Framework Statement

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6 To meet temporary excess of cash disbursement over cash receipt, subscription of primary issues and thereafter on grounds of national security, national calamity, etc., and open market operations in the secondary market.

7 Disclosure Forms (D1) – Tax Revenue raised but not realised, (D2) – Arrears of Non-tax Revenue, (D3) – Guarantees given by the Government, (D4) – Asset Register, and (D5) – Liability on Annuity Projects

8 Laying of review reports – The Central Government may entrust the Comptroller and Auditor-General of India to review periodically as required, the compliance of the provisions of this Act and such reviews shall be laid on the table of both Houses of the Parliament.

b) Analysis of trends in receipts, expenditure, and macro-economic parameters about the Act and the Rules

c) Comments related to classification of revenue, expenditure, assets, or liabilities having a bearing on the achievement of targets set out in the Act and the Rules

d) Analysis of disclosures made by the Central Government to ensure greater transparency in its fiscal operations

Accordingly, CAG has prepared Reports on compliance with the FRBM Act and Rules for Financial Year 2014-15 (**Report No. 27 of 2016**), for Financial Year 2015-16 (**Report No. 32 of 2017**), for Financial Year 2016-17 (**Report No. 20 of 2018)** and **Report No. 6 of 2021** for the combined period of Financial Year 2017-18 and Financial Year 2018-19 have been placed in both Houses of the Parliament.

2.3 Audit Scope, Criteria and Evidence

2.3.1 Audit Scope and Criteria

The present report covers compliance with the FRBM Act and Rules by the Central Government during the Financial Year 2019-20 and is based on the following criteria.

a) FRBM Targets: The targets given in **Figure 1.1** as per fourth amendment were applicable for Financial Year 2019-20. Accordingly, audit was focused on the achievement of targets for FD and Debts (Central Government & General Government Debts).

b) FRBM Act 2003, read with the FRBM Rules 2004 – last amended in 2018

c) Policy statements such as Medium-Term Fiscal Policy Statements, status paper on debt, budget speech, etc.

2.3.2 Audit Evidence

The report is based on the figures from Union Government Finance Accounts (UGFA) 2019-20, Budget at a Glance (BAG) 2021-22 and Annual Financial Statement (AFS) for Financial Year 2021-22. In addition, data appearing in Statements 25 and 27 of the Expenditure Profile for Financial Year 2021-22 relating to resources of Public Sector Enterprises (PSEs) and Extra Budgetary Resources (EBR), certified annual accounts of the PSEs and GDP data released by Central Statistics Office (CSO) from time to time (and updated as per latest records), have been used for analysis.

2.4 Audit Methodology

The audit on compliance with FRBM Act for Financial Year 2019-20 was undertaken primarily in the Department of Economic Affairs, Ministry of Finance which is the nodal Department for administration of the FRBM Act. Observations based on the audit were issued to the Department for replies/comments from time to time. The draft report for Financial Year 2019-20 was issued on 24 October 2021 and was thereafter finalized after considering the Ministry's detailed replies of 14 February 2022, followed by a detailed discussion during Exit Conference held on 09 March 2022.

CHAPTER 3

FRBM Targets and Achievements

Chapter 3 FRBM Targets and Achievements

3.1 FRBM Targets

The FRBM Act 2003 and FRBM Rules 2004, as amended from time to time, latest being in April 2018, provide targets and benchmarks for fiscal indicators to be achieved at the end of Financial Year 2019-20, as discussed in **Chapter 1 and 2** of this report. To recount briefly, the targets/ benchmarks were as follows:

a. The Act mandates an annual reduction of Fiscal Deficit (FD) equal to 0.10 *per cent* or more of the GDP from the year 2018-19 onwards, and a target of three *per cent* of GDP to be achieved by the end of the year 2020-21.

b. The FRBM Rule 7 as amended from time to time, prescribes mid-year (i.e., end of September) benchmarks for collection of non-debt receipts of not less than 40 *per cent* of BEs, and for RD and FD of not more than 70 *per cent* of the BEs for the year. If these benchmarks get breached, a statement is required to be placed in the Parliament detailing *inter alia* corrective measures being taken.

The status and extent of achievement with respect to the above-mentioned targets for fiscal indicators, and the mid-year benchmarks during Financial Year 2019-20, are discussed in subsequent paragraphs of this Chapter.

For analysis, the Second revised estimates for GDP for Financial Year 2019-20 at current price with base year 2011-12, released by Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI) on 28 February 2022 have been adopted.

3.2 Snapshot of deficit figures and Public Debt

The GDP of India at current prices as per MoSPI press release (February 28, 2022) for Financial Year 2019-20 was ₹2,00,74,856 crore. While the Act has prescribed targets for FD, no targets were prescribed for PD. The amendment of FRBM Act in 2018 has done away with RD targets with effect from Financial Year 2018-19 and mandate FRBM Rules to disclose PD as a fiscal indicator in the MTFP statement.

The fiscal parameters of Fiscal Deficit and Public Debt vis-à-vis GDP increased in Financial Year 2019-20 in comparison with Financial Year 2004-05 when FRBM Act came into force. However, Fiscal Deficit remained stable during the Financial Year 2016-17 to Financial Year 2018-19 (ranging from 3.49 *per cent* of GDP in Financial Year 2016-17 to 4.15 *per cent* of GDP in Financial Year 2018-19) after dipping from Financial Year 2015-16 (4.25 *per cent* of GDP), while it went up in Financial Year 2019-20 (4.65 *per cent*[9] of GDP as per BAG and 5.14 *per cent* of GDP as per UGFA).

PD is FD minus the interest payments. Thus, it measures the amount of borrowing that can be utilized by the Government other than for interest payments. A decrease in PD shows progress towards fiscal health. During the last five years, Financial Year 2016-17 witnessed the lowest

[9] Difference of Fiscal Deficit in BAG (4.65 *per cent* of GDP) and UGFA (5.14 *per cent* of GDP) is due to exclusion of certain expenses on capital infusion for Public Sector Banks (₹65,443 crore), external assistance for State Government projects (₹20,607 crore), and other expenses amounting to ₹11,425 crore.

PD at ₹33,861.67 crore which was 0.22 *per cent* of the GDP. Thereafter, PD was on an upwards curve, with a significant jump in Financial Year 2019-20 to 1.87 *per cent* of the GDP from 1.00 *per cent* in Financial Year 2018-19.

3.3 Revenue Deficit

3.3.1 Compliance with Mid-Year benchmarks

Rule 2(ca) of the FRBM Rules, 2004 defines Revenue deficit (RD) as the excess of revenue expenditure over revenue receipts in a given financial year.

The status of compliance with the mid-year benchmarks with respect to RD for the Financial Year 2019-20, is given in **Figure 3.1**.

Figure 3.1: Compliance with Mid-Year benchmarks prescribed for Revenue Deficit

	Target as per FRBM Act	Actual	Deviation
Mid-year Benchmark (30 Sept 2019) (as *per cent* of BE)	Not more than 70% of BE	99.80%	29.80%

Source: Mid-Year Statement for actuals against Mid-Year Benchmark for 2019-20

It is evident from **Figure 3.1** that during Financial Year 2019-20 there was a deviation from the mid-year benchmark set for RD. As against the target for containing RD at 70 *per cent* of the BE for the whole year, RD was 99.8 *per cent* of the BE at the mid-year point i.e., at the end of September 2019.

In the statement, required to be presented to Parliament under Rule 7 of the FRBM Rules when the benchmark target was not achieved, the Ministry of Finance attributed the deviation to 'lower tax revenues' coupled with 'higher pace of capital expenditure over the previous year'. The statement listed 'minimizing parking of funds', 'meeting of additional requirements for funds from savings identified within their demands at the stage of Supplementary Demand for grants' and 'efforts to ensure achievement of targets for non-debt receipts including tax receipts' as corrective measures.

3.3.2 Trend of Revenue and Capital Expenditure

Figure 3.2 depicts the trend of revenue expenditure and capital expenditure as proportion of the total expenditure.

Figure 3.2: Trend Analysis of Revenue and Capital Expenditure

(₹ in crore)

Financial Year	Revenue Expenditure	Capital Expenditure	Total Expenditure	Revenue Expenditure as *per centage* of Total Expenditure	Capital Expenditure as *per centage* of Total Expenditure
2015-16	17,79,529	2,78,866	21,05,667	84.51%	13.24%
2016-17	19,33,018	2,49,472	22,42,501	86.20%	11.12%
2017-18	21,40,085	3,25,116	25,47,337	84.01%	12.76%
2018-19	22,61,571	3,99,523	27,15,761	83.28%	14.71%
2019-20	26,15,320	3,87,744	30,48,206	85.80%	12.72%

Source: UGFA of respective years

It can be seen from **Figure 3.2** that as compared to Financial Year 2018-19, while the revenue expenditure as a proportion of total expenditure increased during 2019-20, the capital expenditure decreased in both absolute terms as well as proportion of total expenditure.

Further, a comparison of the projections of Capital Expenditure with the actuals for Financial Year 2019-20, it was noticed that the initial projection in MTEF for Financial Year 2017-18 was for ₹3,90,000 crore, which got revised to ₹3,27,197 crore in MTEF for Financial Year 2018-19 and budgeted at ₹3,38,569 crore and revised to ₹3,48,907 crore in Financial Year 2019-20. The Actual Capital Expenditure of ₹3,87,744 crore though was higher than budgetary estimates but slightly lower than the initial projection.

3.4 Fiscal Deficit

Section 2(a) of FRBM Act defines FD as the excess of total disbursements from the CFI over total receipts into the Fund during a financial year, excluding debt receipts and debt repayments.

3.4.1 Fiscal Deficit target

It may be recounted that in Financial Year 2018-19 due to amendment in the FRBM Act in April 2018, the FD target of three *per cent* of GDP was to be achieved by the end of Financial Year 2020-21, and an annual reduction target of 0.10 *per cent* of GDP, was fixed. This translated into a year-end FD target of 3.30 *per cent* of GDP, for Financial Year 2019-20, as against the path to achieve the FD target of three *per cent* by Financial Year 2020-21.

As per FRBM Act, fiscal deficit is the excess of total disbursements (excluding debt repayment) from CFI over the non-debt receipts into CFI in a given financial year.

Figure 3.3: Calculation of Fiscal Deficit for Financial Year 2019-20

(₹ in crore)

S. No.	Particulars	Amount (as per UGFA)
1.	Non-debt Receipts	20,17,080
	Revenue Receipts	*19,48,084*
	Miscellaneous Capital Receipts	*50,349*
	Recoveries of Loans and Advances	*18,647*
2	Total disbursements (excluding debt repayment)	30,48,205
	Revenue Expenditure	*26,15,320*
	Capital Expenditure	*3,87,744*
	Loans and Advances	*45,142*
3.	Fiscal Deficit (2-1), as per UGFA	10,31,126
4.	FD as % of GDP, as per UGFA	5.14%
5.	Fiscal Deficit , as per BAG	*9,33,651*
6.	FD as % of GDP, as per BAG	*4.65%*

Source: Budget Documents & UGFA for Financial Year 2019-20

The differential amount of ₹97,475 crore between Fiscal Deficit disclosed in the BAG (4.65 *per cent* of GDP) and that from the UGFA (5.14 *per cent* of GDP) was due to certain expenses on capital infusion for Public Sector Banks (₹65,443 crore, also depicted in Statement 11 of UGFA for Financial Year 2019-20 and Statement 27 of Expenditure Profile in Budget Financial Year 2021-22), external assistance for State Government projects (₹20,607 crore) where the centre is only a canalising agency for disbursement of loans to the state, and other expenses amounting to ₹11,425 crore which were netted with the receipts.

3.4.2 Compliance with Mid-Year benchmarks with Budget Estimate

The status of compliance with the mid-year benchmarks with respect to FD during Financial Year 2019-20 is given in **Figure 3.4**.

Figure 3.4: Compliance with Mid-Year benchmarks prescribed for Fiscal Deficit

	Target as per FRBM Act	Actual	Deviation
Mid-year Benchmark (30 September 2019) (as *per cent* of BE)	Not more than 70% of BE	92.60	22.60

Source: Mid-Year Statement for actuals against Mid-Year Benchmark for Financial Year 2019-20.

As against the Mid-Year Benchmark of containing the Fiscal Deficit (FD) as of 30 September 2019 to not more than 70 as *per cent* of BE for the whole year, the actual fiscal deficit reached to 92.60 *per cent* of the BE by the mid-year

3.4.3 Fiscal Deficit-Estimates and Actuals during Financial Year 2019-20

Details of BE, RE and Actuals against the FRBM targets for FD for Financial Year 2019-20 are given in **Figure 3.5**.

