

PART-II

NON-PLAN EXPENDITURE 2007-2008

Non-Plan expenditure is a generic term, which is used to cover all expenditure of Government not included in the Plan. It may either be revenue expenditure or capital expenditure. Part of the expenditure is obligatory in nature e.g. interest payments, pensionary charges and statutory transfers to State and Union Territory Governments. A part of the expenditure relates to essential functions of the State, e.g. Defence, internal security, external affairs and revenue collection.

Details of Non-plan expenditure by broad categories are given in Statement No.4.

Important items of Non-Plan expenditure included in the Budget for 2007-2008 are indicated in the following paragraphs. In general, Non-Plan Capital outlays have been put together in Statement No.8.

1. INTEREST PAYMENTS AND DEBT SERVICING (Rs.158994.93 crore)

An amount of Rs.156494.93 crore is provided for payment of interest on Public Debt, both internal and external and other interest bearing liabilities of the Government. The internal debt mainly comprises market loans and other medium and long term loans; treasury bills and special securities issued to National Small Savings Fund. Other interest bearing liabilities include Insurance and Pension funds, deposits of non-Government provident funds, reserve funds of commercial departments special securities issued to Oil companies, FCI and others etc. From 2004-05, the provision for interest payment on borrowings under the Market Stabilization Scheme (MSS), have been separately reflected in terms of the MOU on MSS. The provision also include Rs.2500 crore as payment of premium on buy back of securities under proposed active debt consolidation scheme.

2. DEFENCE (Rs.96000 crore)

This includes revenue and capital expenditure on Defence Services, net of recoveries and revenue receipts. The components are Army (Rs.34086.76 crore), Navy (Rs.6968.25 crore), Air Force (Rs.10193.01 crore), Ordnance factories (Rs.(-)356.49 crore), Research and Development (Rs.3186.47 crore) and Capital outlay on all the above services (Rs.41922.00 crore) for modernisation of Defence forces.

3.1 MAJOR SUBSIDIES (Rs.50987.21 crore)

3.1.1 Food subsidy (Rs.25696.20 crore) :- Food Subsidy is provided in the budget of the Department of Food & Public Distribution to meet the difference between economic cost of foodgrains and their sales realization at Central Issue Prices fixed for Targeted Public Distribution System (TPDS) and other welfare schemes. In addition, the Central Government also procures foodgrains for meeting the requirements of buffer stock. Hence, part of the food subsidy also goes towards meeting the carrying cost of buffer stock.

The subsidy is provided to Food Corporation of India, which is the main instrument of the Government of India for procurement and distribution of wheat and rice under TPDS and other welfare schemes and for maintaining the buffer stock of foodgrains as a measure of food security. Eleven States & UTs, namely Uttar Pradesh, Madhya Pradesh, Chhattisgarh, West Bengal, Uttarakhand, Tamil Nadu, Andaman & Nicobar Islands, Orissa, Gujarat, Kerala and Karnataka have undertaken the responsibility of not only procuring foodgrains from within the State and but also distributing the same to the targeted population under TPDS and

other welfare schemes. Under this scheme of Decentralized Procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost and the Central Issue Prices is passed on to the States as food subsidy. Efforts are being made to persuade other States to adopt this scheme.

3.1.2 Indigenous (urea) fertilisers (Rs.11400.37 crore) :- A retention price scheme for indigenous fertilisers is in operation since 1977. This subsidy scheme is intended to make fertilisers available to the farmers at reasonable prices and to give producers of fertilisers a reasonable return on their investment.

The difference between the retention price so fixed, less distribution margin and the statutorily controlled consumers' price, is allowed as subsidy. The quantum of subsidy depends on the retention price, the consumers' price and the level of production.

3.1.3 Imported (urea) fertilisers (Rs.2703.54 crore) :- As indigenous production is not adequate to meet the demand for fertilisers, imports are arranged to make up the shortfall. Mainly three varieties of fertilisers, viz. Urea, Di-ammonium phosphate(DAP) and Muriate of Potash are imported. As only Nitrogenous fertilisers are under price control, the estimates are based on the likely imports of urea during the year.

