Fiscal and Budgetary Development in 1999-2000

2.7 The Budget for 1999-2000, switched over to a new accounting practice from April 1, 1999 whereby loans to States against State's share in the small savings collections are to be made from the especially created "National Small Savings Fund"(NSSF) (Box 2.1) under the Public Account. As a result of this change in accounting treatment of small savings, the fiscal deficit as a proportion of GDP (new series) is budgeted at 4.1 per cent as against 5 per cent, on comparable basis, in the year 1998-99. The primary deficit, which is defined as the fiscal deficit net of interest payments, is a better indicator of the current fiscal stance of the Government. This parameter is budgeted to record a marginal surplus at -0.4 per cent of the GDP as against a deficit of 0.6 per cent of GDP in 1998-99. Revenue deficit, which is small savings transactions neutral, is budgeted at 2.8 per cent of GDP (Table 2.1).

2.8 Revenue receipts (tax and non-tax) net to Centre are budgeted to grow by 21.5 per cent from Rs. 150532 crore in 1998-99 to Rs. 182840 crore in 1999-2000. This substantial increase in the revenue receipts is sought to be achieved mainly through higher growth of 25.9 per cent in the tax revenue compared with a growth rate of 9.9 per cent achieved in 1998-99. The Central Government efforts to curb expenditure growth is reflected in a moderation in the growth of total expenditure to 11.3 per cent over the provisional un-audited data for 1998-99 to Rs. 283882 crore in 1999-2000 compared with a growth rate of 17.9 per cent for 1998-99. This decline in the aggregate expenditure is due to a substantial deceleration in the growth rate of the revenue expenditure to 9.6 per cent in 1999-2000 from 19.9 per cent achieved in 1998-99. In contrast, capital expenditure is budgeted to increase by about 21 per cent in 1999-2000 (Table 2.2).

TABLE 2.1

Trends in Parameters of Deficit of Central Government

Year	Revenue Deficit	Primary Deficit	Fiscal Deficit
	(As per cent of GDP)		
1990-91	3.5	3.0	7.0
1991-92	2.6	0.7	5.0
1992-93	2.6	0.7	5.1
1993-94	3.8	2.2	6.4
1994-95	3.1	0.4	4.8
1995-96	2.5	0.0	4.3
1996-97	2.4	-0.3	4.1
1997-98	3.1	0.5	4.9
1998-99*	3.7	0.6	5.0
1999-2000(BE)	2.8	-0.4	4.1

** Provisional and unaudited as repoted by Controller General of Accounts, Department of Expenditure, Minister of Finance.*

Note : 1. Ratios to GDP at current market prices for the year 1990-91 use old series (Base 1980-81) and from 1993-94 onwards use new series (Base 1993-94) of National Accounts Statistics released by the Central Statistical Organisation (CSO).

2. The ratios to GDP at current market prices for 1999-2000 are based on CSO's Advance Estimates.

3. The fiscal dificit excludes the transfer of State's share in the Small Savings Collections.

2.9 Total capital receipts (excluding States' share in the small savings collections) are budgeted at Rs. 101042 crore in 1999-2000 as compared with Rs. 104509 crore (on comparable basis) in 1998-99 and show a decline of 3.3 per cent. Gross borrowings and other liabilities at Rs. 79955 crore in 1999-2000, still constitute a major source of capital receipts as against Rs. 88492 crore in 1998-99. The non-debt capital receipts (recovery of loans plus PSUs disinvestment receipts) are budgeted to grow by 31.7 per cent at Rs 21087 crore in 1999-2000 as against Rs. 16017 crore in 1998-99 (Table 2.2). Hence major source of financing of fiscal deficit of the Central Government continues to be debt creating capital receipts. To meet temporary mismatch between revenue receipts and expenditure of the Central Government, the Reserve Bank of India has placed the limit for Ways and Means Advances to the Centre at the last year's level at Rs. 11000 crore for the period April-September, 1999 and Rs. 7000 crore for the period October-March,1999- 2000.

2.10 The financing of the fiscal deficit is still largely through the borrowings and other liabilities. Net market borrowings at Rs. 57461 crore are budgeted to finance about 72 per cent of the fiscal deficit in 1999-2000 compared with about 71 per cent in 1998-99.