Figure 3.5: Fiscal Deficit-Estimates and Actuals in Financial Year 2019-20

(₹ in crore)

Components	Total Expenditure	Non-debt Receipts	Fiscal Deficit (FD)	GDP
Budget Estimates	27,34,428	24,19,241	3,15,187	2,10,07,439
Revised Estimate	27,42,684	22,72,751	4,69,933	2,04,42,233
Actuals	30,48,206	20,17,080	10,31,126	2,00,74,856
Variation of Actuals from Budget Estimates	3,13,778	-4,02,161	7,15,939	
Variation of Actuals from Revised Estimates	3,05,522	-2,55,671	5,61,193	

Source: Budget at a Glance of Financial Year 2021-22, AFS of Financial Year 2020-21 for BE and RE, UGFA of Financial Year 2019-20 for Actuals, and Actual GDP figures are based on latest available data

The substantial variation about FD from the BE was due to non-debt receipt collections being significantly lower than the estimates. Government may also reconcile the difference between total expenditure as per the BAG[10] for the Financial Year 2021-22 and UGFA for the Financial Year 2019-20.

Though the FRBM target for Financial Year 2019- 20 was 3.30 *per cent* of GDP, the BEs for the year estimated the same at a lower level of 1.50 *per cent*. Subsequently, the revised estimates for Fiscal Deficit for Financial Year 2019-20 increased to 2.30 *per cent* of GDP. This upward revision may be attributed to less Non-Debt Receipt as well as diminution of GDP in the revised estimates.

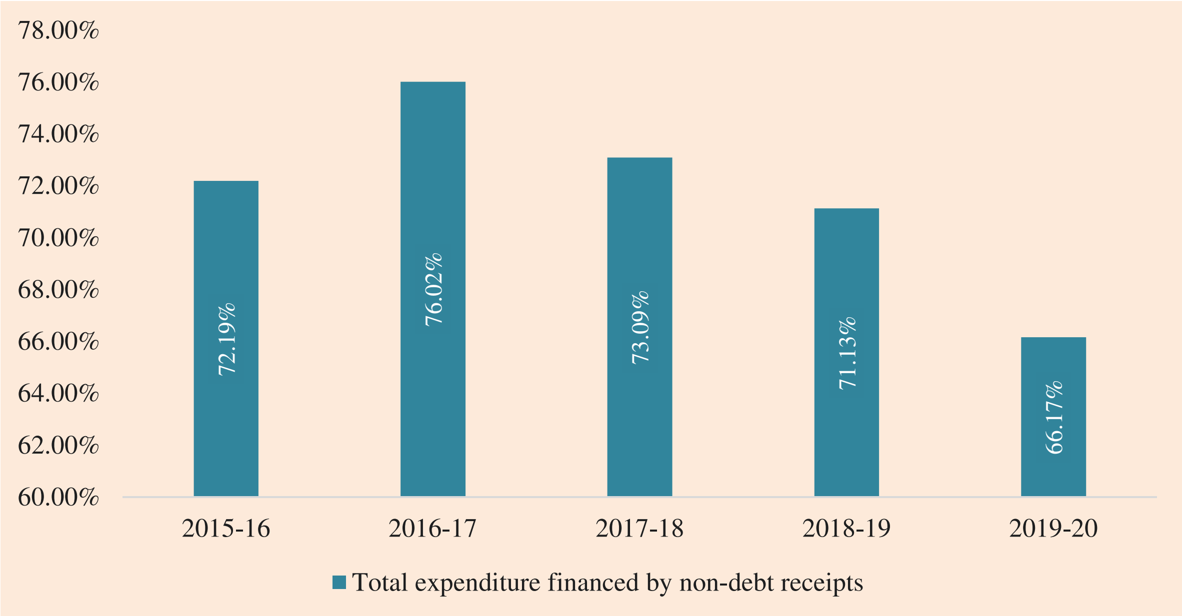
[10] As per the BAG 2022, the Actuals for Total Expenditure, Non-Debt Receipt and Fiscal Deficit were ₹26,86,330 crore, ₹17,52,679 crore, and ₹9,33,651 crore, respectively. For analysing the variation of Actuals from the BE and RE figures, the Head-wise breakup available in the AFS has been utilised.

The Ministry attributed (February 2022) the variation to underlying diminution of the GDP and stated that efforts were being made to keep the variations at the minimum level.

3.4.4 Coverage of *Total Expenditure* through *Non-Debt Receipts*

Figure 3.6 shows the proportion of total expenditure covered by non-debt receipts in the last five years. Details may be referred to in **Annexures 3.1, 3.2 & 3.3**

Figure 3.6: Total expenditure financed by non-debt receipts



Source: UGFA of respective years. GDP figures have been updated based on latest available data.

For the previous four Financial Years 2015-16 to 2018-19, non-debt receipts financed total expenditure in the range of 76.02 *per cent* to 71.13 *per cent*, whereas in Financial Year 2019-20, non-debt receipts were able to finance 66.17 *per cent* of total expenditure.

3.5 Projections made in Fiscal policy statements vis-à-vis Actuals

One of the stated objectives of the FRBM Act is that Central Government would conduct its fiscal policy operations in a medium-term framework. To achieve this, Section 3 of the Act requires the Government to lay fiscal policy statements, namely, Medium-Term Fiscal Policy (MTFP) Statement, Fiscal Policy Strategy (FPS) Statement and Macro-economic Framework (MF) Statement, in both the houses of Parliament along with the Annual Financial Statement (AFS) and Demand for Grants. In addition, by an amendment to the FRBM Act in 2012, a Medium-Term Expenditure Framework (MTEF) Statement is also required to be placed in Parliament.

Following the amendment of the FRBM Act in April 2018, a single Medium Term Fiscal Policy cum Fiscal Policy Strategy (MTFP cum FPS) statement was introduced instead of separate statements. Macro-Economic Framework (MEF) and Medium-Term Expenditure Framework (MTEF) Statements were to be placed in Parliament as before. Rules also provided that MTFP cum FPS would include three-year rolling targets for FD, RD, Primary Deficit, Tax Revenue, Non-Tax Revenue and Central Government Debt, as *per cent* of GDP. The MTFP cum FPS statement was also required to detail assumptions underlying the fiscal outlook, GDP growth projections, and projections for receipts and expenditure. The MTEF Statement provides a three-year rolling target for all prescribed expenditure indicators along with details of underlying assumptions and risks involved.

The following **Figure 3.7** contains an analysis of the variations between actual receipts and expenditure of the Union Government for Financial Year 2019-20 against projections/estimates contained in the Fiscal Policy Statements and Budget documents.

Figure 3.7: Actual Receipts and Expenditure of the Union Government for Financial Year 2019-20 against the projections/estimates made in Budget

(₹ in crore)

Sl. No.	Receipts	MTFP 2017-18	MTFP 2018-19	BE 2019-20	RE 2019-20	Actuals 2019-20
(1)	Tax Revenue	16,27,275	16,74,523	16,49,582	15,04,587	13,59,382
(2)	Non-Tax Revenue	2,74,735	2,72,110	3,13,179	3,45,514	3,27,157
(3)	Revenue Receipts	19,02,010	19,46,633	19,62,761	18,50,101	16,86,539
	Capital Receipts of which:					
(4)	(i) Recovery of Loans and Advances	10,000	10,000	14,828	16,605	18,647
(5)	(ii) Other non-debt capital receipts	40,000	60,000	1,05,000	65,000	50,349
(6) = (3+4+5)	Non-Debt Receipts	19,52,010	20,16,633	20,82,589	19,31,706	20,17,080
(7) = (10 -6)	(iii) Borrowings-Public Debt and other liabilities	6,43,763	6,25,588	7,03,760	7,66,846	10,31,125
	Expenditure	MTEF 2017-18	MTEF 2018-19	BE 2019-20	RE 2019-20	Actuals 2019-20
(8)	Revenue Expenditure (C)	22,05,772	23,15,024	24,47,780	23,49,645	26,15,320
(9)	Capital Expenditure (Inclusive of Loans & Advances)	3,90,000	3,27,197	3,38,569	3,48,907	4,32,886
(10)	Total Expenditure	25,95,773	26,42,221	27,86,349	26,98,552	30,48,206
(11) = (6 -10)	Fiscal Deficit	-6,43,763	-6,25,588	-7,03,760	-7,66,846	-10,31,125 (UGFA) -9,33,651 (BAG)
(12)	GDP	2,11,33,448	2,09,31,533	2,10,07,439	2,04,42,233	2,00,74,856

Source: BAGs for BE, RE and UGFA for Actuals (except for Non-tax revenue, which is taken from BAG), and GDP Actuals figures have been updated based on latest available data. Deficit figures have been shown with negative sign.

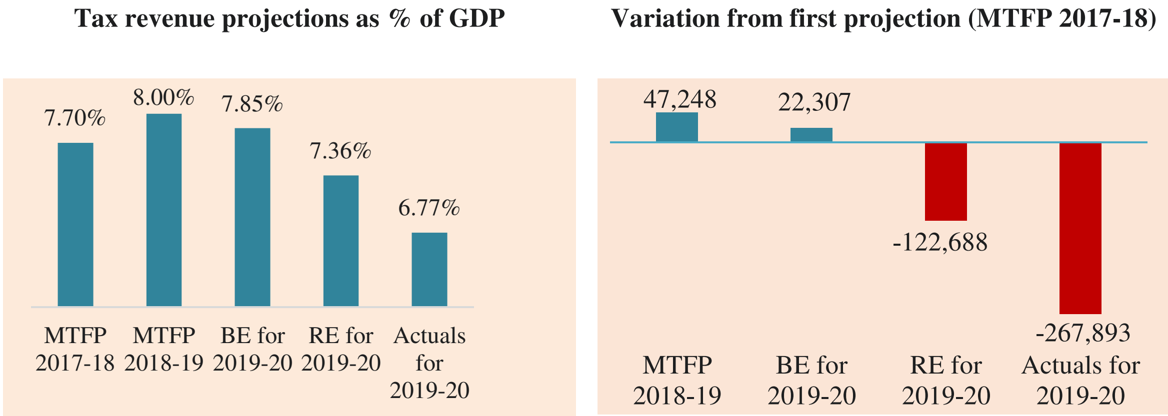
3.5.1 Projections for Tax and Non-tax revenue

MTFP statements of each year give projections of tax revenue and non-tax revenue[11] as a *per cent* of GDP. These projections have been compared with actuals and the variations analysed in this section.

Figure 3.8: Tax revenue projections for Financial Year 2019-20

(Refer to Annexure 3.4 for details)

(₹ in crore)



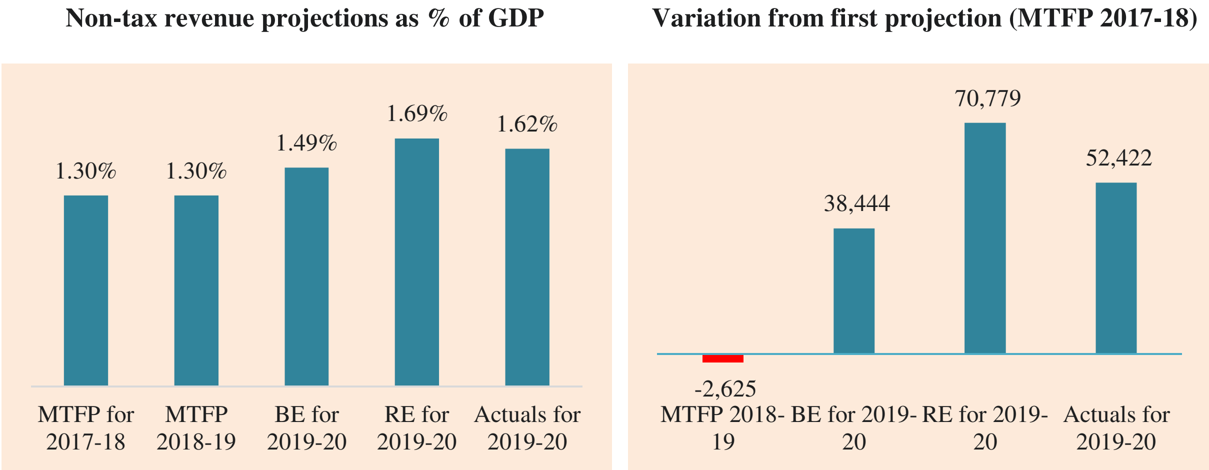
There was thus, a shortfall in actual tax receipts compared to projections and estimates. This was due to reductions in Corporation Tax, Minimum Alternate Tax (MAT), etc.

