Understanding Budgets

Budget Toolkit

A Self Learning Guide

C B P S

Centre for Budget and Policy Studies

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Preface

Budget is an important tool for translating the policies into action. It aids government in implementing various programs and schemes in an orderly and planned manner. Most importantly, it is the document that informs citizens of how the taxes collected from them are proposed to be spent – how much on what? But the process by which budget is prepared and the budget document itself, are wrapped in a mystery. Citizens and civil society organizations find it extremely difficult to figure out the actual or budgeted expenditure on any particular subject of their interest. This Budget Toolkit seeks to address this felt need of citizens and CSOs for guidance in understanding the budget process and how to make sense of the budget itself.

This Budget Toolkit is presented in two modules, each consisting of several units. **Module A** provides an introduction to what budgets are, how they are prepared and the contents of the budget. As the principles underlying budgeting are essentially the same for union, state and local governments, the common principles and processes are presented along with variations, if any. **Module B** provides an insight into how the budgets can be analysed and interpreted. This is done using a few actual budgets. The main objective of this toolkit is to provide the reader with a self-help approach to understanding and interpreting budgets; and also serve as a training courseware for anyone interested in organizing a training programme.

Any suggestions to improve the Budget Toolkit, to enhance its utility further are most welcome and may be sent to director@cbps.in.

October 2013

Centre for Budget & Policy Studies
Bangalore

Dr Jyotsna Jha
Director

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Abbreviations

ACA	Additional Central Assistance
AFS	Annual Financial Statement
AG	Accountant General
BE	Budget Estimate
C&AG	Comptroller and Auditor General
CBPS	Centre for Budget and Policy Studies
CGA	Controller General of Accounts
CM	Chief Minister
CSS	Centrally Sponsored Schemes
DRDA	District Rural Development Agency
EAP	Externally Aided Projects
EO	Executive Officer
FA	Financial Advisor
FC	Finance Commission
FR	Fertility Rate
FRBMA	Fiscal Responsibility and Budget Management Act
GBS	Gross Budgetary Support
GDP	Gross Domestic Product
GOI	Government of India
GP	Grama Panchayat
IA	Implementing Agencies
IMR	Infant Mortality Rate
MMR	Maternal Mortality Ratio
MoF	Ministry of Finance
NGO	Non Governmental Organization
PPS	Plan Programmes Schemes
PRI	Panchayat Raj Institutions
RBI	Reserve Bank of India
RE	Revised Estimate
SBE	Statement of Budget Estimates
SC	Scheduled Caste
SFC	State Finance Commission
SPS	State Plan Schemes
SSA	Sarva Siksha Abhiyan
ST	Scheduled Tribe
ULB	Urban Local Body
UT	Union Territory

Module A

Introduction to Budgets

UNIT A1

Introduction

Module A: Introduction to Budget

Unit A1: Introduction

What is the Budget?

The ‘budget’ is the statement of estimated receipts and expenditure for the ensuing year. It is a comprehensive statement of government’s finances relating to a particular year. It outlines the assessment of the government regarding the size of resources to be raised, how these resources would be raised and the proposals regarding how these resources will be spent. Budgets are important as they reflect the policies and priorities of the government.

Why Budget[1]?

As in the case of a household which has to plan expenditure based on expected income, government also prioritizes its expenditure keeping in view the likely amount of receipts. Unlike a household, the government’s ability to finance expenditure from borrowings from various sources is quite enormous. Even so, it needs to prioritize its spending; and while government, particularly the union government can borrow quite freely, government’s borrowing has many implications for economy (please see *fiscal deficit* and *Fiscal Responsibility & Budget Management legislation*).

Besides carrying out the sovereign functions like defence, internal security, administration, justice, etc. it formulates and implements various policies for economic and social development of the country. In order to carry out its various functions and implement its policies, the government needs to raise sufficient funds. Thus the budget of the government shows how it proposes to raise resources and how it intends to spend those resources. The purpose of a budget is to allocate funds to meet various requirements optimally keeping in view social, political and economic considerations.