Government Debt

2.11 The total outstanding liabilities, comprising internal liabilities and external debt (adjusted for end-March exchange rate), as a proportion of GDP, were 65.0 per cent in 1993-94 and followed a declining course till 1996-97 when this ratio stood at 56.6 per cent.

TABLE 2.2

Receipts and Expenditure of the Central Government

	1990-91	1995-96	1996-97	1997-98	1998-99*	1999-2000**
				(Rs crore)		
1. Revenue receipts (2+3)	**54954**	**110130**	**126279**	**133901**	**150532**	**182840**
2. Tax Revenue (Net of States share)	**42978**	**81939**	**93701**	**95672**	**105135**	**132365**
3. Non-Tax Revenue	**11976**	**28191**	**32578**	**38229**	**45397**	**50475**
4. Revenue Expenditure	**73516**	**139861**	**158933**	**180350**	**216162**	**236987**
of which						
(a) Interest Payments	21498	50045	59478	65637	78559	88000
(b) Major Subsidies	9581	12430	14041	18238	21030	22440
(c) Defence Expenditure	10874	18841	20997	26174	29774	33464
5. Revenue deficit (1-4)	**18562**	**29731**	**32654**	**46449**	**65630**	**54147**
6. Capital Receipts	**31971**	**48348**	**50872**	**82435**	**104509**	**101042**
of which						
(a) Recovery of loans	5712	6505	7540	8318	10146	11087
(b) Other receipts (mainly PSU disinvestment)	–	1397	455	912	5871	10000
(c) Borrowings and other liabilities	26259	40446	42877	73205	88492	79955
7. Capital expenditure	**24756**	**28424**	**31403**	**35986**	**38879**	**46895**
8. Total expenditure	**98272**	**168285**	**190336**	**216336**	**255041**	**283882**
of which						
(a) Plan expenditure	28365	46374	53534	59077	66887	77000
(b) Non-plan expenditure	69907	121911	136802	157259	188154	206882
9. Fiscal Deficit (1+6(a) + 6(b) - 8)	**37306**	**50253**	**56062**	**73205**	**88492**	**79955**
10. Primary Deficit	**16108**	208	-3416	7568	9933	-8045
10.1 Primary deficit Consumption	6358	-147	-2364	8816	21023	443
10.2 Primary deficit Investment	9750`	355	-1052	-1248	-11090	-8488
			(As per cent of GDP)			
1. Revenue receipts (2+3)	**10.3**	**9.3**	**9.3**	**8.8**	**8.5**	**9.5**
2. Tax Revenue (Net of States share)	**8.0**	**6.9**	**6.9**	**6.3**	**6.0**	**6.9**
3. Non-Tax Revenue	**2.2**	**2.4**	**2.4**	**2.5**	**2.6**	**2.6**
4. Revenue Expenditure	**13.7**	**11.8**	**11.7**	**11.9**	**12.3**	**12.3**
of which						
(a) Interest payments	4.0	4.2	4.4	4.3	4.5	4.6
(b) Major Subsidies	1.8	1.1	1.0	1.2	1.2	1.2
(c)Defence expenditure	2.0	1.6	1.5	1.7	1.7	1.7
5. Revenue deficit	**3.5**	**2.5**	**2.4**	**3.1**	**3.7**	**2.8**
6. Capital Receipts	**6.0**	**4.1**	**3.7**	**5.4**	**5.9**	**5.2**
of which						
(a) Recovery of loans	1.1	0.6	0.6	0.5	0.6	0.6
(b) Other receipts (mainly PSU disinvestment)	0.0	0.1	0.0	0.1	0.3	0.5
(c) Borrowings and other liabilities	4.9	3.4	3.1	4.8	5.0	4.1
7. Capital expenditure	**4.6**	**2.4**	**2.3**	**2.4**	**2.2**	**2.4**
8. Total expenditure	**18.4**	**14.2**	**14.0**	**14.3**	**14.5**	**14.7**
of which						
(a) Plan expenditure	5.3	3.9	3.9	3.9	3.8	4.0
(b) Non-plan expenditure	13.1	10.3	10.0	10.4	10.7	10.7
9. Fiscal Deficit	**7.0**	**4.3**	**4.1**	**4.8**	**5.0**	**4.1**
10. Primary Deficit	**3.0**	**0.0**	**-0.3**	**0.5**	**0.6**	**-0.4**
10.1 Primary deficit Consumption	1.2	-0.0	-0.2	0.6	1.2	0.0
10.2 Primary deficit Investment	1.8	0.0	-0.1	-0.1	-0.6	-0.4
Memorandum items				(Rs crore)		
(a) Interest Receipts	8730	18419	22106	25323	30513	33034
(b) Dividend and Profit	564	1748	2354	2681	3439	3783
(c) Non-Plan Revenue Expenditure	60896	110840	127298	145176	175471	190331

