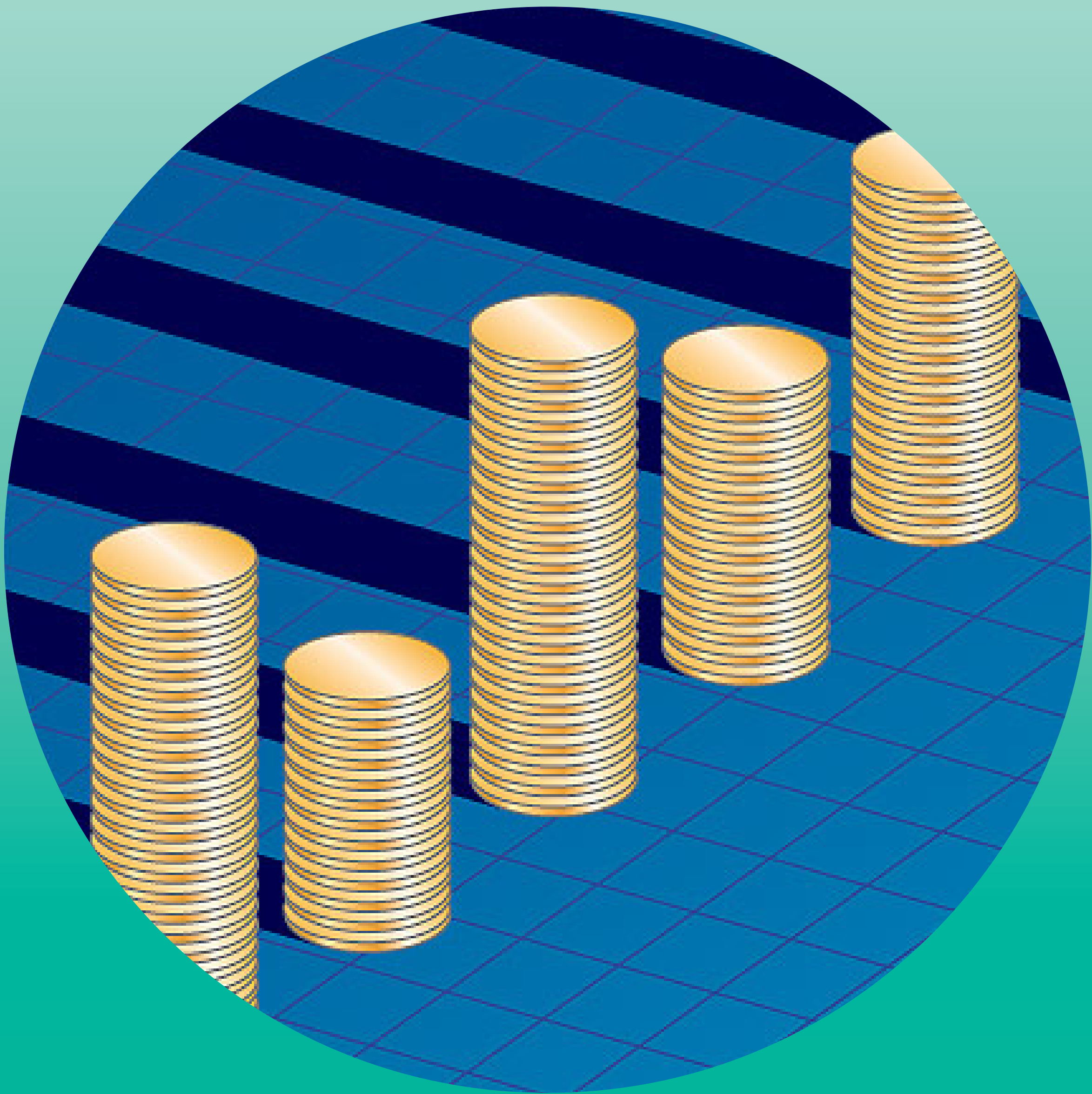
Budget TRACK

Volume 1, Issue 1, September 2003

A publication by:
Cba Center for Budget Accountability



Inaugural Issue

National Centre for Advocacy Studies
www.ncasindia.org

Budget TRACK

Volume 1, Issue 1, September 2003

Foreword

Budget Track is an exercise to see the developments that happen in and around the budget. The highlights of this issue are –

Budget Session in the Parliament, Updates on the budget and economy, CAG Report on the Union Government Finances 2001-02 and Government Yojanas/Schemes.

The newsletter would be regular feature every year with 3 issues. Our perspective of budget analysis is from the Marginalised Sector - any vision of sustainable development can be a reality only when this sector gets its due.

Budget 2003-04 was presented on 28th February 2003 – Budget Track looks till August 2003 to see as to how the policy makers started on this years' fiscal journey and the issues. Our endeavour in demystifying and disseminating the complex aura surrounding the Budget will continue in all the future issues of Budget Track as well.

Budget Track presents the budget beyond the numbers – taking one more step to convert data into a tool for advocacy.

IN THIS ISSUE:

Why Budget Track?

Government budgets are often perceived as incomprehensible by large sections of the society. Experts create an aura around it as if only they can unravel it. As it generally happens with technical and complex subjects, there is a power play involved here, and common citizens are at its receiving end in many ways. Our endeavour here is to hit at the root of this power play. We believe it is possible to talk about complex issues in a manner that is understandable by anyone interested without making those issues simplistic. Also, the focus of the mainstream media in its analyses of the budgets is often on issues relevant to the socio-economic elites and the larger society is treated as if it is 'marginal'. We believe that the 'marginalised' matter and seek to redress the balance. Another motivation behind this endeavour is that beyond a short euphoric period around the time the budget is presented, media seems to get in to a memory lapse and there is general apathy towards any follow up as regards the provisions and promises announced. We believe these are too important not be tracked.

Thus Budget Track has three aims: one, to simplify budgets and make it readable to the citizen and the civil society; two, to get the focus back on the marginalised and the social sector in budget analysis; and three, is to convert the budgets into a tool for advocacy and start the process of seeking accountability by the citizens. Of course our concerns are articulated within certain perspectives, but Budget Track is not aligned with any narrow ideological and political agenda. In fact we wish to make it dialogical across perspectives and visions.

Budget Track's inaugural issue collates information on the budget and economy, in a manner that gives a ring side view of what happened to the Budget – starting from the Budget Session, travelling through - the budgetary process in the government and the legislature, reactions/views, budget highlights, budget allocations to programs and their functioning - and ending with a look at the final step in the budgetary cycle – the audit stage – as done by the Comptroller and Auditor General. All through we try to present information and updates and related data on the budget and economy. Our attempt is to present the budget beyond numbers – to look at the larger picture that the budget is part of – and to look at it from the point of view of the civil society.

The challenge arises when we ask the question – how can Budget Track assist in people's participation in governance, accountability, transparency and democracy? Our analysis and research of the budget has strengthened our belief that budget is something everybody can understand and use; the relevant issue is: how do we put it across. One recent example of our conviction is the PROOF campaign in Bangalore, which Dr. Vyasulu discusses in the guest column; this campaign made the municipal budget accessible to ordinary people and converted it into a tool of advocacy.

Our endeavour in demystifying budgets can go forward only by tracking the budget on a regular basis. Governments can become answerable and accountable only when the informed citizen or society can seek information on performance of the government based on the budget. Transparency in financial processes will come only when there are more and more questions asked by the society. Budget Track hopes that it can start in a small way – an attitudinal change towards the budget and the process – a shift away from the view – "budgets are in the domain of the experts".

Budget Track is premised on the strong conviction that it is our right to be informed/concerned about the way Government handles our finances and to give a voice to millions of Indians who are marginalised in the Budget. This matters to you and me – let's all join in the movement to break the glass ceiling around the budget.

To simplify budgets and make it readable to the citizen and the civil society.

To get the focus back on the marginalised and the social sector in budget analysis.

To convert the budgets into a tool for advocacy and start the process of seeking accountability by the citizens.