As with the projections for the indicators, projections for tax revenue also witnessed frequent revisions and finally significant shortfall.

Figure 3.9: Non-tax revenue projections for Financial Year 2019-20

(Refer to Annexure 3.5 for details)

(₹ in crore)



[11] NTR receipts comprises of dividend from RBI, banks, financial institutions and other public sector enterprises, interest receipts on loan primarily from states. Other NTR receipts include telecom receipts, receipts from offshore oilfields, user charges and fees levied by various Ministries/ Departments for services provided by them.

Unlike the tax revenue projections, non-tax revenue projections were also revised upwards. The actual non-tax revenue collections were significantly higher than the projections, except for RE.

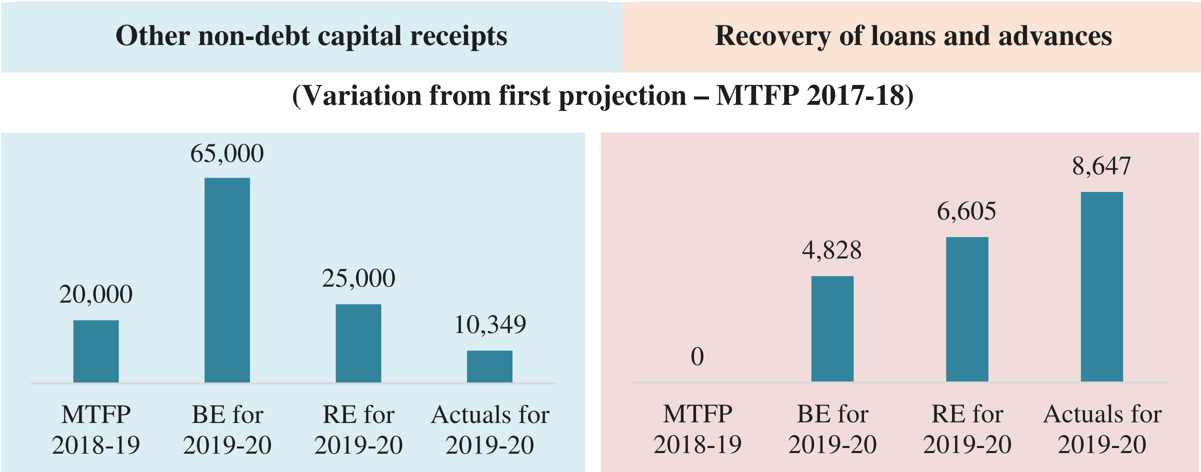
3.5.2 Projections for Non-Debt Capital Receipts

Non-debt capital receipts include 'Recovery of loans and advances' and 'Other non-debt capital receipts' which are primarily receipts from disinvestment proceeds[12].

Figure 3.10: Projections of Non-debt capital receipts for Financial Year 2019-20

(Refer to Annexures 3.6 and 3.7 for details)

(₹ in crore)



The projections for 'Recovery of loans and advances' were consistently increased, and the actuals were 12 *per cent* more[13] than RE. On the other hand, in case of 'Other non-debt capital receipts', the projection at RE stage was substantially lowered, while the actuals were lower by 52.05 *per cent* compared to BE and 22.54 *per cent* compared to RE.

The variation from BE/RE was because disinvestment of CPSEs as planned could not materialise.

3.5.3 Analysis of projections vis-à-vis actuals of FD

Projection for FD for Financial Year 2019-20 in MTFP for Financial Year 2017-18 was kept at three *per cent* based on the expectations of growth revival, and on expenditure and tax reforms as in the case of Financial Year 2018-19. MTFP for Financial Year 2018-19 projected an increase in FD to 3.10 *per cent*. BE for Financial Year 2019-20 projected an increase in FD to 3.30 *per cent*, which was seen as a return 'to the path of fiscal rectitude'. This was based on expectations of higher receipts and rationalisation of expenditure. In the RE for Financial Year 2019-20, projection of FD was increased to 3.8 *per cent*. Besides stating that this denoted a gradual reduction of FD towards the deferred target of three *per cent* of GDP by 31 March 2021 and that this was consistent with Rule 3 of FRBM Rules 2004, which envisages annual

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[12] Data on disinvestment proceeds from individual transactions have been sourced from DIPAM website.

[13] The Actual for Financial Year 2019-20 as per BAG Financial Year 2021-22 was ₹18,316 crore, wherein variation from RE figure shall be 10.30 *per cent.*

reduction in FD of 0.1 *per cent* or more of GDP, no specific explanation was given for the increased target.

3.6 Targets for Government Debt

The FRBM Act amended in 2018, introduced a new section 2(aa) which defined the concept of Central Government Debt at any date, that included:

Total outstanding liabilities on the security of the Consolidated Fund of India (CFI), including external debt valued at current exchange rates

+

Total outstanding liabilities in the Public Account of India

+

Financial liabilities of any body-corporate or other entity owned or controlled by the Central Government, which the Government is to repay or service from the Annual Financial Statement, reduced by the cash balance at the end of the date.

In addition, Section 2(bb) of the amended Act incorporated the concept of "General Government Debt" as the sum total of debts of the Central Government and the State Governments, excluding inter-Governmental liabilities.

The fiscal management targets laid down about debt indicators were as follows:

- to contain Central Government Debt to **40 *per cent* of GDP** by Financial Year 2024-25
- and General Government debt to **60 *per cent* of GDP** by Financial Year 2024-25

However, the rules do not provide for any targets to be achieved during the intermediary period.

3.6.1 Central Government Debt

The position of the Central Government Debt as worked out from UGFA is given in the **Figure 3.11**.

Figure 3.11: Details of Central Government Debt at the end of Financial Year 2019-20

	Item	As per UGFA *(₹ in crore)*
a.	Internal Debt of Union Government	80,20,490
b.	External Debt (at current rate)	5,44,394
c.	Public Account Liabilities	18,78,733
d.	EBR recognised by Government	1,11,870*
e.	Less: Net cash balance of GoI	55,573
f.	Total Central Government Debt (a+b+c+d+e)	**104,99,914**
g.	Total Central Government Debt as *per cent* of GDP	**52.30%**

*Figures is not available in UGFA, so sourced from Statement 27 of Expenditure Profile

The achievement of FRBM Act mandated target of 40 *per cent* of GDP by Financial Year 2024-25 from the current level of 52.30 *per cent* the target could be hoped to be achieved only with much superior growth in GDP.

3.6.2 General Government Debt

Section 2 of the FRBM Act, as amended in 2018, defines General Government Debt as the sum total of the debt of the Central Government and the State Governments, excluding inter-Governmental liabilities. Further, Section 4 of FRBM Act provides limit on General Government debt not to exceed sixty *per cent* of GDP by the end of Financial Year 2024-25. Although this period-end target was provided in the Act, but as in Central Government Debt, the requisite plan laying down annual reduction target was not framed under FRBM rules in the case of General Government Debt as well.

Further, the calculation of General Government Debt as per definition of FRBM Act was not available.

As per the Status Paper on Government Debt, the General Government Debt at the end of Financial Year 2018-19 was 68.60 *per cent* of the GDP.

Ministry replied (February 2022) that the Status paper on Government Debt for Financial Year 2019-20, containing a detailed account of the overall debt position of the Central Government, State Governments and General Government, was under progress.

3.7 Way forward

Recommendation 3A: *The Government needs to review the process of the projections. Further, as the mid-year benchmarks act as checkpoint for controlling expenses, efforts may be made to rationalise expenses within the limit prescribed till the half year ended 30 September.*

Recommendation 3B: *Ministry of Finance may reconcile the variation between FD figures calculated from UGFA and that mentioned in the BAG.*

Recommendation 3C: *Union Government may prescribe annual targets about sunset targets prescribed in the FRBM Act for Central Government Debt and General Government Debt to be attained by the end of Financial Year 2024-25.*

CHAPTER 4 Debt Sustainability

Chapter 4 Debt Sustainability

4.1 Introduction

Central Government Debt, as shown in **Para 3.6.1**, in Financial Year 2019-20 was 52.30 *per cent* of the GDP (₹1,04,99,194 crore). This represented an increase of 12.62 *per cent* against that in Financial Year 2018-19 when it was 49.33 *per cent* of GDP (₹93,23,568 crore).

4.2 Debt Sustainability Analysis

Debt sustainability indicator was negative in Financial Year 2019-20 as opposed to during Financial Years 2015-16 to 2018-19.

Debt sustainability can be defined as the ability of the Government to maintain a constant Debt to GDP ratio over a period and embodies the concern about the ability to service its debt. Analysis of various indicators is done for determining the debt sustainability of a country without considering the magnitude of debt. Debt Sustainability Analysis (DSA) considers the feasibility of meeting debt related financial obligations during a period beginning with the present and is a crucial aspect for assessing financial health of an economy.

Debt-GDP ratio[14] is an important part of DSA. The ratio rises mainly because higher levels of debt lead to higher net interest expenditures, and in turn to higher deficits and debt. The sustainability of the debt is analysed through Debt Sustainability indicators in the succeeding paragraphs.

4.2.1 Debt Sustainability Indicators

Figure 4.1 analyses the debt sustainability of the Central Government during the five-year period from 2015-16 to 2019-20.

Figure 4.1: Trends in debt sustainability indicators

(₹ in crore)

Sl. No.	Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Public Debt[15]	57,11,424	61,49,818	68,46,557	75,49,380	85,64,884
2.	Rate of growth of Outstanding Public Debt	11.89%	7.68%	11.33%	10.27%	13.45%
3.	Central Government Debt[16]	69,53,272	75,48,361	83,50,444	93,23,568	1,04,99,914
4.	Rate of growth of Outstanding Central Government Debt	10.74%	8.56%	10.63%	11.65%	12.62%
5.	GDP at current prices	1,37,71,874	1,53,91,669	1,70,90,042	1,88,99,668	2,00,74,856

[14] More specifically, the Central Government Debt/GDP ratio

[15] Public Debt is the sum of internal debt and External debt (at current price) of the Central Government (Statement 2 of UGFA).

[16] Central Government Debt includes Public Debt (Internal debt & External debt at current price), Public Account liabilities of Central Government (Statement 2 of UGFA), and Extra Budgetary Resources (taken from Statement 27 of Union Budget), reduced by the cash balance (Statement 13 of UGFA)

6.	Rate of growth of GDP	10.46%	11.76%	11.03%	10.59%	6.22%
7.	Central Government Debt/ GDP ratio	50.49%	49.04%	48.86%	49.33%	52.30%
8.	Real GDP	1,13,69,493	1,23,08,193	1,31,44,582	1,40,03,316	1,45,69,268
9.	Real GDP Growth	8.00%	8.26%	6.80%	6.53%	4.04%
10.	Interest Paid on Central Government Debt[17]	4,57,270	5,04,512	5,43,707	5,95,552	6,55,371
11.	Total Revenue Receipts	14,36,160	16,15,988	16,91,143	18,06,463	19,48,084
12.	Average Central Government Debt[18]	66,16,105	72,50,817	79,51,903	88,39,506	99,11,741
13.	Average interest cost on Central Government Debt[19]	6.91%	6.96%	6.84%	6.74%	6.61%
14.	Interest payment on Central Government Debt to Revenue Receipts	31.84%	31.22%	32.15%	32.97%	33.64%
15.	Public Debt Repayment to Public Debt Receipts	86.58%	92.58%	89.60%	89.74%	86.65%
16.	Interest spread[20]	3.55%	4.80%	4.19%	3.85%	-0.39%
17.	Quantum Spread[21]	2,46,841	3,62,594	3,50,282	3,58,909	-41,373
18.	Primary Deficit[22]	1,28,227	33,287	1,41,800	1,88,510	3,75,755
19.	Debt Stabilistion[23]	1,18,614	3,29,307	2,08,482	1,70,399	-4,17,128