** Provisional and unaudited as repoted by Controller General of Accounts, Department of Expenditure, Minister of Finance; ** BE*

Note:
1. The figures may not add up to the total because of rounding approximations.
2. Primary deficit consumption = Revenue Deficit-interest payments+interest receipts+dividend & profits.
3. Primary deficit investment = Capital expenditure-interest receipts-Dividend & profit-recovery of loans-other receipts.
4. Figures are exclusive of the transfer of state's share of net Small Savings Collections.

Thereafter it rose sharply to 58.4 per cent in 1997-98. The revised estimates for 1998-99 place this ratio marginally lower at 56.6 per cent.

2.12 External liabilities, reported in the budget based on historical exchange rates, are budgeted at Rs. 56134 crore at end-March, 2000 compared with Rs. 55960 crore at end-March, 1999. As per cent of GDP, these liabilities are budgeted to decline by 0.3 percentage point of GDP to 2.9 at the end-March, 2000. However, to get a realistic idea of the outstanding external liabilities, it is desirable to convert these liabilities by adopting exchange rate prevailing at the closing date of the reference period. Thus the outstanding external liabilities at end-March,1999 on the basis of exchange rate prevailing on the March 31, 99 were Rs. 177934 crore as against Rs. 55960 crore expressed in terms of the historical exchange rate (Table 2.3).

2.13 In a consolidated view of the Central Government debt, Government debt held by the Central Bank would be netted out. The effect of past Central Bank purchase of debt is monetisation of the deficit at that time, with no continuing effect on the economy (interest is a transfer payment). It is therefore, useful to look at the Non-RBI outstanding internal liabilities and Non-RBI total outstanding liabilities. Both these declined between end-March ’95 to end-March ’97 and have risen since then. At end-March’98, they were 39.0 per cent and 49.6 per cent respectively. Total Non-RBI outstanding liabilities at end-March’99, as per revised estimates for 1998-99, is 49.1 per cent of GDP.

2.14 Apart from the explicit outstanding liabilities there is another emerging source namely contingent liability in the form of guarantees provided by the Central Government. These contingent liabilities over time have increased from Rs. 65573 crore at end-March,1996, to Rs. 69748 crore at end-March, 1997 and to Rs. 73877 crore at end-March, 1998. However, as proportion of GDP, these outstanding liabilities have recorded a decline from 5.5 per cent at end March 1996 to 5.1 per cent at end March 1997 and 4.9 per cent at end March 1998 .

2.15 Total assets of the Central Government (at book value) are estimated at Rs.528399 crore at end-March,1999. These include purchase of physical and financial assets as well as loans to States and UTs. These assets therefore amount to about 77 per cent of the total internal liabilities (Non-RBI).

Interest Rates on Small Savings Schemes

2.16 The interest rates on small savings were reduced with effect from 15.1.2000 to make them consistent with lower interest rates prevailing in public sector banks. The interest rates on National Savings Scheme 1992, National Saving Certificates VIII issue, Post Office Monthly Income Scheme and Kishan Vikas Patra and Post Office Time and Recurring Deposits (barring Post Office Savings Account) were reduced by 0.5 to 1.0 per cent with effect from 15.1.2000. Similarly, the interest rate on Public Provident Fund was reduced from 12 per cent to 11 per cent. It has also been decided to pass on the benefit of the lower interest cost on small savings schemes to the State’s/UTs Governments by reducing the rate of interest on Special Securities of the State’s/ UTs Governments issued against small savings collections by 1 per cent point. Consequently, the rate of interest on Special Securities of the State’s/UTs Governments will be revised from 13.5 per cent to 12.5 per cent. With a view to assist State’s/UTs Governments, it has also been decided that their share against the net collections under small savings schemes will be increased from 75 per cent to 80 per cent. The last revision in this share was done in 1987.