3.1.4 Sale of decontrolled fertilisers with concession to farmers (Rs.8347.10 crore) :- The provision relates to payments to manufacturers/importers of fertilisers/agencies. The scheme was introduced after the prices of phosphatic and potassic fertilisers were decontrolled, with a view to enable farmers to maintain a healthy N:P:K ratio.

3.1.5 Petroleum subsidy (Rs.2840 crore) :- With the dismantling of the Administered Price Mechanism, subsidies for domestic LPG & PDS Kerosene, freight subsidy for far flung areas and other related compensation have been provided.

3.2 Interest subsidies (Rs.2047.82 crore) :- Interest on loans sanctioned by the Government is normally payable at the rates prescribed from time to time. In specific cases where a concession is allowed in the rate of interest or where exemption is given from payment of interest on the loans, subsidies are paid and an amount equal to the subsidy is taken as interest receipt of the Government. Interest subsidy is also given for financing interest payment on loans raised by the CPSUs from banks for implementation of VRS in Central Public Sector undertakings (Rs.86.05 crore). Provision of Rs.249.77 crore has been made as interest subsidies to LIC for Pension Plan for Senior Citizens. It also includes a provision of Rs.1676.86 crore as interest subvention to NABARD, Regional Rural Banks, Co-operative Banks and PSBs on short term credit to farmers.

Details of interest subsidies are given in Statement No.5.

3.3 Other Subsidies (Rs.1294.86 crore) :- The details of other subsidies are given in Statement No.6. Major items for which provisions have been made are explained below:-

(a) Support for Market Intervention/Price Support Scheme for agricultural produce-(Rs.460 crore) :- The price support or market intervention measures are designed to ensure remunerative prices to farmers. Amounts provided are - NAFED (Rs.260 crore), Jute Corporation of India (Rs.30 crore) and Cotton Corporation of India (Rs.170 crore).

(b) Haj Subsidy (Rs.374 crore): This is in respect of the Haj operations in 2007 and is intended to subsidise the air fare payable by the Haj pilgrims.

(c) Compensation for exchange losses (Rs.7.43 crore): The provision is towards compensating National Housing Bank towards compensation for the exchange losses involved in repayment of foreign lines of credit by the organisation and exchange loss under NRI bond scheme.

(d) Subsidy on maintenance of buffer stock of Sugar (Rs.35 crore): This subsidy is for meeting outstanding claims of sugar mills for maintenance of buffer stock of sugar.

(e) Reimbursement of internal transport charges to Sugar factories (Rs.30 crore): The provision is for reimbursement of internal transport and freight charges to sugar factories on export shipment of sugar.

4. NATIONAL CALAMITY CONTINGENCY FUND (Rs.1800.00 crore)

Based on the recommendations of the Eleventh Finance Commission, Government has set up a National Calamity Contingency Fund with a corpus of Rs.500 crore. This Fund is used as a revolving fund for providing special assistance to States affected by natural calamities of rare severity. The EFC had also recommended that such extraordinary assistance should be funded by Government of India through a special levy. The expenditure is met from National Calamity Contingent Duty. The Twelfth Finance Commission has recommended the continuation of the arrangement.

5. POSTAL DEFICIT (Rs.1395.37 crore)

Postal Deficit represents the shortfall in the working expenses of the Department of Posts. While the working expenses of the Department are placed at Rs.6935.10 crore, postal receipts are estimated at Rs.5539.73 crore, leaving a deficit of Rs.1395.37 crore.

6. SUBSIDIES TO RAILWAYS FOR DIVIDEND RELIEF AND OTHER CONCESSIONS (Rs.1276 crore)

In terms of the recommendations of the Railway Convention Committee, the Railways are given concessions in payment of dividend to General Revenues on a number of items. These have been explained in the Receipts Budget. The dividend concessions, except those relating to loss in the working of strategic lines, are provided to Railways in the form of subsidy from General Revenues.