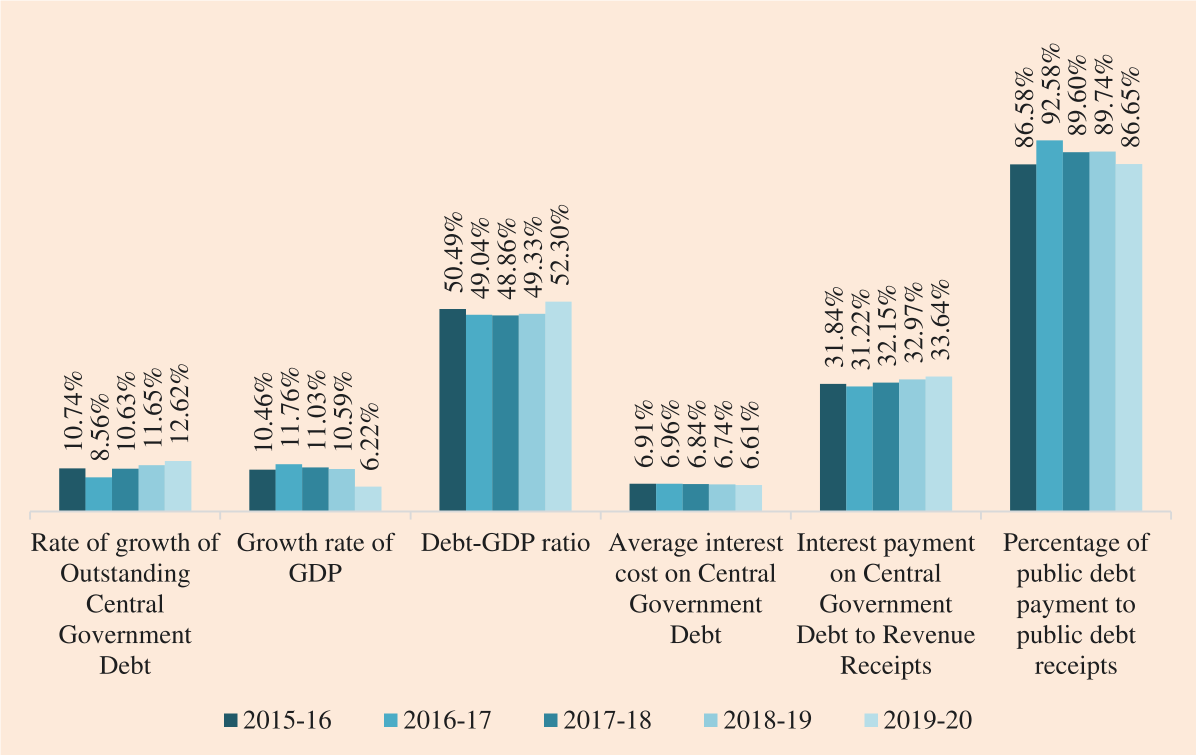
Source: Union Government Finance Accounts of respective years, GDP figures have been updated based on latest available data

It is noticed that the quantum spread turned negative during Financial Year 2019-20. Also, PD doubled over the Financial Year 2018-19 figures in Financial Year 2019-20, which coupled with low GDP growth and resultant negative interest spread, made the Debt stabilisation indicator negative.

Figure 4.2 below shows trends in the various debt sustainability indicators over the last five years.

[17] Interest payments and servicing of debt (Statement 1 of UGFA)
[18] Average of Outstanding debt at the beginning and the end of the year
[19] Interest paid as a ratio of Average Outstanding debt
[20] Interest Spread: Rate of Growth of GDP - Average interest rate of Outstanding Debt
[21] Quantum Spread: Outstanding Central Government Debt * Interest spread / 100
[22] From Union Government Finance Accounts of respective years
[23] Quantum Spread reduced by Primary deficit

Figure 4.2: Trends in debt sustainability indicators



From **Figure 4.2**, it can be seen that the Central Government debt has been increasing over the last five years and during Financial Year 2019-20, it increased by 12.62 *per cent* over Financial Year 2018-19. While the Debt-GDP ratio stood at 50.49 *per cent* during Financial Year 2015-16, marginal corrections were seen during Financial Year 2016-17 (at 49.04 *per cent*) and Financial Year 2017-18 (48.89 *per cent),* when the rate of incremental debt was just short of the growth in GDP. However, during Financial Years 2018-19 and 2019-20, the debt growth rate outgrew the nominal GDP growth rate at current prices resulting in an increased Debt-GDP ratio of 49.33 *per cent* and 52.30 *per cent,* respectively.

Although, the average interest cost on Debt showed a declining trend (since Financial Year 2016-17 from 6.96 *per cent, 6.84 per cent,* 6.74 *per cent,* and finally to 6.61 *per cent* in Financial Year 2019-20); the actual interest paid on debt consistently increased across the five-year period. In Financial Year 2015-16 the interest paid was at ₹4,57,270 crore which increased to ₹6,55,371 crore in Financial Year 2019-20, due to expanding overall Debt. Also, the above stated interest payments towards debt servicing as a proportion of revenue receipts showed steady increase since Financial Year 2016-17. The percentage of public debt repayment to public debt receipts showed a declining trend since Financial Year 2016-17 and has come down from 92.58 *per cent* in Financial Year 2016-17 to 86.65 *per cent* in Financial Year 2019-20.

4.3 Way forward

Recommendation 4A: *The Government may draw a specific plan for reduction of its Debt so that lesser funds are spent on debt servicing and consequently more of its non-debt receipts are available for meeting its expenditure priorities.*

CHAPTER 5

Extra Budgetary Resources

Chapter 5 Extra Budgetary Resources

5.1 Disclosure of EBRs

Budget	UGFA	Disclosure under FRBM Act
From Financial Year 2019-20 onwards the Government started to disclose the amount of EBRs in the Budget documents by means of inserting a new Statement 27 as a part of the expenditure profile. This statement shows EBRs financed by all Ministries/Departments through Government fully serviced bonds, NSSF loans and other resources.	No such disclosure	No such disclosure

For Financial Year 2019-20, Statement 27 (enclosed as **Annexure 5.1**) disclosed that an amount of ₹22,006.30 crore was arranged through issue of Government fully serviced bonds and another ₹1,26,310 crore was arranged through loans from National Small Savings Fund (NSSF). The cumulative balance(s) of fund arranged through Government fully serviced bonds was ₹1,11,870 crore and that drawn from NSSF as loans was ₹3,66,310 crore at the end of Financial Year 2019-20.

5. 2 Inadequacies in the Statement of Extra Budgetary Resources

5.2.1 Deficiencies in format of Statement 27

A. Disclosure through notes below the Statement

Apart from the funds arranged through Government fully serviced Bonds, and financial support extended through loans from the National Small Savings Fund; certain details have been included as notes below the table, which likewise shall get serviced from the CFI in future budgets but have still not been included in the table itself.

For instance, the first entry of notes provided below the Statement was regarding allowing Air India Asset Holding Limited (AIAHL) to raise EBR worth ₹7,000 crore to finance Air India's debt transferred to AIAHL. This information could have been provided within the statement itself along with similar information regarding Government fully serviced bonds.

Audit noted during Financial Year 2019-20 that Statement 27 listed out the projected EBR borrowings (RE and BE) for Financial Year 2021-22 along with the actual EBR arranged during Financial Year 2016-17 to 2019-20 that formed part of the Central Government Debt.

Further, A similar statement, mandated under the FRBM Rules – Liability on Annuity Projects, lists out the quantum of Government liability (with details regarding Name of the Ministry, Project name and its value, total annuity committed by Government and year-wise breakup of the annuity amount and period for repayment/ assistance) and thus, transparently discloses the amount paid through the budget each year, and the amount unpaid, if any, along with the amount requiring future budget allocations.

Therefore, considering that Statement 27 is a de-facto disclosure of a type of debt liabilities of the Government, its format in the manner analogous to Statement 14 of UGFA– Statement of debt and other interest-bearing obligation of the Government should also provide

a) the year-wise repayable amount (Principal and Interest distinctly) that shall be so financed through future budgets,

b) the period of borrowings, and the rate of interest on which the funding was arranged, and

c) the quantum of unpaid amount carried over to the next budget(s).

The Ministry in its reply (October 2021) stated that Statement 27 was just a statement regarding investment through EBR. The repayable amount of EBR (Principal and interest) to be financed from Budget was reflected in the Statement of Budget Estimate (SBE) against the concerned scheme of the demand.

The Ministry's reply is in contrast to the nature of Statement 27 that shows the investment through EBR and resultant debt liability arising thereon.

5.2.2 Incomplete disclosure of EBR cases in Statement 27

Audit found that the amount shown below the Statement as note was deficient to the extent that it did not contain details regarding:

A. Non-inclusion of IRFC borrowings as EBR for funding the Indian Railways

The Indian Railway Finance Corporation Ltd. (IRFC), a wholly Government owned PSE under the administrative control of the Ministry of Railways (MoR), has been mobilizing market borrowings to finance capital expenditure in the Railways since 1987-88. IRFC raises funds from the market and buys rolling stock of Railways from the funds so raised and then leases those fleet of assets to MoR.

With the addition of new rolling stock financed in Financial Year 2019-20, the fleet of assets leased by IRFC represented over 70 *per cent* of all rolling stock in operation under Indian Railways. On the assets taken on lease from IRFC, Railways pay lease rentals semi-annually in advance, to enable IRFC to service the debt.

In Financial Year 2019-20, IRFC under its funding programme 'Extra-Budgetary Resources-Institutional Finance (EBR-IF)' raised ₹36,400 crore including ₹2,500 crore for 'national projects' for funding railway projects.

IRFC also provides market funds to Rail Vikas Nigam Limited (RVNL) to finance bankable railway projects under implementation by them. In Financial Year 2019-20 IRFC provided funds of ₹1,407.96 crore to MoR which were in turn given to RVNL provides funds to RVNL to meet its debt servicing obligations to IRFC (₹534.31 crore in Financial Year 2019-20).

About borrowings of IRFC, Statement 27 of the Expenditure profile, Budget of Financial Year 2021-22, had a disclosure note, which read, 'M/o Railways was permitted to meet fund requirement of up to ₹10,200 crore (₹5,200 crore in Financial Year 2018-19 and ₹5,000 crore in Financial Year 2019-20) through borrowings for financing its national projects. The repayment liability is being borne on General Revenue of Government.'

Thus, Statement 27 was deficient to the extent it did not disclose ₹36,400 crore raised by IRFC for financing rolling stock of Indian Railways, capital expenditure, and financing of bankable railways project through RVNL amounting to ₹1,407.96 crore. As MoR would repay IRFC through lease rentals, etc., from future budgets through drawls from the CFI, this had an impact on the inter-generational equity.

The Ministry in its reply (February 2022) stated that funding from IRFC takes the form of 'Leasing Model' in which the ownership of the assets financed by IRFC vests with it and 'right to use' is given to Indian Railways over the lease period. Since the form of financing through lease is universally accepted as off-balance sheet funding in the financial management parlance, GoI has kept the funding by IRFC of railway assets outside the ambit of Government Debt and excluded the same for calculating various financial indicators.

Since Ministry have accepted the comment, these borrowings need to be fully disclosed in Statement 27.

B. Non-disclosure of Debt of ₹14,985 crore raised by AIAHL

AIAHL is a Special Purpose Vehicle, formed for a specific object, and does not have any business operations of its own. Thus, the total amount borrowed by AIAHL, irrespective of being fully serviced /or Guaranteed by the Government of India, shall have to be repaid from Budgetary Allocations of future years.

It was observed from the Audited Annual Accounts of Financial Year 2019-20 of Air India Asset Holding Limited (AIAHL) under the Ministry of Civil Aviation, that AIAHL was permitted to raise a total debt of ₹21,985 crore through Non-convertible Debentures (NCD) channel, However, statement 27 / disclosure showed only ₹7,000 crore (Government fully serviced), whereas the details of remaining ₹14,985 crore (arranged on Government guarantee) were not disclosed in Statement 27. The GoI guaranteed amount of ₹14,985 crore was not shown in the Statement 4 – Guarantees, UGFA 2019-20.

The Ministry accepted (February 2022) that in view of recent developments about disinvestment of Air India, the Govt. has already taken over the past dues (including Government guaranteed loans) of Air India and the payment have been made transparently through the budget of Ministry of Corporate Affairs (MoCA). The reply corroborates that this debt being government debt should have been disclosed appropriately in Statement 27.