Subsidies

2.17 Major subsidies are budgeted to increase marginally to Rs.22440 crore in 1999-2000 compared with Rs.21030 crore as per the provisional (un-audited) data for 1998-99. The expenditure on subsidies, as a proportion of non-interest non-plan revenue expenditure, is budgeted to increase by 0.2 percentage point from 21.7 per cent in 1998-99 to 21.9 per cent in 1999-2000. These explicit subsidies are estimated to absorb about 12 per cent of the revenue receipts (net to Centre) in 1999-2000 as against 14 per cent in 1998-99. As proportion of GDP, these subsidies

TABLE 2.3

Outstanding Liabilities of the Central Government

	At the end of : 1990-91	1995-96	1996-97	1997-98	1998-99 (RE)	1999-00 (BE)
			(Rs. Crore)			
1. Internal liabilities	**283033**	**554984**	**621438**	**722962**	**819966**	**925036**
a) Internal Debt	154004	307869	344476	388998	458843	699424
i) Market borrowings	70565	164094	184101	216598	281509	338970
ii) Others	83439	143775	160375	172400	177334	360454
b) Other Internal liabilities	129029	247115	276962	333964	361123	225612
2. External debt (outstanding)*	**31525**	**51249**	**54238**	**55332**	**55960**	**56134**
3. Total outstanding liabilities (1+2)	**314558**	**606233**	**675676**	**778294**	**875926**	**981170**
4. Amount due from Pakistan on account ofshare of pre-partition debt	300	300	300	300	300	300
5. Net liabilities (3-4)	**314258**	**605933**	**675376**	**777994**	**875626**	**980870**
			(As per cent of GDP)			
1. Internal liabilities	**52.9**	**47.0**	**45.6**	**47.7**	**46.5**	**47.9**
a) Internal Debt	28.8	26.0	25.3	25.7	26.0	36.2
i) Market borrowings	13.2	13.9	13.5	14.3	16.0	17.6
ii) Others	15.6	12.2	11.8	11.4	10.1	18.7
b) Other Internal liabilities	24.1	20.9	20.3	22.0	20.5	11.7
2. External debt (outstanding)*	**5.9**	**4.3**	**4.0**	**3.7**	**3.2**	**2.9**
3. Total outstanding liabilities	**58.7**	**51.3**	**49.6**	**51.4**	**49.7**	**50.8**
Memorandum items						
(a) External Debt (Rs.crore)@	66320	148398	149564	161418	177934	N.A.
(as per cent of GDP)	12.4	12.6	11.0	10.7	10.1	N.A.
(b) Total outstanding liabilities(adjusted)	349353	703382	771002	884380	997900	N.A.
(as per cent of GDP)	65.2	59.5	56.6	58.4	56.6	N.A.
(c) Internal liabilities (Non-RBI)#	208978	439148	492873	590499	687503	792573
(as per cent of GDP)	39.0	37.2	36.2	39.0	39.0	41.0
(d) Outstanding liabilities (Non-RBI)# (Rs.crore)	275298	587546	642437	751917	865437	N.A.
Outstanding liabilities (Non-RBI) (as per cent of GDP)	51.4	49.7	47.2	49.6	49.1	N.A.
(e) Contingent liabilities of Central Government (Rs.crore)		65573	69748	73877	N.A.	N.A.
Contingent liabilities of Central Government (as per cent of GDP)	0.0	5.5	5.1	4.9	N.A.	N.A.
(f) Total assets (Rs crore)	236740	396979	433129	478774	528399	585472
Total assets (as per cent of GDP)	44.2	33.6	31.8	31.6	30.0	30.3

* External debt figures represent borrowings by Central Government from external sources and are based upon historical rates of exchange.