7. REIMBURSEMENT OF LOSSES TO RAILWAYS ON OPERATING STRATEGIC LINES (RS. 321 crore)

Reimbursement of annual losses incurred by Railways in respect of operation of strategic lines, which is, hitherto, being shown as reduction from dividend paid by Railways, is now, shown as an expenditure from General Revenues. An amount of Rs. 321 crore will be reimbursed in 2007-08 to Railways towards losses on operating strategic lines.

8. LUMP SUM PROVISION FOR COMMITTED EXPENDITURE (Rs. 100 crore)

This lumpsum provision is meant for meeting committed expenditure that may arise in respect of Central Plan Schemes completed during the 10th Five year plan.

9. GENERAL SERVICES

9.01 Organs of State (Rs.1867.75 crore) :- The main provisions are for Parliament (Rs.381.08 crore), President/Vice President (Rs.19.17 crore), Council of Ministers (Rs.125.14 crore), Administration of Justice (Rs.186.47 crore) and the Indian Audit and Accounts Department (Rs.1155.89 crore).

9.02 Tax Collection (Rs.3663.66 crore) :- The provisions are for expenditure of tax collecting agencies and relate mainly to

the Income Tax department (Rs.1423.12 crore), Customs (Rs.946.21 crore) and Central Excise (Rs.1153.88 crore). The expenditure relating to Customs includes provision for Coast Guards (Rs.414.79 crore).

9.03 Elections (Rs.408.91 crore) :- The provision is mainly towards normal election expenses (Rs.372.17 crore) and issue of identity cards to voters (Rs.22.24 crore).

9.04 Secretariat-General Services (Rs.1236.18 crore) :- The major provisions are for Ministry of Defence, including the organisation of Controller General of Defence Accounts and Defence Estates Organisation (Rs.717.32 crore), External Affairs (Rs.156.18 crore), Home Affairs (Rs.88.04 crore), Revenue (Rs.77.20 crore) and Economic Affairs (Rs.43.82 crore).

9.05 Police (Rs.13939.07 crore) :- The provision includes Rs.3587.56 crore for Central Reserve Police, Rs.3445.93 crore for Border Security Force, Rs.1174.74 crore for Assam Rifles, Rs.1161.75 crore for Central Industrial Security Force, Rs.642.29 crore for Indo-Tibetan Border Police, Rs.1372.63 crore for Delhi Police, Rs.767.15 crore for Sashastra Seema Bal and Rs.702.43 crore Modernisation of Police force.

9.06 External Affairs (Rs.1879.24 crore) :- This expenditure is mainly for the Embassies and Missions abroad and for Special Diplomatic expenditure.

9.07 Pensions (Rs.23487.85 crore) :- These include pensions and other retirement benefits of retired personnel of defence services (Rs.14649 crore) and other civil departments (Rs.7298.85 crore). This also includes pensionary benefits of the employees of the Department of Telecommunications including employees absorbed in Bharat Sanchar Nigam Ltd. (Rs.1540 crore). Pensionary charges of Railways and Department of Posts are treated as a part of operating expenses of these Departments.

9.08 Others (Rs.1463.12 crore) :- The major provisions included are Rs.673.45 crore for public works and Intelligence Bureau (Rs.409.43 crore).

The revenue expenditure of the commercial departments included in this sector, namely the Canteen Stores Department, is estimated at Rs.5373.13 crore. However, this will be more than offset by receipts of Rs.5600.00 crore.

10. SOCIAL SERVICES

10.01 Education (Rs.3633.58 crore) :- The provision includes Rs.692.30 crore for Kendriya Vidyalayas, Rs.173.40 crore for Navodaya Vidyalaya Samiti, Rs.1638.75 crore for University Grants Commission, Rs.941.03 crore for technical education including Rs.442 crore for Indian Institutes of Technology, All India Council for Technical Education including National Institutes of Technology (Rs.234.10 crore). This also includes provisions for Indian Institutes of Management (Rs.41 crore) and Indian Institute of Science, Bangalore (Rs.87.15 crore).