Excerpts from our issue "Marginalised Matter" (March 2003)

1. FDI cap in banking sector raised from 49 per cent to 74 per cent.
2. Surcharge on income tax increased to 10 per cent for annual income exceeding Rs. 8.5 Lakh.
3. States to swap high cost debts.
4. Highly urban centric budget offering more sops to Urban Salaried class.
5. Real capital allocation on agriculture and allied activities, continuing with the earlier trend since 1998-99, has fallen in Budget 2003-04.
6. The proposed hike in fertilizer prices means greater hardships for small and marginal farmers.
7. In the 2003-04 Budget, the real plan allocations for minor irrigation have decreased.
8. The Budgetary allocations for capital expenditure on irrigation and flood control at constant 1993-94 prices declines from Rs. 6.3 crore last year to Rs. 3.36 crore in 2003-04.
9. Revenue expenditure on rural employment declined from Rs. 4596 crore in the Budget 2002-03 to Rs. 4487.5 crore in the Budget 2003-04.
10. Real plan expenditure on rural employment has declined from Rs. 2706.71 crore in 2002-03 to Rs. 2515.41 crore in 2003-04.

Budget Highlights 2003-04

11. The allocation of Rs. 507 crore under the Antyodaya Anna Yojana for coverage of 50 lakh more BPL families in rural areas is a grossly inadequate step.
12. Balwadi Nutrition Programme underwent major fund cuts in the last 6 years.
13. There has been a reduction in total expenditure on overall nutrition programme from Rs. 7.92 crore in 2002-03 to Rs. 7.77 crore.
14. The budgetary allocation for food storage and warehousing has gone up from Rs. 21433.46 crore to Rs. 28040 crore implying a possible rise in the price of PDS items in the near future.
15. The real per capita budgetary allocation for total SC/ST welfare has declined from Rs. 39.2 in 2002–03 Budget to Rs. 36.9 in 2003-04.
16. Even the miniscule capital account allocation for family welfare has found no mention in the Budget allocation for 2003-04.
17. The share of housing in total capital account allocation for social sectors is still much less than the figure for 2001-02.
18. Not even one percent of the Total Budgetary allocation is for Capital Outlays in Social Sector.
19. As a proportion of total Revenue and Capital Account expenditures, the Social Sector experienced a decline.
20. Funds to the Rashtriya Mahila Kosh only Rs. 1 crore.
21. Revenue account under non-plan allocation in education has declined in real per capita allocation in education from a meagre Rs. 15.40 paisa per head in 2002-03 to Rs. I4.68 paisa per head in 2003-04.
22. Plan capital allocation on education has declined from 30 paisa per head in 2002-03 to 18 paisa per head in 2003-04.
23. The National Programme for Women's Education scrapped and put under the Sarva Siksha Abhiyan.
24. The per capita real budgetary allocations declined for medicine and public health, declined for both revenue and capital account under plan and non-plan heads.
25. The growth rate of revenue account real per capita allocation for medicine and public health has become negative in 2003-04.
26. The Budget 2003-04 encourages increasing privatisation of the health care sector.
27. The proposal for community based universal health insurance scheme designed by LIC and GIC is ridiculous as only a very small chunk of the economically deprived sections of our population would be able to spend thousands of rupees on healthcare at private hospitals.

Budget Session 2003-04 duration	18th February to 9th May 2003
18th February 2003	President Dr Kalam's address to Parliament starts the session
28th February 2003	Finance Minister Jaswant Singh presents the Budget 03-04
30th April 2003	Budget voted in the Parliament
Important Legislations	Finance Bill 2003 (voted) Fiscal Responsibility & Budget Management Bill 2000 (Passed by Lok Sabha, pending at Rajya Sabha*)
Discussions on Grants of Ministries	Grants of 5 Ministries discussed. Lok Sabha discussed Ministry of Home Affairs, Agriculture, Labour, External Affairs, Sports and Youth Affairs. Rajya Sabha discussed for the first time the functioning of Ministry of HRD, Communications & IT.
Question Hour	Total Questions: Lok Sabha – 5261 unstarred & 700 starred questions Rajya Sabha – 6939 unstarred & 702 starred questions

* Passed by Rajya Sabha in the Monsoon Session

Budget Session 2003-04: *A Snapshot*

Let us look at how our parliamentarians asked questions on the budget and economy in this session. There were 562 unstarred questions (317 Rajya Sabha & 245 Lok Sabha) and 204 starred questions (88 Rajya Sabha & 116 Lok Sabha). In percentage terms 4 per cent of unstarred and 15 per cent of starred questions related to the budget and economy.

Apart from the discussions on the budget, our MPs seem to ask less on the Budget. How comprehensible is the Budget & the Budget making process to our Parliamentarians? – Perhaps a survey on this topic would throw up some interesting answers.

QUESTION HOUR

Question hour forms an integral part of the Parliamentary proceedings. The Government answers the questions raised by the members of parliament in the floor of the House. We hear the government's voice through the responses of the Question Hour. To look at how the responses fare on parameters like – do they reflect Government policies and data? Do ministers give correct answers? Is there any double speak? - Let us introspect on some of the answers.....through the following, we highlight what transpired through questions and responses on budget, and, of course, our brief comments...

AGRICULTURE & RURAL DEVELOPMENT

- Projected growth target of the tenth plan in Agriculture is 8 per cent. The 1987-2002 average annual rate of growth of agriculture was only 1.8 per cent. The advanced estimates of National Income released by CSO shows the growth rate of the sector (Agriculture, Forestry and Fishing) at (-) 3.1 per cent in 2002-03, the drought of course being a major culprit of the negative growth rate. However, looking at the recent 15 year average the question does arise - How does the Government expect to keep up to the growth target of 8 per cent? Are there proposals for growth-promoting institutional reforms or massive mobilization of resources towards agriculture on the card? As far as we can see, the answers are in the negative.

- Tenth Plan envisages implementation of various crop production schemes like cereal development programme, pulses development programme and sponsored oilseeds production programme. The 2003 -04 budget allocation for these programmes are Rs. 6.4 crore, Rs. 31 crore & Rs. 79.3 crore only. No doubt such programmes will aid diversification of agriculture, but is there a serious focus in terms of Government support – budgetary as well as extra –budgetary? - and in terms of implementation.

- The 2003-04 Budget proposes increase in the central plan outlay in respect of agriculture and allied sectors from Rs. 3219 crore in 2002-03(RE) to Rs. 3866 crore in 2003-04. Compare this data with Budget 2003-04 – the Plan expenditure is at Rs. 3262 crore and the central plan outlay is Rs. 2187 crore (BE) as against Rs. 1667 crore (RE 2002-03). The Minister's answer gives a higher figure for central plan outlay than the budget! Is it the Budget 2003-04 that the Minister is quoting from? Why this gap? Are we being misled or misinformed?

- The simple point we wish to reiterate is: Agriculture is not receiving necessary attention. This sector needs priority so as to address the problems, as the majority of Indians subsist on agriculture.

CONTD....

Budget Session 2003-04: *A Snapshot*

"Budget deserves more focus and attention from our Parliamentarians."

ON INCOME & EXPENDITURE AND SUBSIDIES

REVENUE:

Revenue Collection - The Union Government collected Rs. 69198 crore (Direct Taxes) and Rs. 117222 crore (Indirect Taxes) (actuals) during the financial year 2001-02. The actuals vs. estimates story of budget 2001-02 follows –

(In Rs. Crore)

Budget 2001-02	Budget Estimates (a)	Revised Estimates (b)	Actual (c)	Change (c)-(b)
Direct Taxes	85130	73797	69198	-4599
Indirect Taxes	140992	122255	117222	-5033

What we observe for 2001-02 seems to be a common occurrence over the years. It is high time that estimates are more realistic and not politically deceptive tools.