@ Converted at current year end exchange rates.For 1980-81,the rates prevailing at the end of March,1981. For 1993-94, the rates prevailing at the end of March,1994 and so on.

\# This includes marketable dated securties held by the RBI.

are estimated at 1.2 per cent in 1999-2000 (Table 2.2).

Interest Payments

2.18 This is the single largest-component of the non-plan revenue expenditure and is in the nature of committed expenditure arising out of past fiscal profligacy. The budget for 1999-2000 has estimated interest payments amounting to Rs.88000 crore as against Rs.78559 crore in 1998-99. The share of interest payments in the non-plan revenue expenditure is budgeted at 46.2 per cent in 1999-2000 as against 44.8 per cent in 1998-99. However, this expenditure is budgeted to absorb a staggering 48 per cent of revenue receipts (net to Centre) and is about 4.0 percentage points lower than the similar ratio for 1998-99. But as a proportion of GDP, interest payments are budgeted at 4.6 per cent. (Table 2.2).

Savings and Capital Formation

2.19 The combined impact of various budget proposals of the Central Government, including those of Railways, Posts and Telecommunications, on the savings and capital formation in the economy can be gauged only when the total expenditure is put in terms of distinct macro analytic categories as per the Economic and Functional Classification of the

Central Government Budget. This classification of expenditure helps in analysing how much the Central Government is allocating to different economic categories and functions/purposes in accordance with the priorities enunciated in the Budget of the Central Government. The total expenditure of the Central Government according to these classifications is budgeted to go up modestly by about 10 per cent to Rs. 296053 crore from Rs. 268286 crore in 1998-99 (RE). As proportion of the GDP, it is budgeted at 15.3 per cent compared with 15.2 per cent in 1998-99 (RE). The growth in consumption expenditure of the Central Government is budgeted to decline significantly from 17.4 per cent in 1998-99(RE) to 6.8 per cent in 1999-2000. In contrast, expenditure on current transfers are budgeted to grow by about 14 per cent in 1999-2000 as against a growth of about 20 per cent in 1998-1999 (RE) (Table 2.4).

2.20 Gross savings of the Central Government, in absolute terms, are budgeted to show a significant improvement at (-) Rs. 25338 crore in 1999-2000 as compared with a savings of (-) Rs. 32696 crore in 1998-99(RE). As a proportion of GDP, these savings are budgeted to improve to (-) 1.3 per cent in 1999-2000, as against (-) 1.9 per cent in 1998-99 (RE) (Table 2.4).

2.21 Gross capital formation (GCF), out of budgetary resources of the Central Government, is budgeted to increase to Rs. 70472 crore in 1999-2000 from Rs. 61316 crore in 1998-99 (RE) thereby showing an increase of about 15 per cent in 1999-2000 as compared to a growth of about 12 per cent in 1998-99 (RE). As proportion of GDP, GCF is budgeted at 3.6 per cent in 1999-2000 (Table 2.4).

Central Plan Outlay

2.22 The central plan outlay is budgeted to increase to Rs. 103521 crore in 1999-2000 from Rs. 88482 crore in 1998-99(RE) reflecting an increase of 17.0 per cent. Agriculture and allied activities have received highest priority in the allocation of funds, as the outlay for this sector is budgeted to increase by about 35 per cent over the revised estimates of 1998-99. Outlays are also budgeted to increase significantly for the science, technology & environment (25 per cent), communications (25 per cent), and transport (17 per cent). Budgetary support to the central plan outlay is estimated to increase by 15 per cent at Rs. 44000 crore in 1999-2000 from Rs. 38263 crore in 1998-99(RE). However, the contribution of the budgetary support in financing of the central plan outlay is estimated to decline marginally to 42.5 per cent in 1999-2000 from 43.2 per cent in 1998-99(RE).