5.2.3 EBRs that would get serviced from CFI but not reflected in Statement 27

A. Outstanding dues towards Fertilizer Subsidy, to be financed through future budgets

Report No. 6 of 2021 pointed out that during the Financial Years 2017-18 to 2018-19, outstanding dues towards fertilizer subsidy were being carried forward, as budget allocation made to the Ministry of Chemical and Fertilizers were insufficient to clear claims by fertilizer companies towards subsidies. It was pointed out that the accumulated unpaid subsidy as at the end of Financial Year 2018-19 stood at ₹32,488.54 crore and that Special Banking Arrangements (SBAs) were made/ loans arranged from Public Sector Banks against arrears of subsidies for some fertilizer companies and interest on these loans was partially borne by the Government.

Audit noted that the carry forward liability on account of fertilizer subsidy for Financial Year 2019-20 had reached to around ₹43,483 crore by the year end.

In this context, information pertaining to SBAs, if any, sanctioned for meeting the fertilizer claims made during Financial Year 2019-20, and details regarding amount, tenure of loan, rate of interest, repayment period, and subsequent other/ alternative arrangements made, if any, was not furnished to audit.

It is evident that the current expenditure burden to the extent subsidy claims remained unpaid at the end of Financial Year 2019-20, which required adequate disclosure in terms of the aforesaid information more so in Statement 27 on Extra Budgetary Resources (EBR).

Although the Ministry did not discuss (February 2022) the amount outstanding as at end of Financial Year 2019-20, it was observed that additional funds were provided in RE 2020-21 of about ₹1.35 lakh crore to clear the carry forward liabilities of the fertiliser subsidy in Financial Year 2020-21.

B. Extra budgetary funding in the Road Transport Sector

The National Highways Authority of India (NHAI) was established for development, maintenance and management of National Highways entrusted to it under NHDP and other schemes.

All toll receipts of NHAI and Government's share in revenue in projects being implemented in PPP mode, are deposited in Consolidated Fund of India (CFI) as non-tax Revenue[24]. These receipts are then ploughed back to NHAI as investments.

As per Section 21 of the NHAI Act - that lays down the borrowing powers of NHAI, provides that such borrowings were either made with the consent of the Central Government or were in accordance with the terms of any general or special authority given to it by the Central Government. Moreover, the Act provides for the Government providing a guarantee for the borrowings made by NHAI.

In the previous CAG Report No. 6 of 2021 on Compliance of FRBM Act for Financial Years 2017-18 and 2018-19, it was observed that the borrowings undertaken by NHAI were in the nature of EBR for undertaking capital expenditure for creating public assets. Use of such borrowings outside the budget shifted the servicing responsibility to future years. Further, it was established that the borrowings by NHAI were being facilitated by high ratings based on its financial and operational linkages with Government of India and incentives provided in the form of tax relief which are a cost in terms of revenue foregone, accrued to NHAI.

[24] In case of Public Funded projects, remittance as received from toll contractor are deposited in CFI whereas in case of OMT (Operate, Maintain and Transfer) Project and BOT (Built, Operate and Transfer) Revenue share project, funds are distributed between National Highways Authority of India (NHAI) and concessionaire as per provisions of Concession Agreement of respective project. Government share from such projects is also deposited in CFI.

During Financial Year 2019-20, also it was seen that funds were ploughed back into NHAI by Ministry of Road Transport through Permanent Bridge Fee Fund (PBFF) (₹10,600 crore) and receipts from monetisation of National Highways Fund (₹5,000 crore). Besides, NHAI received Capital Grants/ Investments of ₹15,732.84 crore from the Central Road and Infrastructure Fund (CRIF).

Thus, NHAI projects were being funded through investments made by Government and private concessionaires, and through borrowings undertaken by NHAI. Audit further observed that funds of ₹74,988 crore were arranged by NHAI through IEBR mode during Financial Year 2019-20.

The Ministry in its reply (February 2022) stated that the borrowings of NHAI are on the strength of its own balance sheet, which is distinct from the balance sheet of the GoI. Secondly, NHAI has assets created against liabilities. GoI has not given guarantee to NHAI and therefore, the view to consider NHAI's liabilities as a part of GoI's liability is not correct.

The reply of the Ministry may be seen in the light of the fact that the borrowings by NHAI are facilitated by its linkages with GoI as explained above. Further, the receipts generated from tolls on the roads built or from monetisation of the roads are credited into CFI. These receipts are then ploughed back into NHAI by GoI along with other budgetary support, which ultimately go towards servicing of NHAI's debt. Therefore, NHAI's borrowings merit inclusion in Statement 27 as Extra Budgetary Resources.

5.3 Way Forward

Recommendation 5A: *The Government may formulate a clear conceptual and policy framework for Extra Budgetary Resources, which may be disclosed adequately to the Parliament. This framework should provide for the following:*

5A.I A definition of EBRs with inclusion of all such cases where the liability of the financial resources raised from the market, etc. by a Public Sector Enterprise or an Autonomous Body is ultimately borne by the Central Government, either directly or indirectly.

5A.II The rationale and objective of Extra Budgetary Resource funding; quantum of such financing along with the budgetary support for each project/ scheme/ programme; source and terms of the Extra Budgetary Resource funding, and the mechanism for servicing of the debt.

5A.III Disclosure and incorporation of such funding and borrowings in the Budget and in Government accounts based on clear criteria/ principles, along with the format for the disclosures similar to that of Statement 14 (Statement of Debt and Other Interest Bearing Obligations of Government) of UGFA.

5A.IV Government may reflect the borrowings made through the Central Public Sector Enterprises in Statement 27 of Expenditure Profile.

CHAPTER 6 Guarantees

Chapter 6 Guarantees

Central Government extends guarantees primarily for improving the viability of projects or activities undertaken by the Government entities with significant social and economic benefits, to lower the cost of borrowings as well as to fulfil the requirement in cases where sovereign guarantee is a precondition for bilateral/multilateral assistance. While guarantees, being contingent liabilities do not form part of debt, but in the eventuality of default they have the potential of aggravating the liability position of the Government. Guarantees of the Government are included in Statement 4 (*Guarantees given by the Union Government*) of Union Government Finance Accounts.

6.1 Guarantee target

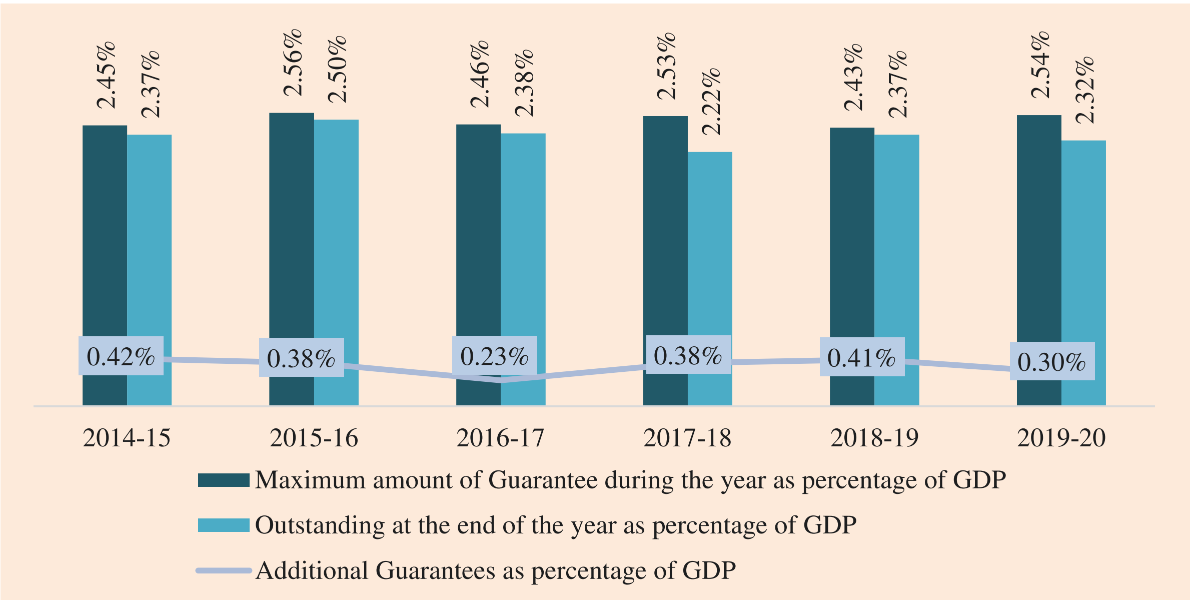
The FRBM Act and the Rules made thereunder, stipulate that the Central Government shall not give additional guarantees with respect to any loan on security of the CFI in excess of one-half *per cent* of GDP, in any financial year.

6.2 Trend of addition in Guarantee

Figure 6.1 shows the trend of additions in guarantees given by the Government in a Financial Year as a percentage of GDP, over the period from Financial Years 2014-15 to 2019-20. Thus, the total amount of guarantees outstanding at the end of Financial Year 2019-20 were ₹4,66,881 crore as per Statement 4 (*Guarantees given by the Union Government*) of Union Government Finance Accounts) for Financial Year 2019-20 which were 2.32 *per cent* of the GDP.

Figure 6.1: Addition in guarantees

(Refer to Annexure 6.1 for details)



Source: Guarantee figures from UGFA, GDP figures have been updated based on latest available data

Figure 6.1 shows that in the last three years, addition of guarantees in a Financial Year has remained within the prescribed target of 0.50 *per cent* of GDP.

6.3 Inadequacies in Guarantees disclosed

Additional guarantees given to RBI and other Financial Institutions in Financial Year 2019-20 were not included.

In Financial Year 2019-20, the additional guarantees extended amounted to ₹60,907 crore or 0.30 *per cent* of GDP. This figure, however, excluded the GoI guaranteed amount of ₹14,985 crore raised by Air India Asset Holding Limited (AIAHL) under the Ministry of Civil Aviation and ₹5,262.30 crore raised by FCI on GoI guarantee during Financial Year 2019-20, which were not shown in UGFA. If these were included, the additional guarantees would be 0.40 *per cent* of GDP in Financial Year 2019-20.

The Ministry did not furnish (February 2022) a specific reply in this regard.

6.4 Way forward

Recommendation 6A: *The Ministry of Finance may evolve a transparent disclosure system for guarantees given and their implications on fiscal indicators.*

CHAPTER 7

Disclosures and Transparency

Chapter 7 Disclosures and Transparency

7.1 Disclosure statements

The FRBM Act requires the Central Government to take appropriate steps to ensure greater transparency in its fiscal operations and to make mandated disclosures related to arrears of Tax and Non-tax revenue, guarantee, assets, and liability on annuity in the prescribed formats. This chapter examines transparency in Government accounts and the information provided as part of the mandated disclosure statements.

D 1 Tax Revenue raised but not realized

D 2 Arrears of Non-Tax Revenue

D 3 Guarantees given by the Government

D 4 Asset Register

D 5 Liability on Annuity Projects

7.2 Transparency in disclosure forms

In compliance with Section 6 of FRBM Act, five disclosure forms[25]are placed before the Parliament along with the other Budget Documents. Examination of these forms revealed inadequacy in disclosures, as discussed in succeeding paragraphs.

7.2.1 Inconsistency in disclosure of arrears of non-tax revenue

The arrears of non-tax revenue due to Government in Financial Year 2019-20, as disclosed in the FRBM mandated disclosure statement D-2 were not consistent with those in the UGFA.

As per the disclosure required under Rule 6 of FRBM Rules, the details of arrears of non-tax revenue (NTR) are provided in the Receipt Budget.

CAG reports have repeatedly pointed out differences between the figures disclosed as interest receipts from State/Union territory Government, Department Commercial Undertakings and Public Sector Undertakings in the Receipt Budget vis-à-vis figures disclosed through UGFA for that year. Inconsistency and differences pertaining to Financial Year 2019-20 are shown in **Figure 7.1**.

[25] Prior to amendment of FRBM Act in 2018, a total of Six disclosure forms were prescribed. Accordingly, form D-6 'Grants for creation of Capital Asset' has since been discontinued from Financial Year 2018-19.

Figure 7.1: Inconsistency in disclosure of arrears of interest for Financial Year 2019-20

(₹ in crore)

Loanee entity	Interest arrears as per		Variation
	Receipt Budget 2021-22	UGFA 2019-20	
State/ Union Territory Government	1,656	3,582	1,926
Public Sector and other Undertakings	16,956	35,073	18,117

Source: Receipt Budget for Financial Year 2021-22 and Union Government Finance Accounts 2019-20

The Ministry replied (September 2021) that disclosure statement in Receipt Budget is prepared on the basis of input received from the concerned Ministries/ Departments and that from Financial Year 2021-22, Budget division, DEA has provided an online utility – Union Budget Information System for filling details by all the Ministries so as to bring out more clarity and robustness in the disclosure statement.