10.04 Health and Family Welfare (Rs.1460.01 crore) :- The provision includes Rs.330 crore for Central Government Health Scheme, Rs.172.70 crore for allopathic hospitals and dispensaries, Rs.669.96 crore for medical education, training and research and Rs.145.44 crore for Public Health Schemes.

10.06 Information and Broadcasting (Rs.1184.99 crore) :- The provision includes grants to Prasar Bharati (Rs.960.78 crore) to cover the gap in resources in meeting its revenue expenditure and Rs.224.21 crore for the various information and publicity agencies like Films Division, Directorate of Advertising and Visual Publicity, Press Information Service, Song and Drama Division, Publications Division, etc.

10.07 Labour Welfare (Rs.1310.61 crore) :- The provision includes Rs.840 crore for contribution to the Social Security for Employees' Pension Scheme, 1995. Other schemes for which provision has been made include Industrial Relations, Working Conditions and Safety, Labour Welfare, Labour Education and Training of Craftsmen and Supervisors.

10.08 Social Security and Welfare (Rs.590.65 crore) :- The provision includes Rs.475.05 crore for pension and other benefits to freedom fighters, Rs.42.50 crore for child and women welfare and Rs.28.25 crore for the welfare of handicapped, etc.

11. ECONOMIC SERVICES

11.01 Agriculture and Allied Activities (Rs.2795.30 crore):- The provisions are for various schemes relating to crop husbandry, plantations, soil and water conservation, animal husbandry, dairy development, fisheries, forestry and wild life, food, storage, warehousing, etc. Major provisions are for agricultural research and education (Rs.838.35 crore) and grants through NABARD for providing incentives to States and co-operative institutions to adopt reform measures for strengthening co-operative credit structure (Rs.1500 crore).

11.03 Energy (Rs.-)39.31 crore) :- The provision includes Rs.141.95 crore for the net receipt on power stations/schemes. In case of the Rajasthan Atomic Power Station, the net expenditure is at Rs.68.05 crore. The receipts of Badarpur Thermal Power Station (Rs.342.00 crore) are likely to be same as expenditure (Rs.342.00 crore).

11.04 Industry and Minerals (Rs.2463.71 crore) :- The main provisions are for village and small industries, the Geological Survey of India, Bhopal gas disaster-related transactions, the industrial projects of Department of Atomic Energy, including nuclear fuel projects and for organisations and schemes relating to textiles and jute. The provision for projects of Department of Atomic Energy takes into account Rs.128.23 crore as net receipts on Fuel Fabrication Facilities, which is treated as a departmentally run commercial undertaking. This also include Rs.282.35 crore to Industrial Development Bank of India and Rs.1300.00 crore to Industrial Finance Corporation of India as Government's support to meet restructuring liabilities.

11.05 Transport (Rs.1548.37 crore) :- The provisions mainly relate to maintenance of roads and bridges (Rs.1004.74 crore), including National Highways (Rs.815.97 crore) and Dredging and Survey Organisations (Rs.415.86 crore). Lighthouses and Lightships Department is treated as a commercial undertaking and the net receipt is estimated at Rs.11.87 crore.

11.06 Science, Technology and Environment (Rs.2668.69 crore) :- The provisions include Rs.1018.83 crore for Atomic Energy Research, Rs.422.81 crore for Space Research, Rs.218.70 crore for the Schemes of the Department of Science and Technology, Rs.826.21 crore for the Council of Scientific and Industrial Research, Rs.122.61 crore for Ecology and Environment and Rs.26.59 crore for Oceanographic Research.