- The net amount realised through disinvestments was Rs. 3342.06 crore from public sector undertaking during 2002-03 against the set target of Rs. 12000 crore and in 2001-02 was Rs. 5632.25 crore against the same target. The CAG Report 2003 on the Union Government Finances however puts the disinvestments at Rs. 3028 crore against a target of Rs. 12000 crore (25.23 per cent realisation) for 2001-02. What is the explanation for the gap?

- The Rs. 112292 crore (4.1 per cent of GDP) revenue deficit of the Government's 2003-04 Budget estimates is being met from capital receipts. The obvious implication of this is a squeeze on development expenditure.

EXPENDITURE:

Plan Expenditure - The total plan expenditure up to February 28, 2003 was 78 per cent of the Budget Estimates. The actual expenditure for the financial year 2002-03 will be available on compilation of the provisional accounts in due course. Does this mean that 22 per cent of the Plan expenditure is spent in one month – March 2003? This raises serious doubts on the Budget Utilisation process.

Non-plan Expenditure - The total amount spent during the financial year 2002-03 was Rs. 239532 crore (provisional and unaudited up to February 2003). The Budget Estimates for 2002-03 were Rs. 296809.47 crore and Revised Estimates were at Rs. 289923 crore – which again makes us wonder whether the month of March 2003, saw a steep rise of nearly Rs. 50000 crore from the estimates?

DEBT:

The per capita debt of the country as per the latest available estimates stood at Rs. 13439 in 2001-02; this is almost twice the per capita debt of Rs. 6774 of 1995-96.

SUBSIDIES:

The explicit Central Government subsidies increased from Rs. 9133 crore in 1990-91 to Rs. 44618 crore in 2002-03. Such an increase has invited criticism from several quarters. However we need to take a clear look at reasons behind the ballooning of subsidies, their uses etc.

Subsidy	1990-91	2002-03
Food	2450	24200
Fertilizer	4389	11009

(In Rs. crore)

Subsidies accounted for 1.4 per cent of the GDP during 1990-91 to 1994-95, and declined to an average of 1.2 per cent during the period of 1995-96 to 1999-00.

- The BPL and Buffer subsidies for the year 2002-03 are Rs. 8977.16 crore and Rs. 5973.10 crore respectively. To minimise the buffer subsidy for maintaining the surplus stock the Government has increased the scale of issue under the PDS to 35 kg per family per month from April 2002 and also freezing of Central Issue Price (CIP) of food grains for BPL and APL families. The point worth stressing here is that the food subsidy bill has gone up not primarily on the increase in Market Support Price, but on the cost of holding Buffer Stocks. The Government could have tackled two problems at the same time – more food stocks could have been released in the earlier years particularly during the 2002-03 drought year – reducing the holding cost as well as providing food for the drought affected.

- The budgetary allocation of Rs. 8264.25 crore for the year 2003-04 is for subsidy on Urea. This includes Rs. 7555 crore for subsidy on indigenous Urea and Rs. 709.25 crore on imported Urea. Of course the tricky question is: to what extent can the fertilizer subsidy be a subsidy for manufacturers rather than the farmers?

EXCISE CUTS:

One of the answers clarified that specific provisions do not exist in excise laws to pass the duty reduction to the consumers. So excise cuts do not necessarily translate into price reduction – unless the manufacturer so decides... net effect being the consumers will be far away from enjoying reduced prices...

The highlight of the Budget Session of 2003-04 was the passing of the Fiscal Responsibility and Budget Management Bill, but the question hour and debate proceedings reveal that the discussions on the Budget are peripheral. Budget being one of the most important activities and policy statements of the Government and the Legislature, deserves more focus and attention from our Parliamentarians.

It is not uncommon to see rollbacks and changes of budget proposals; but rather than viewing this in a negative manner always, it is important to pinpoint the context and the motivations, which account for such changes. We also bring views presented in the media, post budget and some snippets on the economy, in this section.

UPDATE - CHANGES & ROLLBACKS

Some notable developments related to Budget 2003-04 after its presentation is:

• The interest rate on Small Savings and Public Provident Fund slashed by one per cent. In case of EPF, the interest rate cut down by 0.5 per cent to 9 per cent, but the government has announced a bonus of 0.5 per cent for 2003, keeping the rate virtually the same.

• Service tax introduction a step towards fiscal consolidation. General service tax rate enhanced to 8 per cent and a levy imposed on ten new services.

• Rollback on the Fertilizer Price hike announced in the budget.

• Exemption from Income tax

• Punjab Assembly's April Budget Session decides to defer VAT.

VAT: Value added tax – Tax computed on each stage whenever value addition is done.

Input Tax Credit: Credit given on the VAT paid on raw materials or input items needed for manufacture of goods.

Stock Credit: Credit given on input cost of stocks held prior to VAT implementation.

VAT & THE STATES

• VAT draft legislations of the various States differ on the Revenue Neutral Rate – some states cap it beyond 12.5 per cent. E.g. West Bengal – 30 per cent. States also vary on input credit tax credit and stock credit procedures. Karnataka, West Bengal and Maharashtra provide grant of credit in monthly instalments from July to December 2003. Madhya Pradesh provides for a 5-year period for grant of credits. UP and Karnataka do not provide stock credit.

• Karnataka, West Bengal, Madhya Pradesh, Gujarat, Maharashtra and Andhra Pradesh have sent VAT Bills for Presidential assent. Kerala and Tamil Nadu are ready

Budget 2003-04: *Updates*

The announced Income tax exemption for the income from housing projects (construction of residential units of prescribed specifications approved by the local authorities) up to March 31, 2005 is applicable only for the persons engaged in World Bank sponsored housing projects including roads, bridges and any other civil constructions. Why is the exemption only for World Bank aided projects?

VAT'S HAPPENING

• VAT (Value Added Tax) not implemented with most of the states refusing the change over from sales tax to VAT. The Budget 2003-04 had an Rs.700 crore provision as compensation to the states for loss of revenue in the VAT scenario, which now may not be applicable.

• It took 6 years of deliberation to set the April 1, 2003 deadline. Deadline set at the October 2002 meeting of the Council of Chief Ministers.

• Widespread protests in different parts of the Country as VAT provisions create confusion in terms of procedures, rates and implementation.

• Rift in Government over VAT implementation, coalition partners disagree on VAT. Opposition too protests against VAT (April first week).

• 26 States defer VAT implementation on April 1, 2003 – new deadline announcement on April 8,2003 by the Empowered Committee of State Finance Minister.

• Media reports that vested interests (politicians, traders, etc.) oppose VAT tooth and nail and Sales Tax evasion in Delhi is to the tune of Rs. 4000 crore. Delhi and Punjab back out.

with draft legislations. 12 states are yet to get legislature approval.

• Government tries to distance from the failure to meet VAT deadline of April 1, 2003. Says that a truncated VAT (only 7 states implementing) was not a workable solution.

• Government says that 18 states may adopt VAT from June 1.

• Haryana only state to implement VAT from April 1, 2003. Haryana replaces sales tax with 10 per cent VAT.

June 2, 2003 deadline comes and goes by – VAT indefinitely postponed.

NEWS AND VIEWS

We took a close look at the press reports on the Budget & Economy from March 2003 to July 2003 – at the reactions from political figures, journalists and academicians. Our research reconfirms the disturbing fact – voices of the marginalised are not heard in the media. There were hardly any reports in the mainstream discourses on the impact of the budget on education, health, agriculture and rural development – most of the articles looked at the benefit of the budget on the Industry and the Middle Class.

In our response to the Budget 2003-04, soon after its presentation in the Parliament, we had raised several concerns. It may be worthwhile tracking developments around few of the concerns. First of these would be infrastructure and it would be interesting to hear what the Finance Minister had to say. CONTD....

"Our research reconfirms the disturbing fact – voices of the marginalised are not heard in the media."

Budget 2003-04: *Updates*

FM SPEAK

Lets look at the various statements made by Mr. Jaswant Singh – Honourable Finance Minister – in the media.

In his interview with Business Line, March 3, 2003, he said that –

- Kelkar committee report is a closed chapter. Practical recommendations in (90 per cent) indirect taxes and administrative steps in direct taxes accepted, but no consideration of direct tax rates proposals. Feels the need for a 3-year cycle for effective tax reform.