The fact remains that the Ministry has not ensured correct disclosure in this regard.

7.2.2 Inconsistency in figures of loans to Foreign Governments

The figure of loans to foreign Governments disclosed in the FRBM mandated disclosure statement in the Receipt Budget was at variance with the Asset and Liability statement of the Receipt Budget.

On scrutiny of disclosure as per Rule 6 of FRBM Rules 2004 pertaining to physical and financial assets of the Government, it was noticed that a sum of ₹14,751.13 crore was shown as loans outstanding from Foreign Governments at the end of Financial Year 2019-20. On the other hand, similar information contained in Assets and Liability Statement of Receipt Budget of Financial Year 2021-22, and in the UGFA of 2019-20 revealed that a sum of ₹14,227.77 crore was outstanding from foreign Governments as loans at the end of Financial Year 2019-20.

The Ministry in reply stated (September 2021) that inputs received from all concerned Ministries/ Departments are merely compiled in FRBM Section and consolidated Asset register under Rule 6 is prepared. Moreover, the UGFA for the year 2019-20 was not in public domain, while the budget documents were finalised and presented on 01 February 2021.

The reply of the Ministry is not tenable as the figures mentioned in the Statement of Assets and Liability and disclosure statement under FRBM, were both contained in same the Receipt Budget of Financial Year 2021-22. Thus, reconciliation should have been done.

The Ministry accepted the comment (February 2022) and assured to look into this variation and work with the stakeholders to reduce variation.

7.2.3 Variation in disclosure of details in Asset register

In the FRBM mandated Statement on Asset register, it was found that the opening balance was at variance with the closing balance of the previous year, and this was not disclosed in the Statement.

As per Rule 6 (1)(c) of FRBM Rules 2004, to ensure greater transparency in its fiscal operation in public interest, the Central Government shall, at the time of presenting the Annual Financial Statement and Demands for Grants, make disclosure of a Statement of Assets along with explanatory notes, if any. This disclosure relates to physical and financial assets of the Government.

Receipt Budget of Financial Year 2021-22 provided details of assets of the Union Government as at the end of Financial Year 2019-20. Audit examination of Receipt Budgets of Financial Year 2017-18 to Financial Year 2019-20 revealed variation in the closing and opening balances of assets, as depicted in **Figure 7.2**. This variation was also not disclosed in the Statement.

Figure 7.2: Variations in value of Assets

(₹ in crore)

Cumulative total of assets at the end of 2018-19	Assets at the beginning of 2019-20	Difference
16,99,853.14	16,90,945.08	8,908.06

In reply, the Ministry stated (September 2021) that the difference between the closing balance of Financial Year 2018-19 and opening balance of Financial Year 2019-20 was on account of some specific demands (e.g., Department of Chemicals and Petrochemicals, Department of promotion of Industry and Internal Trade and Ministry of Youth Affairs etc.). It was further added that from Financial Year 2021-22, Budget Division, DEA has provided a utility on UBIS itself to all ministries for filling in the details and made it mandatory to state remarks in case of differences in closing and opening balances.

The Ministry further contended (February 2022) that it was not practically possible to mention all variations as it will make the statement bulky. It was however observed that neither the previous year's closing figures, nor the quantum of variation from the Current year's opening balance was disclosed in the statement. Thus, making the disclosure incomplete to that extent.

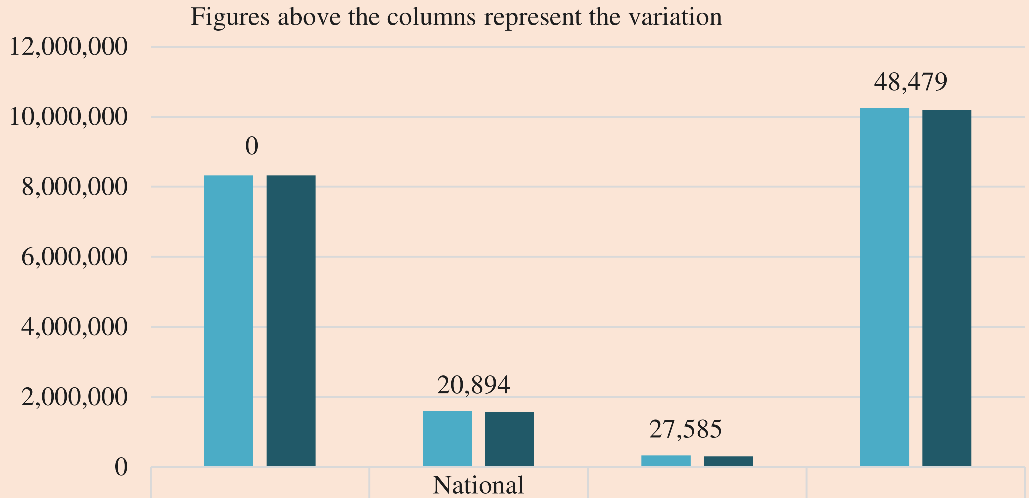
7.3 Variation in liabilities figures

The liabilities of the Central Government for Financial Year 2019-20 contained in the UGFA varied with that stated in the Receipt Budget.

In the Receipt Budget for Financial Year 2021-22, a statement showing liabilities of the Central Government for Financial Year 2019-20 was appended as an Annexure. Similar details of liabilities were also given in the Union Government Finance Accounts (UGFA). **Figure 7.3** presents the variation in the position of liabilities of the Government at the end of Financial Year 2019-20, between the Receipt Budget and UGFA.

Figure 7.3: Variation in the amount of liabilities for Financial Year 2019-20

(₹ in crore)



	Public Debt	National Small Savings, Provident Funds, Other Accounts	Reserve Funds and Deposits	Total liabilities
Receipt Budget	8,319,740	1,595,183	332,029	10,246,952
UGFA	8,319,740	1,574,289	304,444	10,198,473

Source: Receipt Budget for Financial Year 2021-22 and UGFA 2019-20

The Ministry replied that Introductory Note on page (iii) of Receipt Budget of Financial Year 2021-22 stated that actuals for Financial Year 2019-20 were provisional. Budget was presented in the Parliament on 01 February 2021 and at that point UGFA for the year 2019-20 were not available. Ministry further contended (February 2022) that the liability statement in the Receipt Budget depicted the 'net liability' of the Government after reconciling the number reported in the Union Government Finance Accounts.

The fact, however, remains that the liability figures mentioned in the receipt budget and that in the UGFA were at variance, and components of debt that were provisional, as at the preparation/ finalisation of the budget documents, should have been disclosed.

7.4 Way forward

Recommendation 7A: *Ministry of Finance may institute a better reconciliation mechanism to ensure uniformity of information given in the budget documents, FRBM Act mandated disclosures and Union Accounts.*

New Delhi
Dated: 27 July 2022

(AMAN DEEP CHATHA)
Director General of Audit
Finance & Communication

Countersigned

New Delhi
Dated: 28 July 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Annexures

Annexure 1.1

(Refer Para 1.2)

Relevant extracts of the Medium-Term Fiscal Policy Statement presented in Union Budgets of Financial Years 2017-18, 2018-19, 2019-20 and 2020-21

Union Budget of Financial Year 2017-18

Fiscal Outlook for 2018-19 and 2019-20

21. The Government's medium term fiscal projections use the FRBM limits and the budget estimates as a base and are subject to risks and uncertainties that affect the fiscal aggregates. As explained earlier the fiscal deficit target of three *per cent* of GDP was mandated to be achieved by 2017-18, as per amended FRBM Act. This is now expected to be achieved in 2018-19. There will not be any statutory requirement of further reduction of FD as a percentage of GDP after 2018-19, under the existing FRBM provisions. The FD for 2018-19 and 2019-20 has therefore been assumed at three *per cent* of GDP. This will result in creation of additional fiscal space for the Government based on nominal GDP growth in those years.

22. Containing revenue deficit is an important benchmark for assessing fiscal prudence in normal circumstances. However, in the context of the fiscal federal arrangements between the Centre and the States in Indian context, the Centre transfers to States, even those meant for capital expenditure, flow in the form of revenue grants, and the specific need to enhance allocations on important revenue components of expenditure, particularly on maintenance works, an excessive focus on reducing revenue deficit will be counterproductive and may even impact return on capital assets in the economy. However, efforts for further rationalization of non-productive revenue expenditure will remain in focus. Keeping these in view, and the requirements under the FRBM Act which mandate revenue deficit to be contained at two *per cent* of GDP the revenue deficit has been estimated at 1.60 *per cent* and 1.40 *per cent* of GDP in 2018-19 and in 2019-20 respectively.

23. The Fourteenth Finance Commission has recommended doing away with the concept of Effective revenue deficit finding it to be a dilution of the standard systems of fiscal benchmarking. However, there are certain tangible merits in continuing with this additional fiscal benchmark. On the one hand it clearly brings out the capital component of the revenue expenditure thereby indicating the real capital investment expenditure in the economy out of the Central funds, while at the same time it keeps up the pressure on pushing up this component of revenue expenditure for creation of tangible physical assets.

24. As mentioned in preceding paragraphs, an appropriate balance will need to be maintained so that excessive focus on grants for creation of capital assets do not result in a compromise on other essential revenue components of expenditure on developmental needs such as appointment of teachers in schools or maintenance and supplies in the hospitals or the maintenance of roads and other infrastructure assets. The focus needs to be brought back on adequate allocation for essential maintenance and supplies related expenditure particularly in key areas of public delivery of services. The

effective revenue deficit therefore in these contexts is estimated at 0.40 *per cent* and 0.20 *per cent* of GDP in 2018-19 and 2019-20 respectively. This projection is a deviation from the targeted elimination of ERD under the FRBM Act and will need to be given a hard look while deciding on this aspect later in the year, based on the recommendations of the FRBM (Review) Committee.

25. The Indian economy is expected to return to a more stable high growth trajectory in the medium term. Keeping this in view and the major tax reform policy measures particularly relating to GST and broadening of base in direct taxes, which is on the anvil, along with the beneficial impact of anticipated greater formalization of economy as a result of the recent demonetization measures, the growth in tax collections are likely to show an improvement. The tax to GDP ratio is therefore estimated to show an improvement in the medium term and has been estimated at 11.60 *per cent* and 11.90 *per cent* of GDP respectively in 2018-19 and 2019-20.

26. Non-tax revenues are the second important source of revenue for the Government besides the tax revenues. Apart from occasional spikes in non-tax revenues particularly on account of spectrum auctions, most of the other sources of non-tax revenues are fairly inelastic. The non-tax revenues in medium term are projected conservatively at 1.40 *per cent* and 1.30 *per cent* of GDP in 2018-19 and 2019-20 respectively. The Government has also implemented a number of recommendations of the Expenditure Management Commission (EMC) with regard to steps suggested for the review and augmentation of non–tax sources of revenues. It includes revised guidelines on dividend payments, mandatory review of user charges/fees etc. which may yield higher returns in the medium term.

27. The total Government expenditure to GDP ratio is budgeted to 12.70 *per cent* in 2017-18. This is estimated to taper to 12.20 *per cent* of GDP in 2018-19 and 2019-20. The balance between the revenue and capital expenditure is expected to improve to 85:15 by 2019-20. However, payment or expenditure outcomes in the medium term can differ from estimates for a number of reasons, including the fiscal development and overall macro-economic conditions.

28. Keeping in view the broad fiscal estimates in the medium term, the total estimated liability of the Centre is estimated to decline from 44.70 *per cent* in 2017-18 to 42.80 *per cent* and 40.90 *per cent* of GDP in 2018-19 and 2019-20 respectively. This will still be above the targeted total liability of the Centre at 40 percent of GDP in terms of the Finance Commission recommendations; the pace of consolidation is on track.

Union Budget of Financial Year 2018-19

Fiscal Outlook for 2019-20 and 2020-21

29. The assumptions regarding the Financial Year 2019-20 and Financial Year 2020-21 have been laid bare in the sections above. The achievement of the fiscal targets in 2019-20 and 2020-21 are, therefore, contingent on the achievement of these intertwined targets, especially the ones related to the nominal GDP in the country.