12. NON-PLAN GRANTS TO STATES (Rs.37540.93 crore)

The estimates for grants to States are based on the recommendations of the Twelfth Finance Commission. The non-Plan grants based upon Twelfth Finance Commission are intended to cover the non-Plan revenue deficit of States, Education, health, public buildings, forests, heritage conservation and for the State specific problems. In addition, grants are being given for modernisation of State police force, Roads, improvement in salary scales of university and college teachers, etc.

Details are given in Statement 10.

13. NON-PLAN GRANTS TO UNION TERRITORY GOVERNMENTS (Rs.862.44 crore)

The provision is mainly for Puducherry to cover its non-Plan revenue gap (Rs.367.00 crore) and Grants in lieu of share in Central taxes & duties to NCT of Delhi (Rs.325.00 crore). Details are given in Statement No.10.

14. GRANTS TO FOREIGN GOVERNMENTS (Rs.1345.05 crore)

The major provisions are Rs.480 crore for Bhutan, Rs.100 crore for Nepal, Rs.50 crore for African Countries, Rs.15 crore for Bangladesh, Rs.28 crore for Sri Lanka, Rs.40 crore for Myanmar, Rs.520.55 crore for other developing countries, etc. Details are given in Statement No.11.

15. OTHER NON-PLAN CAPITAL OUTLAY (Rs.49313.87 crore)

The major provisions are for capital outlay of Atomic Energy Department (Rs.452.96 crore), acquisition of ships, vessels and aircrafts for Coast Guard Organisation (Rs.735.21 crore), construction of National Highways by Border Roads Development Board (Rs.388.42 crore), construction of office buildings for Police (Rs.435.70 crore), construction of police residential building (Rs.278.80 crore), construction of office buildings by CPWD (Rs.177.05 crore), acquisition/construction of residential and non-residential buildings for Indian Missions abroad (Rs.250 crore), Indo-Bangladesh border works (Rs.560.97 crore) and Indo-Pak Border Works (Rs.25.33 crore). An amount of Rs.40,000 crore has been provided for making payment to RBI for acquisition of its stake in State Bank of India.

Government has constituted the National Investment Fund (NIF) to house the proceeds from disinvestment of Government equity in Central Public Sector Enterprises. The NIF would be maintained outside the Consolidated Fund of India and managed by selected Public Sector Mutual Funds to provide sustainable returns without depleting the corpus. Transfer of disinvestment proceeds relating to CPSUs to NIF are treated as non-plan capital expenditure (Rs.1651 crore).

Details are given in Statement No.8.

16. NON-PLAN LOANS TO STATES (Rs.23 crore)

Details are given in Statement No.10.

17. NON-PLAN LOANS TO UNION TERRITORY GOVERNMENTS (Rs.72 crore)

The provision is for Puducherry for covering its Non Plan gap in resources. Details are given in Statement No. 10.

18. NON-PLAN GRANTS AND LOANS TO PUBLIC ENTERPRISES (Rs.779.51 crore)

The provision includes Rs.379.51 crore for meeting shortfall in resources of Public Sector Enterprises. A lump sum provision of Rs.150 crore has been provided for revival schemes of Public Sector Enterprises. Another lump sum provision of Rs.250 crore has been made for Voluntary Separation Scheme and statutory dues.

19. LOANS TO FOREIGN GOVERNMENTS (Rs.101.68 crore)

The provision includes Rs.12 crore for Mauritius, Rs.77 crore for Sri Lanka, Rs.1 crore for Surinam, Rs.11.68 crore for Cambodia. Details are given in Statement No.11.

21. NON-PLAN EXPENDITURE OF UNION TERRITORIES WITHOUT LEGISLATURE (Rs.1869.35 crore)

The provisions include Rs.700 crore for Andaman and Nicobar Islands, Rs.53 crore for Dadra and Nagar Haveli, Rs.222.35 crore for Lakshadweep, Rs.835 crore for Chandigarh and Rs.59 crore for Daman and Diu. Details are given in Statement No.3.