- Felt that the "Panch Priorities" of his budget speech will see a marked improvement in GDP growth.

- That 6 per cent GDP growth achieved in spite of negative growth in agriculture; so next year could only be better.

- On the question of infrastructure financing of Rs. 60000 crore, he said it was an innovative, extra budgetary approach. The government proposed to use the Rs. 2000 crore as a bridge for the risk viability gap in the earnings of the project

"Will infrastructure schemes be implemented or remain schemes on paper only?"

However, in the reply to the debate on the budget 2003-04 in the Parliament, he outlined the Central Plan allocation on infrastructure of Rs. 2000 crore - as a public-private scheme. Mr. Jaswant Singh said that the Rs. 2000 crore allocation is primarily for equity for railways and Special Purpose Vehicle (SPV) for airports. This envisages an annuity flow for next 7 to 10 years – and would reach 14 to 20 thousand crore at the end of this period and thus achieve the target of Rs. 60000 crore. The scheme is innovative and ambitious. Under this scheme 8 out of the 48 road projects are planned. Projects of Nhava Sheva & Cochin at Rs. 7150 crore are for tendering on Build-Operate-Transfer basis. Asian Development Bank will fund a part of Special Purpose Vehicle for railways.

What we would like to highlight is that how definitions change – the budget speech, the interview on March 3, 2003 in "Business Line" talked of risk viability gap for projects. A month or so later, the honourable finance minister was defining the Rs 2000 crore as to be used for as a SPV for Railways, investment in road & port projects were being planned. Plus if the private sector could fund road projects, then the government alone need not have funded the golden quadrilateral project. The private sector may borrow from Public Financial Institutions, and if the projects fail, it is these institutions that will be saddled with non-performing assets. Even if we give a positive thought to the private-public funding for infrastructure, has the government laid out clear guidelines and roadmaps for such partnerships and identified projects? The private sector is not going to rush to infrastructure projects, just on basis of a budget statement. It all brings back one important issue – the focus on capital spending on infrastructure is less in the budget. This also shows the gap between grandiose policy statements and reality.

In conclusion we would draw attention to our analysis in the "Marginalised Matter" - we said in March first week itself whether the infrastructure schemes "will be implemented or will remain schemes on paper only" - skepticism seems valid as there are no signs of significant acceleration in investment in infrastructure through the much vaunted "public-private" partnership.

A VIEW ON THE SOCIAL SECTOR

Annual budget presentations are treated, with some justification, as mega events by the mainstream media. But the social sectors and the marginalised get little or no importance in their reports.

We had argued in "The Marginalised Matter" that social sector is getting less priority – a view which is reflected in some of the few newspaper reports...

- Budget focus less on poverty alleviation. There is low interest on government activities in the social sector. There has been an additional allocation of Rs. 507 crore in the Budget for the Antyodaya Anna Yojna, which offers poor households (BPL Households) 35 kilos of food grain per household per month at half the prevailing PDS price. There are 5.3 crore BPL families in rural India, whereas BPL cards have reportedly been issued to just 0.5 crore BPL families. Even if the Finance Minister keeps to his promise of extending the scheme to cover another 0.5 crore families, the total coverage would be around one crore families, or less than one fifth of India's really poor. Further, it is now widely accepted that nutritional deprivation is much more widespread than official poverty, and that more than half of our population has inadequate calorie intake.

- 2002-03 revised estimates show spending on central plan programmes in social sector 5 per cent less than budgeted Rs. 26823 crore. Health, sanitation, education, tribal welfare, and drinking water – all show decline in spending.

- Gap between budgeted and actual spending largest in elementary education - either ministries have not planned their spending or financial allocations have been cut.

- Government spending only one per cent of GDP on social sector.

- Can the government implement the universal group health insurance scheme?

Almost close to half the fiscal year is over and apart from the usual fanfare of "Launch" by the Prime Minister, there are no signs of the health insurance scheme moving to an implementation mode.

Children

Children are one of the most important stakeholders in any society. Let us find out how they fare in terms of the Budget:

CONTD....

Child's stake in budget

- Largest population of under-18 in the world.
- 40 per cent of total population.
- 157.8 million children below 6 as per 2001 census.
- Progressive trend in public expenditure on children but decline in education.
- 2003-04 budget increased allocation by 7 per cent over 2002-03 for children.
- Actual expenditure short of budget estimates in earlier years due to lack of capacity to append funds, procedural delays & slack implementation.
- 20 per cent expenditure on child nutrition & development.
- Provision for health increased by 8 per cent due to polio programme.

Source: Economic Times

SNIPPETS

Relevant, informative, interesting snippets on the Indian Economy and Budget are presented in this section...

CENTRE - STATE FISCAL RELATIONS

Centre State finances show disturbing trends. One area of concern of Indian fiscal polity is the convoluted kind of fiscal federalism where states are in a weaker position.

States to Swap Rs 38000 crore debt - States are set to swap Rs. 38000 crore in the current fiscal, this marks a 175 per cent jump over 2002-03, when Rs. 13000 crore was available for debt swap. In 2002-03, states were allowed to access additional market borrowings of Rs. 10000 crore to retire high cost loans of 14.5 per cent interest.

Small Savings heading north - Small savings collections to grow 13 per cent in 2003-04 in spite of interest rate cut of one per cent. Collections budgeted at Rs. 61200 crore instead of Rs. 54400 crore in 2002-03. Small savings increase will aid debt swap scheme for states.

States still pay dearer on loans - States are nearly paying 3.50 percentage points more than market rate on loans.

Year	Plan Loans	Market	Small Savings Loan
1997-98	13.0	12.82	14.5
1998-99	12.5	12.35	14.5
1999-00	12.5	11.89	13.5
2000-01	12.5	10.99	12.5
2001-02	12.0	9.20	11.0
2002-03	11.5	7.20	10.5
2003-04	10.5	--	--

Centre plans to meet revised fiscal deficit of 5.9 per cent of GDP in 2002-03, despite shortfall of Rs. 6000 crore in indirect tax collection. The upward revision of GDP growth at 4.4 per cent also aids in giving a better fiscal picture.

UNION GOVERNMENT FINANCES – AS ON FEBRUARY 2003

Total Expenditure: (up to Feb 2003)	Rs. 327599 crore (81.1 per cent of the revised estimates)
Plan Expenditure:	Rs. 114089 crore (77.2 per cent utilised of BE)
Non Plan Expenditure:	Rs. 245164 crore (82.6 per cent utilised of BE)
Interest Payments:	Rs. 115994.25 crore from BE of Rs. 117 390.18 crore
Defence Spending:	Rs. 56000 crore (RE) – less by 6000 crore from BE of Rs. 65000 crore
Revenue	
- Direct Taxes:	Corporate taxes at Rs. 44700 crore. Total mop up at Rs. 80200 crore
- Customs:	Rs. 45000 crore (RE) - shortfall of Rs. 580 crore from BE
- Excise:	Rs. 87383 crore (RE) – shortfall of Rs. 4050 crore from Rs. 91433 crore BE.

RE = Revised Estimate BE = Budget Estimate

- Annexure 3 gives April and May 2003 figures for various fiscal indicators.
- June 30, 2003: Government reduces the country's GDP from 4.4 per cent to 4.3 per cent. The GDP is lower than the 2001-02 estimate of 5.6 per cent.

FRBM ACT 2003 & ITS ECONOMIC IMPACT

The Fiscal Responsibility and Budget Management Bill, 2000, enacted in the Budget Session of the 13th Lok Sabha is vague in its content and presentation. The Act provides for three statements of fiscal policy to be laid before both the Houses of the Parliament along with the annual budget as a step towards fiscal consolidation. The framework is:

- *Medium Term Fiscal Policy Statement*, setting a three-year rolling target for specified fiscal indicators such as revenue and fiscal deficit.
- *Fiscal Policy Strategy Statement*, highlighting the policies of the central government for the ensuing year.
- *Macro Economic Framework Statement*, containing the growth of GDP, gross fiscal balance of the union government and the external sector balance.