30. In the new proposed framework, as mentioned earlier, the Revenue Deficit targets shall not enjoy the pre-eminence as it did earlier. This is to remove the anomaly created by a preference for capital expenditure that was inherent in the framework where the RD was following a declining trend. However, apart from the creation of assets, there is also a need to focus on the correct maintenance of the assets that have been set up. Moreover, in a federal country like India, all the capital-related transfers that the Government passes on to State Government agencies who implement certain schemes are categorised as revenue expenditure. Moreover, education and health as part of human capital, the expenditures on these items are as crucial as the ones on physical capital. For example, the presence of well-trained and adequately paid teachers and doctors are as important as strong hospital and school buildings

31. As analysed in the above paragraphs it is anticipated that the Government is sure to reap the dividends of the recent taxation reform initiatives. Whereas the direct tax buoyancy rates show that the dividends with respect to demonetisation are perhaps already kicking in, the Government is confident that the widening of the tax base thanks to implementation of GST will help in improving the fiscal prospects of the Central Government.

32. One major uncertainty in the horizon is on the front of State Governments. The redemption of UDAY Bonds is on the horizon and these may apply an upward pressure on the state's fiscal calculations. In the era of amended FRBM Act, where there is a cap on General Government Debt at 60 *per cent* of GDP, it is anyone's guess as to the implications of these on the fiscal position of the states.

33. Keeping these issues in mind in 2019-20 and 2020-21, it is anticipated that the Gross Tax Revenues of the Central Government will show an increase of 14.30 *per cent* and 14.70 *per cent* over BE 2018-19 and 2019-20 respectively. The GTR for these years reach the absolute targets of ₹25,95,775 crore and ₹29,77,350 crore in the respective years. These figures also include an amount of ₹90,000 crore in each of these years on account of GST Compensation Cess. These increases imply that the Tax GDP ratio will touch 12.40 *per cent* in 2019-20 and 12.70 *per cent* in 2020-21 respectively. These jumps will be considerably aided by the widening of the tax base and hence the increased tax buoyancy associated with demonetization and GST, respectively.

34. Apart from the above figures on tax revenues, the other important component of the Government's revenue receipts is the Non-tax Revenue receipts of the Government. These respectively grew by 8.4 *per cent* and 11 *per cent* in 2019-20 and 2020-21 respectively. Growing at these rates, NTR is anticipated to reach ₹2,65,867 crore and ₹2,95,000 crore respectively in the two relevant years. As a *per cent* of GDP these have been projected to remain at

1.30 *per cent* each in Financial Years 2019-20 and 2020-21 as there is also a simultaneous move towards increased unshackling of private sector potential.

35. On the expenditure front the total Government expenditure which is budgeted to reach 13.00 *per cent* of GDP in 2018-19 (BE) is projected to taper by 0.30 percentage points to 12.70 *per cent* each in 2019-20 and 2020-21. The revenue-capital mix in the expenditure profile is anticipated to increase from 12.30 *per cent* in BE 2018-19 to about 13 *per cent* in 2020-21.

Union Budget of Financial Year 2019-20

Fiscal Outlook for BE 2019-20

9. The FD target for 2019-20 has been pegged at 3.30 *per cent* of GDP.

10. The Gross Tax Revenue is budgeted at ₹24,61,195 crore in BE 2019-20 which reflects a growth of ₹2,13,020 crore (9.50 *per cent*) over RE 2018-19. Direct taxes are expected to reach ₹13,35,000 crore in BE 2019-20 compared to ₹12,00,000 crore in RE 2018-19 indicating an increase of 11.30 *per cent* over RE 2018-19. It is expected that direct taxes would be 6.30 *per cent* of GDP at the end of 2019-20. Indirect taxes are budgeted at ₹11,22,015 crore in BE 2019-20 which is 5.30 *per cent* of GDP. Non-tax revenue collections in 2019-20 is budgeted at ₹3,13,179 crore as compared to ₹2,45,276 crore in RE 2018-19.

11.Non-debt capital receipts (NDCR) are expected to be ₹1,19,828 crore in BE 2019-20 indicating an increase of ₹26,673 crore over RE 2018-19. Increase in NDCR is mostly on account of disinvestment which is budgeted at ₹1,05,000 crore (RE 2018-19 - ₹80,000 crore). Total net borrowings in 2019-20 are projected at ₹7,03,760 crore as compared to ₹6,34,397 crore in RE 2018-19. This reflects an increase of 10.90 *per cent* over RE.

12. Total expenditure in 2019-20 is pegged at ₹27,86,349 crore which is an increase of ₹3,29,114 crore (13.40 *per cent*) over RE 2018-19. Revenue Expenditure is estimated to be ₹24,47,780 crore in BE 2019-20 as compared to ₹21,40,612 crore in RE 2018-19 which reflects an increase of ₹3,07,168 crore in BE 2019-20 over RE. This increase is mainly on account of support to the agricultural sector. Capital expenditure is expected to increase to ₹3,38,569 crore in BE 2019-20 from ₹3,16,624 crore in RE 2018-19.

13. Accrual of the full benefit of GST reforms and revenues is expected to take some more time and therefore the stabilisation phase is expected to continue in 2019-20 too.

Union Budget of Financial Year 2020-21

Fiscal Outlook for RE 2019-20

6. The target of fiscal deficit is 3.80 *per cent* of GDP in RE 2019-20 compared to the budgeted level of 3.30 *per cent* of GDP. There has been a decrease in Gross Tax Revenue estimates mainly on account of lesser than anticipated collection of GST and a reduction in Corporation Tax rates. Receipts anticipated from indirect taxes have been revised to reflect a growth of 5.30 *per cent* over 2018-19 Provisional Actuals, whereas RE 2019-20 for Direct tax reflects a growth of 2.90 *per cent* over previous year. Corporate tax where a decrease of ₹1,55,500 crore over BE level. Non-tax Revenue Receipts is estimated to increase by ₹32,334 crore over BE level.

7. Non-debt capital receipts are anticipated to reduce by ₹38,224 crore over BE 2019-20, mainly on account of lower disinvestment receipts. Revised estimates for non-debt capital receipts have been kept at ₹81,604 crore. The absolute value of Fiscal Deficit has been revised to ₹7,66,848 crore in RE which reflects an increase of ₹63,087 crore over BE 2019-20.

8. In RE 2019-20, total expenditure has been estimated at ₹26,98,552 crore which reflects a decrease of ₹87,797 crore from BE 2019-20. Revenue expenditure in RE 2019-20 is ₹23,49,645 crore, while Capital expenditure, estimated at ₹3,48,907 crore in RE, show an increase of ₹10,338 crore over BE 2019-20.

Annexure 1.2
(Refer Para 1.2)
Macroeconomic Framework Statement (Disclosure Form F-2) for Financial Year 2020-21

MACROECONOMIC FRAMEWORK STATEMENT (ECONOMIC PERFORMANCE AT A GLANCE)					
Sl.	Item	Absolute value April-December		Percentage change April-December	
		2019-20	2020-21	2019-20	2020-21
Real Sector					
1	GDP at market prices (₹thousand crore) @				
	a)at current prices	20340	19482	7.2	-4.2
	b)at 2011-12 prices	14566	13440	4.2	-7.7
2	Index of Industrial Production(2011-12=100)@@	128.1	108.3	0.3	-15.5
3	Wholesale Price Index (2011-12=100)^	121.7	121.6	1.5	-0.1
4	Consumer Price Index: Combined (2012=100)^	145.3	154.9	4.1	6.6
5	Money Supply (M3) (₹thousand crore)$	16061.6	18059.1	10.4	12.4
6	Imports at current prices *				
	a)In ₹Crore	2562540	1922790	-6.4	-25.0
	b)In US $ million	364184	258272	-7.2	-29.1
7	Exports at current prices *				
	a)In ₹Crore	1677371	1495706	-1.5	-10.8
	b)In US $ million	238274	200802	-2.4	-15.7
8	Trade Balance (US$ million) *	-125910	-57470	-15.1	-54.4
9	Foreign Exchange Reserves (at end March)				
	a) In ₹Crore	3264729	4272332	18.62	30.86
	b) In US $ million	457468	580841	16.28	26.97
10	Current Account Balance (US$ Billion)#	-22.5	34.8		
Government Finances (₹Crore)##					
		April-November			
1. Revenue Receipts		983214	812710	13.0	-17.3
Gross tax revenue		1174143	1026055	0.8	-12.6
Tax (net to Centre)		750614	688430	2.6	-8.3
Non Tax		232600	124280	67.8	-46.6
2. Capital Receipts, of which		836843	1093648	12.6	30.7
Recovery of loans		10910	11962	4.2	9.6
Other Receipts		18099	6179	14.5	-65.9
Borrowings and other liabilities		807834	1075507	12.7	33.1
3. Total Receipts (1+2)		1820057	1906358	12.8	4.7
4.Total Expenditure		1820057	1906358	12.8	4.7
(a)Revenue Expenditure		1606215	1665200	13.0	3.7
(b)Capital Expenditure		213842	241158	11.7	12.8
5. Revenue Deficit		623001	852490	13.0	36.8
7. Fiscal Deficit		807834	1075507	12.7	33.1
8. Primary Deficit		466022	692082	26.5	48.5

@: GDP is from April to March and 2019-20 is provisional estimate and 2020-21 is the first advance estimate.
@@: April to November
^: Provisional for 2020-21 and CPI-C for the months of April-May, 2020 are imputed, which are based on limited set of observations due to Covid-19 pandemic
**: On Customs basis.*
$: as on December 18, 2020
#: April – September.
##: Based on data on monthly accounts for April to November 2020 released by Controller General of Accounts, Ministry of Finance.

Annexure 3.1
(Refer Para 3.4.4)
(Calculation of Non- Debt Receipts from UGFA/ AFS)

(₹ in crore)

Financial Year	Non-Debt receipts (from UGFA/ AFS-3)			
	Recovery of Loans & Advances	Miscellaneous capital receipt	Revenue Receipt	Total
	(1)	(2)	(3)	(4) = (1) +(2) +(3)
2014-15	26,547	37,740	13,28,909	13,93,196
2015-16	41,870	42,132	14,36,160	15,20,162
2016-17	40,971	47,743	16,15,988	17,04,702
2017-18	70,639	1,00,048	16,91,143	18,61,830
2018-19	30,257	94,979	18,06,463	19,31,699
2019-20	18,647	50,349	19,48,084	20,17,080

Annexure 3.2
(Refer Para 3.4.4)
(Calculation of Total Expenditure from UGFA/ AFS)

(₹ in crore)

Financial year	Total Expenditure (from UGFA/ AFS-4)			
	Revenue expenditure	Capital Expenditure	Loans & Advances	Total
	(1)	(2)	(3)	(4) = (1) +(2) +(3)
2014-15	16,95,137	1,72,086	41,921	19,09,144
2015-16	17,79,529	2,78,866	47,272	21,05,667
2016-17	19,33,018	2,49,472	60,011	22,42,501
2017-18	21,40,085	3,25,116	82,136	25,47,337
2018-19	22,61,571	3,99,523	54,667	27,15,761
2019-20	26,15,320	3,87,744	45,142	30,48,206

Annexure 3.3

(Refer Figure 3.6 and Para 3.4.4)

(Total expenditure financed by non-debt receipts)

(₹ in crore)

	Total Expenditure	Non-debt Receipts	Fiscal Deficit (FD)	Primary Deficit (PD)	GDP	PD as *per cent* of GDP	FD as *per cent* of GDP	Total expenditure financed by Non-debt Receipts
2015-16	21,05,667	15,20,162	5,85,497	1,28,227	1,37,71,874	0.93%	4.25%	72.19%
2016-17	22,42,501	17,04,702	5,37,799	33,287	1,53,91,669	0.22%	3.50%	76.02%
2017-18	25,47,337	18,61,830	6,85,506	1,41,800	1,70,90,042	0.83%	4.01%	73.09%
2018-19	27,15,761	19,31,699	7,84,062	1,88,510	1,88,99,668	1.00%	4.15%	71.13%
2019-20	30,48,206	20,17,080	10,31,126	3,75,755	2,00,74,856	1.87%	5.14%	66.17%

Source: UGFA of respective years. GDP figures have been updated based on latest available data.