2.23 The net transfer of resources (excluding loans to States against State's share in the small savings collections) to State and Union Territory Governments, comprising shareable tax revenue, grants & loans, are estimated at Rs. 83807 crore in 1999-2000 as compared with Rs. 72059 crore in 1998-99. This shows an increase of about 16 per cent. Assistance for Central and Centrally sponsored schemes is budgeted to increase by about 30 per cent at Rs. 9844 crore in 1999-2000 compared with Rs. 7570 crore in 1998-99. Central assistance for States and UTs plans is budgeted to increase by about 8 per cent at Rs. 29860 crore as against Rs. 27719 crore in 1998-99.

Current Fiscal Trends: 1999-2000

2.24 The fiscal parameters for the nine months of the current fiscal year reveal a worrisome trend. Revenue receipts have increased by 15.4 per cent at Rs. 115075 crore in April-December, 1999 as compared with Rs. 99691 crore in same period of last year. Other receipts (mainly disinvestment receipts) were Rs. 1383 crore only against budgeted target of Rs. 10000 crore. The borrowings and other liabilities have shown high growth of about 21 per cent over the comparable level achieved in the same period of the last year. Total expenditure during this period of the current fiscal year was Rs. 190260 crore as against Rs. 161526 crore (on comparable basis) in the same period of the last year thereby recording a growth rate of 17.8 per cent.

Supplementary Demands for Grants

2.25 The first batch of supplementary demands for grants for the Central Government for 1999-2000 includes fifty five Grants and two Appropriations presented in the Parliament for approval of gross additional expenditure

TABLE 2.4
Total Expenditure and Capital Formation by the Central Government and its Financing

		1990-91	1995-96	1996-97	1997-98	1998-99 (RE)	1999-00 (BE)
				(Rs.Crore)			
I.	**Total expenditure**	**97947**	**175243**	**200589**	**224866**	**268286**	**296053**
II.	**Gross capital formation out of budgetary resources of Central Government**	**28032**	**45286**	**50279**	**54815**	**61316**	**70472**
	(i) Gross capital formation by the Central Government	8602	16685	17946	18955	21579	27083
	(ii) Financial assistance for capital formation in the rest of the economy	19430	28601	32333	35860	39737	43389
III.	**Gross Saving of the Central Government**	**-10502**	**-9835**	**-9406**	**-23396**	**-32696**	**-25338**
IV.	**Gap(II-III)**	**38534**	**55121**	**59685**	**78211**	**94012**	**95810**
	Financed by						
	a. Draft on other sectors of domestic economy	34768	53665	55507	76102	92290	94250
	(i) Domestic capital receipts	23421	43858	42323	77012	89056	94250
	(ii) Budgetary deficit/draw down of cash balance	11347	9807	13184	-910	3234	0
	b. Draft on foreign savings	3766	1456	4178	2109	1722	1560
				(As per cent of GDP)			
I.	**Total expenditure**	**18.3**	**14.8**	**14.7**	**14.8**	**15.2**	**15.3**
II.	**Gross capital formation out of budgetary resources of Central Government**	**5.2**	**3.8**	**3.7**	**3.6**	**3.5**	**3.6**
	(i) Gross capital formation by the Central Government	1.6	1.4	1.3	1.3	1.2	1.4
	(ii) Financial assistance for capital formation in the rest of the economy	3.6	2.4	2.4	2.4	2.3	2.2
III.	**Gross Saving of the Central Government**	**-2.0**	**-0.8**	**-0.7**	**-1.5**	**-1.9**	**-1.3**
IV.	**Gap(II-III)**	**7.2**	**4.7**	**4.4**	**5.2**	**5.3**	**5.0**
	Financed by						
	a. Draft on other sectors of domestic economy	6.5	4.5	4.1	5.0	5.2	4.9
	(i) Domestic capital receipts	4.4	3.7	3.1	5.1	5.0	4.9
	(ii) Budgetary deficit/draw down of cash balance	2.1	0.8	1.0	-0.1	0.2	0.0
	b. Draft on foreign savings	0.7	0.1	0.3	0.1	0.1	0.1
				(Increase over previous year)			
II.	**Gross Capital Formation out of Budgetary Resources of Central Govt**	**-15.1**	**1.7**	**11.0**	**9.0**	**11.9**	**14.9**
	Memorandum Items						
				(Rs.Crore)			
1.	Consumption Expenditure	22359	41881	44238	53090	62316	66534
2.	Current Transfers	45134	85304	100807	111577	133820	152389