The Government aims to eliminate revenue deficit by 31st March 2008 – in turn leading to revenue account surplus, and possible progressive reduction of capital account liabilities. In 2003-04 budget revenue deficit, as a proportion of GDP at market prices, is estimated at 3.97 per cent, deficit growing at an annual average rate of 9.5 per cent since

Budget 2003-04: *Updates*

"Interesting snippets on the Indian economy and the Budget"

Budget 2003-04: *Updates*

1996-97. Increasing revenue expenditure has led to this rising trend. Now the question is, how the government plans to eliminate the deficit? It will in all probability try to balance the expenditure and revenue from the items discussed below.

EXPENDITURE

Five major items (see Table below) account for around 65 per cent of the total revenue account expenditure.

Interest payment – Cannot be reduced as it is charged on the Consolidated Fund.

Defence – Government may not reduce this due to national security and growing tension in the South Asian region.

Transport, communication - Part of Development expenditure.

Revenue Account Expenditure – Top Five (as % of total):

Items	2002-03 BE	2002-03 RE	2003-04 BE
Interest Payments	30.0	29.8	29.0
Transport	12.8	12.3	12.2
Defence	11.1	10.4	12.2
Grants in Aid to States	11.4	10.4	10.5
Communication	02.0	02.1	01.4
All the Above	67.2	65.0	64.5
Total Revenue Expenditure	100	100	100

"FRBM Act aims to eliminate revenue deficit by March 2008. Is this possible?"

Grants in aid to state governments – Central assistance to the states continues to decline even for the welfare sector as well as in the centrally sponsored schemes in the social sector, while the government tries to impose policies on the states. E.g. In Education the decline is from 12.1 per cent in 1991 to 8 per cent in 1997-98 whereas in welfare, the fall is from 9.6 per cent to 6 per cent for the same period.

REVENUE

The top five items in the revenue receipts account for more than 88 per cent of the total revenue receipts (see Table below).

Revenue Account Receipts – Top Five (as % of total)

Items	2002-03 BE	2002-03 RE	2003-04 BE
Indirect Taxes	38.3	38.3	40.0
Direct Taxes	24.4	22.7	24.6
Interest Receipts	12.6	13.1	11.3
Interest from states and UTs	07.4	08.3	07.9
Dividends and profits	05.0	05.6	04.6
Total of above	87.7	88.1	88.5
Total Revenue Receipts (Includes states share of taxes)	100	100	100

Interest - Government cannot raise interest income as these are on fixed rates.

Dividends and profits - less likely to grow as the share of government in productive enterprises is declining. Direct Taxes- can grow only on better collection mechanism and tax base increase.

Indirect Tax – Increasing indirect taxes is a difficult and undesirable task, as it will affect low-income consumers.

There are other clauses in the Act that provide for escape routes to the Government –

Exception to meeting the prescribed revenue deficit target – As per Sec.4 (2) of FRBM Act rules specify the annual targets for reducing revenue and fiscal deficit and deviations from targets are allowed in case of exigencies like national calamity or national security.

With situations like drought to a Kargil War every year, non-achievement of targets could be a normal feature.

Borrowings from RBI – As a self-imposed discipline the government will not borrow from RBI except to meet temporary excesses of expenditure. What if such excesses of temporary nature occur frequently?

Therefore, the optimism expressed in FRBM Act towards eliminating the revenue account deficits is only a misnomer. Will any government take steps to reduce unproductive expenditures? Governments may change till 2008, what guarantee is there that the Act will be complied with?

No doubt, India needs a policy for fiscal prudence. But FRBM in its present form is not the answer- as it provides for statements on the fiscal scenario only.

What India needs are major tax reforms (e.g. direct taxes), reduction of inequality in productive sectors (e.g. agriculture), and public expenditure for creation of more productive assets, so that the FRBM Act can achieve its goals.

REVENUE DEFICIT:

Budget	Deficit (in Rs.Crore)
2001-02	
Budget Estimate	78821
Revised Estimate	110303
Actual	86611
2001-02	
Budget Estimate	95377
Revised Estimate	104712
2003-04	
Budget Estimate	112292

The 74th amendment of the Indian Constitution, led to a belief that sharing of information and transparency in financial matters, such as government budgets, would improve government accountability and nurture citizen participation in public policy process. This was a change from the usual norm of secrecy shrouding the governance process. A great deal of apathy and cynicism exists in citizens when it comes to issues of daily concern like roads, health, schools etc. Innovative work done by Mazdoor Kisan Sangharsh Sanghatan in Rajasthan has contributed to several states including Karnataka have passed laws on right/freedom of information. A move in that direction has started – the question is how to move ahead on this road?

Citizens' participation in the institutions of local governance in rural or urban India– gram sabhas, municipalities etc. has been less. Legal changes, beliefs and ground reality show divergent trends. Questions that arise are – why is there a gap? What is missing in the ongoing process of transformation? Are there examples of financial transparency leading to active citizen participation in the budget process?

- Mini discussions held across the city. PEC also brought out a bi-weekly newsletter – called "Talk about PROOF"
- Colleges too were involved into the PROOF campaign through debates, skits etc.
- Next obvious step was organizing training programmes for understanding municipal finances for citizens – 300 citizens participated in these Saturday sessions.
- Development of Performance Indicators as a result of the interactions with citizens and BMP – for e.g. primary schools, public health.
- BMP, the city government too partnered the PROOF programme actively. But this had its ups and downs – especially on the Press reports of BMP's HUDCO Loan.
- Communications strategy designed by an advertising agency was to widen citizen participation in the PROOF campaign. A poster campaign through a one page handbill in English and Kannada was launched. But the response was very poor. Handbills remained unused and a costly advertising campaign did not give the anticipated result.

Guest Column: *Dr. Vinod Vyasulu*

"BUDGET TRANSPARENCY, ACCOUNTABILITY, AND CITIZEN PARTICIPATION" – THE PROOF CAMPAIGN IN BANGALORE, 2002-03

PROOF Campaign in Bangalore 2002-03 – seeks to answer these questions. Salient features of the PROOF campaign and the lessons it holds for other Indian cities are highlighted below:

- PROOF (Public Record Of Operations and Finances) was a 10 month campaign launched in July 2002 by 4 Bangalore based non-profit organizations – Centre for Budget and Policy Studies, Janaagraha, Public Affairs Centre and Voices.
- Objective was to build Citizen confidence, through constructive approach, in the local city government – the Bangalore City Corporation or BMP - by facilitating discussions on its quarterly financial performance. The aim was to improve the system of local governance.
- Campaign took BMP's March 2002-03 Budget. The questions asked were in terms of targets/goals and the achievements. BMP was asked for a quarterly financial performance disclosure on the basis of a simple format – Revenue and Expenditure, Assets and liabilities along with a management discussion and analysis. Four public discussions – one in each quarter – would complement the approach. This we hoped would lead to gradual improvements through BMP-Citizens partnership.
- Citizens responded positively to the campaign work and through their initiative with Voices came to form PEC (Proof Energy Centre).
- Radio programme on PROOF – "PROOF Puttana"- aired weekly on Akashvani - with ordinary citizens and personalities taking part.

The learning's from PROOF campaign are many. PROOF enabled bringing together of BMP, organisations and citizens. Its success came from combination of these factors –

- Partners credible organisations and eminent personalities – Bangalore Action Task Force had implemented the Fund Based Budgeting System, Janaagraha had involved citizens in ward works earlier.
- Approach of engagement/partnership helped in dealing with BMP/elected officials.
- BMP Budget – the focus of the campaign captured the imagination of the citizen.
- Response of the citizens.
- Limited campaign for four quarters.