Annexure 3.4

(Refer Figure 3.8 and Para 3.5.1)

(Tax revenue projections for Financial Year 2019-20)

(₹ in crore)

Components	MTFP 2017-18	MTFP 2018-19	BE 2019-20	RE 2019-20	Actuals 2019-20
Tax Revenue	16,27,275	16,74,523	16,49,582	15,04,587	13,59,382
GDP	2,11,33,448	2,09,31,533	2,10,07,439	2,04,42,233	2,00,74,856
Tax Revenue as a *per cent* of GDP	7.70%	8.00%	7.85%	7.36%	6.77%
Variation from 1st Projections in MTFPS 2017-18	N. A	47,248	22,307	-1,22,688	-2,67,893

Annexure 3.5

(Refer Figure 3.9 and Para 3.5.1)

(Non-Tax revenue projections for Financial Year 2019-20)

(₹ in crore)

Components	MTFP 2017-18	MTFP 2018-19	BE 2019-20	RE 2019-20	Actuals 2019-20
Non-Tax Revenue	2,74,735	2,72,110	3,13,179	3,45,514	3,27,157
GDP	2,11,33,448	2,09,31,533	2,10,07,439	2,04,42,233	2,00,74,856
Non-Tax Revenue as *per cent* of GDP	1.30%	1.30%	1.49%	1.69%	1.62%
Variation from 1st Projections in MTFPS 2017-18	N. A	-2,625	38,444	70,779	52,422

Annexure 3.6

(Refer Figure 3.10 and Para 3.5.2)

(Non-debt capital receipts projections for Financial Year 2019-20)

(₹ in crore)

Components	MTFP 2017-18	MTFP 2018-19	BE 2019-20	RE 2019-20	Actuals 2019-20
Other non-debt capital receipts	40,000	60,000	1,05,000	65,000	50,349
Variation from 1st Projections in MTFPS 2017-18	N. A	20,000	65,000	25,000	10,349

Annexure 3.7

(Refer Figure 3.10 and Para 3.5.2)

(Recovery of Loans and Advances projections for Financial Year 2019-20)

(₹ in crore)

Components	MTFP 2017-18	MTFP 2018-19	BE 2019-20	RE 2019-20	Actuals 2019-20
Recovery of Loans and Advances	10,000	10,000	14,828	16,605	18,647
Variation from 1st Projections in MTFPS 2017-18	N. A	0	4,828	6,605	8,647

Annexure 5.1

(Refer Para 5.3)

Disclosure of Extra Budgetary Resources in Union Budget for Financial Year 2019-20

Expenditure Profile 2021-22

STATEMENT 27

Statement of Extra Budgetary Resources (EBRs) (Govt. fully serviced bonds, NSSF loan and other resources)

(In Rs.crores)

Part-A – EBRs mobilised through issue of Govt. fully serviced bonds

Demand No.	Name of the Ministry/Department and Name of the Scheme	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE
24	**Department of Higher Education**							
	Revitalising Infrastructure and Systems in Education (RISE)	---	---	---	---	3000.00	---	
44	**Department of Health & Family Welfare**							
	Pradhan Mantri Swasthya Suraksha Yojana	---	---	---	---	3000.00	---	
59	**Ministry of Housing & Urban Affairs**							
	Pradhan Mantri Awas Yojana (PMAY) - Urban	---	---	20000.00	---	10000.00	---	
61	**Department of Water Resources, River Development & Ganga Rejuvenation**							
	(i) Polavaram Irrigation Project	---	---	1400.00	1850.00	---	2234.29	
	(ii) Pradhan Mantri Krishi Sinchai Yojana (Accelerated Irrigation Benefits Programme & other Projects)	2187.00	3105.00	5493.40	1963.30	5000.00	4225.00	
62	**Department of Drinking Water & Sanitation**							
	(i) Swachh Bharat Mission (Rural)	---	---	8698.20	3600.00	----	---	
	(ii) Jal Jeevan Mission/National Rural Drinking Water Programme	---	---	---	---	12000.00	---	NIL
70	**Ministry of New & Renewable Energy**							
	(i) Grid Interactive Renewable Power, Off-Grid/ Distributed & Decentralized Renewable Power	1640.00	---	---	---	---	---	
	(ii) Pradhan Mantri-Kisan Urja Sanrakshan Evam Utthan Mahabhiyan (PM-KUSUM)	---	---	---	---	1000.00	---	
77	**Ministry of Ports, Shipping and Waterways**							
	Inland Waterways Authority of India (IWAI) Projects	340.00	660.00	---	----	---	---	
78	**Ministry of Power**							
	(i) Deen Dayal Upadhyaya Gram Jyoti Yojana/SAUBHAGYA	5000.00	4000.00	13827.00	3782.00	5500.00	5000.00	
	(ii) Power System Development Fund Projects	---		5504.70	---	---	---	
86	**Department of Rural Development**							
	Pradhan Mantri Awas Yojana (PMAY) - Rural	---	7330.00	10678.80	10811.00	10000.00	20000.00	
	Total	*9167.00*	*15095.00*	*65602.10*	*22006.30*	*49500.00*	*31459.29*	

Expenditure Profile 2021-22

STATEMENT 27

Part-B – Financial support extended through loans from NSSF

Sl. No.	Name of the Ministry/Department/ Name of the Entity	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE
1	**Department of Food & Public Distribution**							
	Food Corporation of India#	70000.00	65000.00	97000.00	110000.00	136600.00	84636.00	---
2	**Ministry of Housing & Urban Affairs**							
	Building Materials & Technology Promotion Council	---	8000.00	---	15000.00	---	10000.00	
3	**Department of Fertilizers**							
	Metals & Minerals Trading Corporation	---	---	---	1310.00	---	---	---
4	**Support to other public agencies** (to meet requirement for additional resources, if any, under some specific scheme/project)							30000.00
	Total	**70000.00**	**73000.00**	**97000.00**	**126310.00**	**136600.00**	**94636.00**	**30000.00**
	Grand Total (A+B)	**79167.00**	**88095.00**	**162602.10**	**148316.13**	**186100.00**	**126095.29**	**30000.00**

 # NSSF loan amount outstanding with FCI as on 31.03.2020 was Rs. 2,54,600 crore.

Notes :

(i) Air India Asset Holding Limited (AIAHL) under M/o Civil Aviation was permitted to raise EBRs by issuing Govt. Fully Serviced Bonds of upto Rs. 7,000 crore in FY 2019-20 to refinance AIs debt transferred to AIAHL.

(ii) M/o Railways was permitted to meet fund requirement of upto Rs. 10,200 crore (Rs. 5,200 crore in FY 2018-19 & Rs. 5,000 crore in FY 2019-20) through borrowings for financing its National Projects. The repayment liability is being borne on General Revenues of Govt.

(iii) **Capital Infusion in Public Sector Banks:** An amount of Rs. 80,000 crore in 2017-18, Rs. 1,06,000 crore in 2018-19 and Rs. 65,443 crore in 2019-20 was infused for recapitalisation of Public Sector Banks (PSBs). For this purpose, a provision of Rs. 20,000 crore was made in 2020-21. In the FY 2020-21 so far, an amount of Rs. 5,500 crore has been infused by Government as fresh capital in PSBs through non-interest bearing special securities. GoI has also infused capital through issue of bonds in 3 other banks namely IDBI (Rs. 4,557 crore), EXIM Bank (Rs. 5,050 crore) and IIFCL (Rs. 5,297.60 crore).

(iv) Statement of liability on annuity projects is given in Part-B of the Receipt Budget 2021-22. Amount of unpaid annual liability at the end of financial year 2019-20 was Rs.41,822.04 crore.

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Annexure 6.1
(Refer Figure.6.1 and Para 6.2)
(Addition in guarantees)

(₹ in crore)

S. No.	Components	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
(1)	Maximum amount guaranteed during the year	3,05,519.10	3,52,519.19	3,78,704.16	4,31,931.53	4,58,542.92	5,10,479.36
(2)	Outstanding at the beginning of the year	2,53,244.20	3,00,577.06	3,43,758.86	3,66,188.70	3,80,815.09	4,49,573.73
(3)	Addition during the year	52,274.90	51,942.13	34,945.30	65,742.83	77,727.83	60,905.63
(4)	Deletions (other than invoked)	10,818.77	8,757.03	12,403.46	51,758.73	10,916.56	43,597.96
(5)	Invoked during the year	0	0	112.00	0	0	0
(6) (3 - 4 - 5)	Aggregate Guarantee	41,456.13	43,185.10	22,429.84	13,984.10	66,811.27	17,307.67
(7)	Outstanding at the end of the year	2,94,700.33	3,43,762.16	3,66,188.7	3,80,172.80	4,47,626.36	4,66,881.40
(8)	GDP	1,24,45,128	1,37,71,874	1,53,91,669	1,70,90,042	1,88,99,668	2,00,74,856
(9)	Maximum amount of Guarantee during the year as percentage of GDP	2.45%	2.56%	2.46%	2.53%	2.43%	2.54%
(10)	Additional Guarantees as percentage of GDP	0.42%	0.38%	0.23%	0.38%	0.41%	0.30%
(11)	Outstanding at the end of the year as percentage of GDP	2.37%	2.50%	2.38%	2.22%	2.37%	2.32%

Source: Guarantee figures from UGFA, GDP figures have been updated based on latest available data

Glossary

Annual Financial Statements (Budget)	In terms of Article 112 of the Constitution the President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, referred to as the "annual financial statement''. Receipt and disbursements are shown under three parts in which government accounts are kept, viz. (i) Consolidated Fund, (ii) Contingency Fund, and (iii) Public Account.
Budget at a Glance	This document shows in brief, receipts, and disbursements along with broad details of tax revenues, other receipts and details of resources transferred by the Central Government to State and Union Territory Governments. This document also shows deficits of the Government.
Capital Expenditure	Expenditure of a capital nature is broadly defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character or of reducing recurring liabilities.
Capital Receipt	Capital receipt comprises of loans raised by the Government, borrowing from the Reserve Bank of India and loans taken from foreign Governments/institutions. It also embraces recoveries of loans advanced by the Government and sale proceeds of government assets, including those realized from divestment of Government equity in PSUs.
Consolidated Fund of India	All revenues received by the Government of India, 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 titled the "Consolidated Fund of India" established under Article 266 (1) of the Constitution.
Effective Revenue Deficit	Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets. It can be interpreted as the difference between the government's current expenditure (on revenue account) and revenue receipts less grants for creation of capital assets which is recorded as revenue expenditure.
External Debt	Bilateral and multilateral debt contracted by the Government from foreign Governments and financial institutions abroad, mostly in foreign currency.
Finance Accounts	The Finance Accounts presents the accounts of receipts and disbursements together with the financial results disclosed by the revenue and capital accounts, the accounts of the public debt and the

	liabilities and assets as worked out from the balances recorded in the accounts.
Finance Bill	The Finance Bill is a money bill presented in fulfilment of the requirement under Article 110(1)(a) of the Constitution, detailing the imposition, abolition, remission, alteration, or regulation of taxes proposed in the Budget for the next financial year. Once the Finance Bill is passed by both the houses of the Parliament and assented to by the President, becomes the Finance Act.
Fiscal Deficit	Excess of total disbursements from the Consolidated Fund of India, excluding repayment of debt over total receipts in the Fund, excluding the debt receipts, during a financial year.
Fiscal Policy	The fiscal policy of a Government is concerned with the raising of government revenue and the incurring of government expenditure, to ensure how well the financial and resource management responsibilities have been discharged.
Gross Domestic Product	Gross Domestic Product (GDP) is the monetary value of all finished goods and services produced within a country's borders in specific period, generally calculated on an annual basis. It includes all private and public consumption, government's outlays, investments and exports less imports that occur within a defined territory. GDP is worked out at constant prices with reference to specified base year and also at current prices (which includes changes in prices due to inflation or a rise in the overall price level).
Guarantees	Article 292 of the Constitution extends the executive power of the Union to giving of guarantees on the security of the Consolidated Fund of India within such limits, if any, as may be fixed by the Parliament.
Internal Debt	Internal Debt comprises loans raised in India. It is confined to loans raised and credited into the Consolidated Fund of India.
Loans and Advances	This includes loans and advances given by the Union Government to the State and UT Governments, Foreign Governments, Public Sector Undertakings, Government Servants, etc.
Public Account	All other public moneys than those credited in the Consolidated Fund, received by or on behalf of the Government of India, are credited to the Public Account of India in terms of Article 266 (2) of the Constitution. These are the moneys in respect of which the Government acts more as a banker.

Public Debt	Government debt from internal and external sources contracted in the Consolidated Fund of India is defined as Public Debt.
Revenue Deficit	Excess of revenue expenditure over revenue receipts.
Revenue Expenditure	Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order and also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses are classified as revenue expenditure. Grants given to State/UT Government and other entities are also treated as revenue expenditure, even if some of the grants may be meant for creating capital 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.
Quasi-fiscal operations	These are government operations carried out by institutional units other than general government units. These operations have the same fiscal policy impact on the economy as those of government units.