Notes:
(i) Gross capital formation in this table includes loans given for Capital formation on a gross basis. Consequently domestic capital receipts include loan repayments to the Central Government.
(ii) Because of the revision in the series of GDP, the ratios given here may differ from those given in the earlier issues of Economic Survey.
(iii) Total expenditure as per Economic and Functional classification.
(iv) Gross capital formation & Total expenditure are exclusive of loans to State's/UTs against State's/UTs share in the small savings collection.

amounting to Rs. 16549.79 crore. However, the net cash outgo on this account is Rs. 14323.79 crore only. Of this, little less than half of the net cash outgo is for meeting pension liabilities of civilian and defence personnel and expenditure on the operation "Vijay".

Expenditure Management

2.26 Given the committed nature of certain Government expenditures it is not easy to reduce it in the short run. The Budget for 1999-2000 took some steps to contain high rate

TABLE 2.5
Central Government Finances

	Budget Estimates 1999-2000	April—December* 1998-99	April—December* 1999-2000	Col. 4 as percentage Of BE 1999-2000	% Change Col. 4 / 3
1	2	3	4	5	6
	(Rs. crore)				
1. Revenue Receipts	**182840**	**99691**	**115075**	**62.9**	**15.4**
Tax (net to Centre)					
of which:	132365	**71004**	**79162**	**59.8**	**11.5**
CIT	30850	16751	18933	**61.4**	**13.0**
PIT	26910	3899	1972	**7.3**	**-49.4**
Customs	50369	29329	33714	66.9	15.0
Excise	63865	17740	21486	33.6	21.1
Non Tax	**50475**	**28687**	**35913**	**71.2**	**25.2**
2. Capital Receipts					
of which:	**101042**	**61835**	**75185**	**74.4**	**21.6**
Recovery of loans	11087	6055	6720	60.6	11.0
Other Receipts	10000	221	1383	13.8	525.8
Borrowings and other liabilities*	79955	55559	67082	83.9	20.7
3. Total Receipts (1+2)	**283882**	**161525**	**190260**	**67.0**	**17.8**
4. Non-Plan Expenditure (a)+(b)	**206882**	**118980**	**140683**	**68.0**	**18.2**
(a) Revenue A/C					
of which:	190331	109719	130948	68.8	19.3
Interest payments	88000	44677	55753	63.4	24.8
Major Subsidies	22440	16232	15639	69.7	-3.7
Pensions	10131	7431	10578	104.4	42.3
(b) Capital A/C	**16551**	**9261**	**9735**	**58.8**	**5.1**
5. Plan Expenditure (i)+(ii)	**77000**	**42545**	**49577**	**64.4**	**16.5**
(i) Revenue A/C	46656	26379	29044	62.3	10.1
(ii) Capital A/C	30344	16166	20533	67.7	27.0
6. Total Expenditure (4)+(5)=(a)+(b)*	**283882**	**161526**	**190260**	**67.0**	**17.8**
(a) Revenue Expenditure	236987	136099	159992	67.5	17.6
(b) Capital Expenditure*	46895	25427	30268	64.5	19.0
7. Revenue Deficit	**54147**	**36408**	**44917**	**83.0**	**23.4**
8. Fiscal Deficit	**79955**	**55559**	**67082**	**83.9**	**20.7**
9. Primary Deficit	**-8045**	**10882**	**11329**	**-**	**4.1**

*** Capital expenditure for the year 1998-99 is net of State's share in the small saving collections to make it comparable with the similar expenditure for the year 1999-2000.**