Dr. Vinod Vyasulu is Executive Direcor, Centre for Budget and Policy Studies, Bangalore

Tenth Five Year Plan (2002-2007) – *Excerpts from Plan Documents*

MONITORABLE TARGETS FOR THE TENTH PLAN AND BEYOND

- Reduction of poverty by 5 percentage points by 2007 and 15 percentage points by 2012
- Providing gainful and high quality employment at least to addition to the labour force over the Tenth Plan period
- All children in school by 2003; all children to complete 5 years of schooling by 2007
- Reduction in gender gaps and literacy rates and wage rates by at least 50 per cent by 2007
- Reduction in the decadal growth of population growth between 2001 and 2011 to 16.2 per cent
- Increase in literacy rates to 75 per cent within the plan period
- Reduction of Infant Mortality Rate (IMR) to 45 per 1000 live births by 2007 and 28 by 2012
- Reduction of Maternal Mortality Rate (MMR) to 2 per 1000 live births by 2007 and 1 by 2012
- Increase in forest and tree cover to 25 per cent by 2007 and 33 per cent by 2012
- All villages to have sustained access to potable drinking water in within the plan period
- Cleaning of all major rivers by 2007 and other notified stretches by 2012.

STRATEGY FOR EQUITY AND SOCIAL JUSTICE

- Agricultural development must be viewed as the core element of the Plan, since the growth in this sector will lead to the widest spread benefits for the rural poor.

The first generation of reforms concentrated on the industrial economy and reforms in the agriculture were neglected. This must change in the Tenth Plan.

- The growth strategy of the Tenth Plan must ensure rapid growth of those sectors, which are likely to create gainful employment opportunities and deal with the policy constraints, which discourage growth of employment. Particular attention must be paid to the policy environment influencing a wide range of sectors, which have large employment potential.

These include sectors like agriculture in its extended sense, construction, tourism, transport, SSI, retailing, communication and IT enabled services and a wide range of new services that need to be promoted by supportive policies.

- There will be a continuing need to supplement impact of growth with special programmes aimed at special target groups, which may not benefit substantially from the normal growth process.

Such programmes have long been part of our developmental strategy and will continue to so in the Tenth Plan. However it is important that they are effective in achieving their objectives.

These excerpts focus on development in the social sector, through the development of the "Human well being", a term used in the introduction to the Tenth Plan. The budgets are a tool to implement the strategies of the Plan.

The 2002-03 & 2003-04 budgets do not seem to share the Planning Commission's concern of developing agriculture or addressing the monitorable targets, a fact brought out in our Budget Highlights.

The Planning Commission documents give reference to two schemes – SGRY (Sampoorna Grameen Rozgar Yojana) and SGSY (Swarnajayanti Gram Swarozgar Yojana); this is discussed in the following section.

We take a close look at the implementation provisions as regards one of the targets of the Tenth Plan, – "all children in school by 2003"- through the SSA (Sarva Shiksha Abhiyan) and there is not much to cheer about!

Monitorable Target Areas:
- Poverty
- Employment
- Education
- Gender Gaps
- Population
- Health & Mortality Rates
- Drinking Water
- Environment

Strategy Areas:
- Agricultural reforms
- Increasing employment opportunities in agriculture and industry, programmes for special groups

Government Yojanas/Schemes/ Programmes – *A Report Card*

Every Budget announces programmes and schemes aimed at social sector. How do these programmes function? How effective are the programmes in translating policies to reality? Do the budgetary allocations justify? This section takes a look at three programmes from the Budget perspective and the implementation / performance and tries to find answers to the questions -

1. Swarnajayanti Gram Swarozgar Yojana
2. Sampoorna Grameen Rozgar Yojana
3. Sarva Shiksha Abhiyan

1. SWARNAJAYANTI GRAM SWAROZGAR YOJANA (SGSY)

CAG Report 2003 on SGSY starts with a very illustrative paragraph, which describes the history, present and a possible future of yet another scheme meant to catalyse Poverty Alleviation

"Despite sustained interventions by Government, nearly 260 million people continue to live below the poverty line of which 75 per cent were in rural areas. As a multiplicity of self employment programmes launched by the Government had resulted in a lack of proper social intermediation and absence of desired linkages among these programmes, Swarnjayanti Gram Swarozgar Yojana (SGSY) was launched by the Government of India from April 1, 1999 as a single holistic programme to cover all aspects of self employment for the rural poor. The funding pattern of the programme was to be shared by the Centre and the State in the ratio 75:25. This was not strictly followed and there was a significant shortfall in the release of matching State share particularly by the special category States. There were large-scale diversions, misutilisation and parking of funds curtailing the actual funding for the programme. Resulting in coverage of at least 30 per cent of the BPL families under the scheme in 5 years also appears difficult as only 4.59 per cent of the total BPL families were covered during 1999-2002. Per family investment of Rs. 19678 against the contemplated level of Rs. 25000 was inadequate and had largely failed to generate the desired level of income. The focus did not shift from individual beneficiaries to Self-Help Groups as emphasised in the Scheme guidelines. Conceived as a process-oriented programme, the complex design and net working could not establish the identified processes. There were several deficiencies at all stages of implementation. None of the special projects due for completion by March 2002 could be completed as of June 2002, depriving the beneficiaries of the intended benefits. Monitoring was also deficient. The programme has not emerged as an improvement over the earlier IRDP and other complementary schemes, which it had replaced."

KEY ISSUES OF SGSY EMERGING FROM THE CAG REPORT

- SGSY received Central allocation of Rs. 2668.24 crore (1999-02), but only Rs. 1723.62 crore (64.60 per cent) was released.

- Rs. 3326.16 crore total funding, Rs. 3061.33 crore (92.04 per cent) spent, with unspent balance of Rs. 264.83 crore.

- CAG's test check on Rs. 988.41 crore of expenditure, Rs. 529.18 crore (53.54 per cent) was diverted, misutilised, misreported, etc.

- Coverage of only 25.6 lakh (4.9 per cent), out of the 30 per cent of BPL (167 lakh) population till 2002. In comparison the IRDP had 17 per cent more coverage in 2 years.

- Implementation guidelines flouted in most states. Banks & other key agencies not involved, project reports non-existent or incomplete, all this leading to delays in identification & disbursement to swarozgaris (almost Rs. 25.94 crore).

- Fifteen Special Projects targeted for completion by 2002 remained incomplete.

- Monitoring of the programme was deficient and ineffective.

CONCLUSION

- Implementation of scheme was deficient and there was no significant improvement in relation to similar schemes implemented in the past.

- SGSY failed to perform better than the earlier programme. Given the current rate of progress of implementation, coverage of 30 per cent of the BPL population within the envisaged time frame of 5 years would appear difficult to achieve.

- Perspective plans, identification of key activities and preparation of project reports against the background of local resources and requirements did not materialise at the field level as envisaged.

- The development of Self-Help Groups, through a complex grading process, is yet to evolve to the desired level.

- Strengthening of operational aspects of the scheme such as marketing support, infrastructure development and skill up gradation needed.

Government Yojanas

"How effective are the programmes in translating policies to reality?"

2. SAMPOORNA GRAMEEN ROZGAR YOJANA (SGRY)

Jawahar Gram Samridhi Yojana (JGSY) and Employment Assurance Scheme (EAS) merged to form the new scheme Sampoorna Grameen Rozgar Yojana (SGRY). Generation of wage employment and creation of durable rural assets & infrastructure continue to be the focus, but food security for the rural poor has been built in into the scheme. The SGRY has three parts -

- Rural infrastructure in all States
- Focus attention to areas facing endemic poverty
- Respond to natural calamities

The tenth plan outlay for Sampoorna Grameen Rozgar Yojana (SGRY) is Rs. 30000 crore. The Jawahar Gram Samridhi Yojana (JGSY) merged into the Sampoorna Grameen Rozgar Yojana (SGRY) with effect from 25 September 2001.

The SGRY is open to all rural poor who are in need of wage employment and can do manual and unskilled work in or around his/her village/habitat. The Programme is self-targeting in nature. Preference is to be given to agricultural wage earners, non-agricultural unskilled wage earners, marginal farmers, women, members of Schedule Castes/Schedule Tribes and parents of child labour withdrawn from hazardous occupations, parents of handicapped children or adult children of handicapped parents who are desirous of working for wage employment. Allocations to SGRY in the 2003-04 budget (Rs. 4487.5 crore) are down by almost half from the revised figures for 2002-03 (Rs. 8642 crore). The government argued that the jump in spending in SGRY in 2002-03 was necessitated by drought conditions and as 2003-04 monsoons seem to be normal such exigency may not arise. But the question here is does rural unemployment magically disappear with good rainfall? The government has seems to have overlooked the fact that the impact of drought has been felt in the first six months of the year. With high buffer food stocks, cuts to SGRY could have been avoided.

During the drought year 1987-88, poverty did not show any increase as massive rural public works programmes were carried out in the worst affected states like Rajasthan and Gujarat. The programmes mitigated the adverse impact of drought, with poverty too declining in the year 1987-88. There were no such massive programmes during the drought of 2002-03 in spite of 40 to 50 million tonnes of food grains with the government. Budget 2003-04 has reduced allocations for rural employment programmes. As shown in the Annexure 4, the allocation for Sampoorna Grameen Rozgar Yojna (SGRY) rose from Rs. 3996 crore in the budget estimate to Rs. 8642 crore in the revised estimate for the year 2002-03. This increase was primarily due to a significant rise in the food component in both first and second streams of SGRY, with the food grains allocated from government food stocks.

In the budget 2003-04, the allocation to SGRY is only Rs. 4487.50 crore. As compared to the revised estimates for 2002-03, the government reduced 50 per cent allocation to SGRY in 2003-04. The impact of drought would continue in 2003-04 also and there is no rationale to reduce these expenditures under the food component as we still have more than 40 million tonnes of food grain with the government. The decision of the Finance Minister to cut back on allocation to SGRY is an ill-considered decision since the after effects of the present drought (that of 2002-03) will be felt more strongly during the first quarter of the year 2003-04.

3. SARVA SHIKSHA ABHIYAN

The Government has also launched the scheme of Sarva Shiksha Abhiyan (SSA) in November 2000 to pursue Universal Elementary Education in a mission mode.

The goals of SSA are as follows: -

- All 6-14 age children in school, Education Guarantee Centre, Alternate School, 'Back to school' camp by 2003.
- All 6-14 age children complete five years of primary schooling by 2007.
- All 6-14 age children complete eight years of schooling by 2010.
- Focus on elementary Education of satisfactory quality.
- Bridge all gender and social category gaps at primary stage by 2007 and at elementary education level by 2010.
- Universal retention by 2010.

2002-03 ALLOCATIONS:

Perspective Plans have been received from 438 districts so far. In 2002- 03, Government of India has approved plans of 592 districts for a total outlay of Rs. 5441 crore.

2002-2003 being the first full year of implementation of Sarva Shiksha Abhiyan (SSA), the States have taken time in preparation of the District Elementary Education Plans. Government of India has pursued with the States for expediting the plan preparation and has also held workshops and seminars to facilitate the process

Plan allocation to the tune of Rs. 6782.25 crore projected during 2003-04, for schemes under Elementary Education including the schemes of Universalisation of Elementary Education and Mid-day Meal, against which Rs. 4667 crore have been provided. Planning Commission has sought more allocation of funds from the Finance Ministry.

Under the Sarva Shiksha Abhiyan, the districts prepare the District Elementary Education Plans (DEEP) based on detailed analysis of their requirements projected through habitation level planning with community involvement. Team of experts appraise these plans and the Project Approval Board does the approval. In the year 2002-2003, plans of 592 districts approved till February 28, 2003.

Out of 600 Districts, the Country Annual Plans of 592 Districts at an outlay of Rs. 3080 crore, approved during 2002-2003. CONTD...

"There is no district in the country which does not have facilities for Primary Education"– a statement made by the Minister for HRD in the Parliament in the budget session 2003.

No amount allocated to the States so far during 2003-2004. (As per the statement made in the parliament on April 22, 2003). This is in the scenario of the government proposing to implement the scheme by December 2003. The Government has allocated Rs. 1924 crore in the 2003-04 budget. In June 2003, the government cleared the plans for 6 states/UTs only – Tamil Nadu, Kerala, Andaman & Nicobar, Haryana, Himachal Pradesh and Uttar Pradesh. Three states – Karnataka, Andhra Pradesh and Madhya Pradesh are supposed to give the plans in June 2003. Seven states – West Bengal, Orissa, Punjab, Manipur, Meghalaya, Chattisgarh and Jharkand have yet to give the plans. Status of other states is not known. Bihar has apparently expressed its inability to implement the programme. The Government has a very tough task if it is serious to provide education to 6-14 year olds by December 2003. It means that the entire state machinery has to focus on getting the resources – and overcome social and economic barricades to bring the school to every child.

Another thought that comes to mind is how the government will fund the fundamental right to education. If we are short on the budgetary allocations, will there be a situation where the government seeks at external assistance? Hope our fears of "Liberalising Education" like economy does not come true. Primary education as a fundamental right is the responsibility of the government.

We talk of literacy in terms of school for every so many kilometres – but do we think of the distance the child traverses to get to school – here it is not just the physical distance, it is also the social, economic and gender distance. The Government's idea of universal education is not misplaced, it is needed, but where we need to look at is the implementation or the reality of the step.

CAG Report 2003 on the Union Government Finances 2001-02

The Controller and Auditor General (CAG), a constitutional authority is entrusted with auditing the working of the government and its agencies in several areas. The CAG report on the finances of the union government during 2001-02 reveal several problems, which appear to be systemic, as regards the way the government management of its finances. It may be useful to highlight some of these problems.

Now for some interesting facts – the basis for our economic policies in 2001-02 was the budget 2001-02. Let us take a closer look at what our policy makers thought they would achieve and whether their assumptions have yielded results –

- Total receipts increased by 11.02 per cent. Revenue receipts fell by 9.42 per cent, the fall caused by 18 per cent decline in tax revenue primarily due to lower buoyancy of Customs and Excise duties and lack of increase in tax base and collection efficiency.

- Miscellaneous capital receipts - 69 per cent deviation from budget estimates. Gap due to fall in disinvestment targets.

- Recovery of loans & advances showed a positive trend, surpassing budget by 18.56 per cent.

- Total disbursement increased by 10 per cent from budget estimates.

- Capital expenditure showed a negative figure of 23 per cent, possibly due to the entry adjustment of Prasar Bharathi assets.

- Loans & advances increased by 46.63 per cent.

- The total expenditure of the government came close to the budgeted figure, varying only by 1.05 per cent.

- Revenue deficit varied by 39.94 per cent due to fall in revenue collections versus increasing revenue expenditure.

- Fiscal deficit varied by 33.98 per cent -Fiscal deficit was to be reduced to 4.7 per cent (BE) as per the FM speech in 2001-02 budget. The Finance Minister however in his budget speech 2002-03 mentioned that the rate of fiscal deficit at 5.7 per cent. The CAG report on actual data shows it was at 6.8 per cent. It is a regular feature that the assumptions done on the basis of budgets versus the revised estimates prove to be different when the actual figures are available.

Annexure 5 tabulates some aspects of Union Government finances for 2001-02 for actual versus budget figures.