of growth of non-developmental expenditure. These included government's resolve to constitute an Expenditure Commission to reduce the role and the administrative structure of the government. Also it is proposed to initiate a system of Zero Base Budgeting (ZBB) for the next year's budget. ZBB is essentially a management concept, which links planning, budgeting, review and operational decision making into a single integrated process. ZBB implies constructing a budget without any reference to what has gone before, based on a fundamental reappraisal of purposes, methods and resources. Hence, every programme or task is subjected to ZBB scrutiny to see if it could be done more cost-effectively or if it could be eliminated altogether because of introduction of other schemes or because it has outlived its utility. In ZBB, a Ministry/Department or an organisation is required to justify not only the new proposals and the funds therefor but also the on-going activities and the funds for them. As such, under the ZBB approach the existing programmes will not be treated as immutable but will be examined afresh as to their continued utility and effectiveness thereby freeing resources for new programmes. ZBB is intended to help both in the judicious allocation of scarce resources at the national level and in deriving the optimum benefits out of the resources allocated. If budgetary cuts become inevitable, ZBB will provide a logical basis for effecting them as compared to ad hoc and across the board cuts. To promote transparency and curb the growth of contingent liabilities, the budget constituted a Guarantee Redemption

Fund with an initial corpus of Rs.50 crore. Besides, State Governments would also be encouraged to set up similar funds.

2.27 The issue of fiscal problems being faced by the States was addressed in the 48th meeting of the National Development Council (NDC) held on February 19, 1999. As a follow up of these discussions, some states in consultation with the Central Government have initiated medium term fiscal reforms programmes. The centre has provided financial assistance to these States by way of advance financial assistance. Further advances from Extended Ways and Means (WAM) Facility created by the Central Government would be considered for the States engaged in carrying out fiscal reforms. The details of this novel approach to correct fiscal imbalances of the States are given in Box 2.2

BOX 2.2

Fiscal Reform Programme for the States

The National Development Council (NDC) in its meeting held on February 19, 1999 discussed the financial difficulties faced by several State Governments arising, among others, from pay hikes granted by State Governments for their employees. In the meeting it was decided that the Union Finance Minister would discuss with a group of representative states their financial difficulties and a medium term fiscal strategy to be undertaken by them. Accordingly, the Union Finance Minister held a meeting on March 20, 1999 with the Chief Ministers/Finance Ministers of seven representative states. In the meeting it was decided that there was a need for joint effort on the part of the Centre and States to evolve a strategy to address fiscal issues/problems confronting states. This strategy has taken the form of a package of advance financial assistance which is provided by the Centre along with an appropriate time bound programme of a medium term fiscal reform to be undertaken by the concerned State. The State specific fiscal reform programme and a package of immediate financial assistance is monitored and reviewed by an Official Committee under the Chairmanship of Secretary, Planning Commission.

The financial assistance provided by the Centre to the State(s) comprises advance tax devolution during 1999-2000, Ways and Means (WAM) accommodation and advance release of plan assistance. The immediate objective of the financial package has been to assist states which have gone in overdrafts with the Reserve Bank of India subject to the States taking some concrete steps to address the underlying causes of their endemic financial problems and unsatisfactory growth. As WAM system is basically meant to tide over temporary mismatches between receipts and expenditures rather than structural deficits in the finances of the States an extended WAM facility of Rs.3000 crore has been created to address structural deficits in state finances. The main objective of fiscal reforms programme for states is aimed at wiping out the revenue deficit completely in the medium term. These programmes comprise specific time bound measures aimed at promoting the following:

- Reduction in Non Plan Revenue Expenditure, through appropriate taxation and expenditure measures and down-sizing of Government where possible;
- Pricing/subsidy reforms, to reduce fiscal burden of the State and improve allocative efficiency;
- Institutional reforms, to improve regulation and efficiency in delivery of public services and;
- Reduction in the role of Government from nonessential areas, through decentralisation, disinvestment and privatisation;

To date nine states have entered into an agreement with the Centre and availed of assistance under the Fiscal Reform Programme for the States initiated in April 1999. These are Punjab, Rajasthan, Himachal Pradesh, Manipur, Nagaland, Mizoram, Orissa, Sikkim and Uttar Pradesh . The interesting fact is that even States which were not faced with acute financial distress have recognised the need for prudent fiscal management and have come forward to discuss their fiscal reform programme. The reforms packages are designed to be State specific. The total package of assistance amount agreed to be released for these nine states is Rs.3387 crore. Depending on the initial response and actual implementation, about Rs.1183 crore was adjusted, leaving the assistance package at a level of about Rs.2204 crore. To ensure success, the fiscal reforms programmes initiated by the States are being closely monitored and reviewed.