ANNEXURES:

Annexure 1

BUDGET AT A GLANCE 2003-04

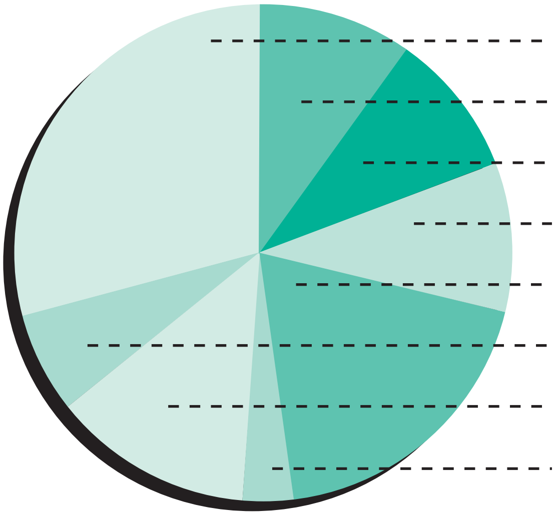
(Rs. in crores)

Details	2002-2003 Budget Estimates	2002-2003 Revised Estimates	2003-2004 Budget Estimates
1. Revenue Receipts	245105	236936	253935
2. Tax Revenue (net to centre)	172965	164177	184169
3. Non-Tax Revenue	72140	72759	69766
4. Capital Receipts (5+6+7)	165204	167077	184860
5. Recoveries of Loans	17680	18251	18023
6. Other Receipts	12000	3360	13200
7. Borrowings and other liabilities	135524	145466	153637
8. Total Receipts (1+4)	410309	404013	438795
9. Non-Plan Expenditure	296809	289924	317821
10. On Revenue Account of which	270169	268979	289384
11. Interest Payments	117390	115663	123223
12. On Capital Account	26640	20945	28437
13. Plan Expenditure	113500	114089	120974
14. On Revenue Account	70313	72669	76843
15. On Capital Account	43187	41420	44131
16. Total Expenditure (9+13)	410309	404013	438795
17. Revenue Expenditure (10+14)	340482	341648	366227
18. Capital Expenditure (12+15)	69827	62365	72568
19. Revenue Deficit (17-1)	95377 (3.8)	104712 (4.3)	112292 (4.1)
20. Fiscal Deficit {16-(1+5+6)}	135524 (5.3)	145466 (5.9)	153637 (5.6)
21. Primary Deficit (20-11)	18134 (0.7)	29803 (1.2)	30414 (1.1)

Annexure 2

THE RUPEE IN BUDGET 2003-04

RUPEE COMES FROM



Borrowings and other liabilities **30%**

Corporation Tax **10%**

Income Tax **9%**

Customs **10%**

Excise **19%**

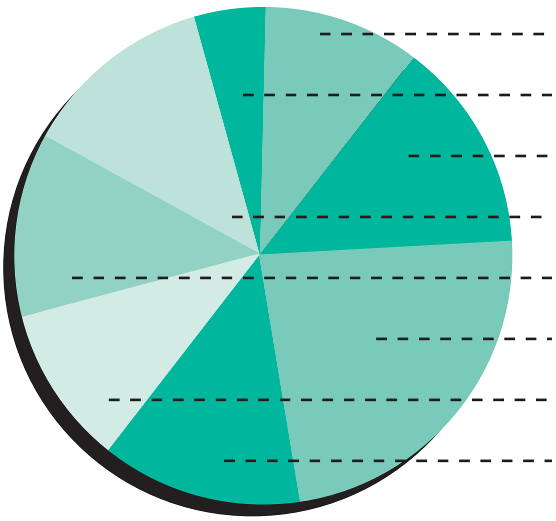
Non-Debt capital receipts **6%**

Non-tax revenue **14%**

Other taxes **2%**

(Receipts 70 per cent, Borrowings 30 per cent)

RUPEE GOES TO



State and UT plan assistance **10%**

Non-plan assistance to State and UT Governments **4%**

Central Plan **14%**

States' share of taxes and duties **10%**

Other non-plan expenditire **12%**

Interest **24%**

Subsidies **10%**

Defence **13%**

(Transfers to States and UTs 27 per cent)

Annexure 3

FISCAL CONDITION OF THE CENTRAL GOVERNMENT DURING APRIL & MAY, 2003

(Rs. in crores)

Month	Net Tax Revenue	Non-Tax Revenue	Total Net Revenue Receipts	Non-Debt Capital Receipts	Total Non-Debt Creating Receipts	Total Expenditure	Fiscal Deficit	Interest Payments	Primary Deficit
April, 2002	2087	1178	3265	2092	5357	20686	15329	8020	7309
April, 2003	-1074	1650	576	2198	2774	19914	17140	5287	11853
May, 2002	9869	1943	11812	3774	NA	45569	29983	15936	14047
May, 2003	4835	2601	7436	4100	NA	45677	34141	14198	19943

Source: Provisional figures released by the CGA.

Annexure 4

SGRY - BUDGET ALLOCATION TO RURAL EMPLOYMENT, 2002-03 AND 2003-04

(Rs. in crores)

Rural Employment	Budget 2002-03	Revised 2002-03	Budget 2003-04
(i) First Stream- District and Block Panchayats			
(a) Cash Component	1687.50	1687.50	1856.25
(b) Food Component	310.50	3183.50	387.50
Total	1998.00	4871.00	2243.75
(ii) Second Stream- Gram Panchayats			
(a) Cash Component	1687.50	1687.50	1856.25
(b) Food Component	310.50	2083.50	387.50
Total	1998.00	3771.00	2243.75
Total SGRY (First & Second Streams)	3996.00	8642.00	4487.50
Food for Work Programme	600.00	860.00	Nil
Total Rural Employment	4596.00	9502.00	4487.00

Annexure 5

UNION GOVERNMENT FINANCES 2001-02: BUDGET & ACTUAL

(Rs. in crores)

Budget Estimates	2000-01 Actual Estimates	2001 - 2002 Budget	Actual	Deviation From Budget	Deviation* Percent
1. Total Receipts of the Union Government (7+8)	891297	886928	984787	97859	11.02
2. Revenue Receipts	256036	292857	265279	(-) 27578	(-) 09.42
Tax revenue	136915	165031	134219	(-) 30812	(-) 18.67
Non-tax revenue	119121	127826	131060	3234	2.53
3. Miscellaneous Capital receipts	2125	12000	3646	(-) 8354	(-) 69.62
4. Recovery of Loans and Advances	16799	17488	20733	3245	18.56
5. Total revenue and Non Debt receipts 10.17 (2+3+4)	274960	322345	289658	(-) 32687	(-) 10.17
6. Public Debt receipt	366461	374723	436689	61966	16.54
7. Total receipts in the CFI (5+6)	641421	697068	726347	29279	4.20
8. Public Account Receipt	249876	189860	258440	68580	36.12
9. Total disbursement by the Union Government (15+16)	890099	886928	983292	96364	10.86
10. Revenue Expenditure	342647	371678	375582	3904	1.05
11. Capital Expenditure	25426	40647	31295	(-) 9352	(-) 23.00
12. Loans and Advances	27761	26334	38614	12280	46.63
13. Total expenditure of the Union Government (10+11+12)	395834	438659	445491	6832	1.56
14. Repayment of Public Debt	269512	285151	321725	36574	12.83
15. Total disbursement out of the CFI (13+14)	665346	723810	767216	43406	6.00
16. Public Account Disbursement	224753	163118	216076	52958	32.47
17. Revenue Deficit (10-2)	86611	78821	110303	31482	39.94
18. Fiscal Deficit (13-5)	120874	116314	155833	39519	33.98

Source – CAG Report 2003

FOR MORE INFORMATION, CONTACT:

Cba Center for Budget Accountability

(A programme of NCAS) B 64, Second Floor, Sarvodaya Enclave, New Delhi – 110 017, India
Tel: 91-11-26537603 Email: cbadelhi@vsnl.net

National Centre for Advocacy Studies
www.ncasindia.org

Serenity Complex, Ramnagar Colony, Pune 411 021, Maharashtra, India
Tel: 91-20-29452003/4 Email: ncas@vsnl.com

CREDITS:

Editorial Advisory Board:
M D Mistry, Vinod Vyasulu, Jayati Ghosh

Editorial Team:
John Samuel, Gnana Prakasam, Praveen Jha

Research & Editorial Coordination:
Uma Ramesh

Assisted by:
Deepak L Xavier, Subrat Das, Siba Sankar Mohanty, Nandan Jha

Design:
Mayank Bhatnagar

Printing:
Kriti Creative Studio