Besides the estimated receipts and proposed expenditure in the forthcoming year, the budget provides the actual receipts and expenditure of the previous year and revised estimates of receipts and expenditure of current year. It also shows how much was spent on recurring expenditure and how much on creating new assets, and how these were financed – from own revenues and by borrowings. Thus, budget also shows the state of finances of the government.

The term Budget

Etymologically the term ‘Budget’ originated from the French word ‘Budgettee’, which means a leather bag. In Britain, the term was used to refer to the leather bag in which the Chancellor of Exchequer carried the annual statement of government’s resources and expenditure for the year to the House of Commons. ‘Budget’ refers to the budget documents and in India, the annual Budget is also referred to as the ‘annual financial statement’.

[1] *Training programme on Budgeting in State Government, Courseware, 2008, Centre for Good Governance*

To sum up, a budget:

- *serves as a report on the status of government finances;*
- *indicates the government's policies and priorities;*
- *documents the benefits that are likely to accrue to citizens and burden they have to bear by way of taxes and levies;*
- *provides an expression of sectoral*[2] *policies and allocations;*
- *provides an action plan for the departments of the government; and*
- *provides a signal to the market about the incentives and the borrowing requirements of the government.*

The Budgetary Process - Legal Framework

The Indian Constitution provides for a parliamentary form of government which is federal in structure with certain unitary features. The President is head of the State while the Prime Minister is the head of the Government. At the central level, the two legislative houses are the council of the states (Rajya Sabha) to which members are elected indirectly by elected representatives of state assemblies; and the House of the People (Lok Sabha) whose members are directly elected by the people. The government is formed by the party or a coalition of parties having majority in Lok Sabha. The Council of Ministers is thus collectively responsible to the Lok Sabha. The President exercises her/his functions in accordance with advice rendered by the Prime Minister as head of the government. The real executive power is thus vested in the Council of Ministers with the Prime Minister as its head.

Every state[3] has a Legislative Assembly. Certain States have also an Upper House called Legislative Council. There is a Governor for each state who is appointed by the President. The executive power of the State is vested in governor. The Council of Ministers with the Chief Minister as its head advises the Governor in the discharge of the executive functions. As at the centre, the party or a coalition of parties having majority in the legislature (Legislative Assembly) form the government, which therefore, is collectively responsible to the Legislative Assembly of the State.

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[2] For the purpose of governing, activities of government are functionally divided into various sectors such as agriculture, environment, education, health, banking, industry, etc. Government formulates policies for various sectors and makes allocations depending upon relative priorities.

[3] The centrally administered territories are called Union Territories. They do not have their own elected governments and are ruled by the Union Government directly through an administrator – Lieutenent Governor. Delhi and Puducherry have been granted partial statehood and have their own elected legislatures.

The 73rd and 74th Constitutional Amendment Acts 1992 brought historic changes in the federal structure of the Indian Government by mandating a move towards decentralization. These amendments to the Indian Constitution brought a third level of government. The 73rd Constitutional Amendment provides for a three-tier local government system of (a) Zilla Parishad at district level, (b) Panchayat Samiti between the village and the district (mostly at the block level) and (c) Gram Panchayat at the village level. The 74th Constitution Amendment provides for Municipalities for urban areas at three levels (a) Nagar Panchayats for areas in transition from a rural area to urban area, (b) Municipal Councils for smaller urban areas and (c) Municipal Corporations for larger urban areas.

The primary objective of introducing the third level of government is to increase participation of people at the grass roots both in the formulation as well as implementation of plans for their own development. Accordingly, a state may transfer 29 and 18 functions to local governments in the rural area and urban areas respectively by State Legislature passing suitable legislation.

Governments at all the three levels are required to prepare budgets. The underlying principles and processes are the same at union and the state level. There are a few variations when it comes to the local government both as compared to the process followed as also between the states. The fundamental principle is that the executive prepares and presents the budget in the legislature and the latter approves it. No monies can be withdrawn from the government account without specific approval of the legislature. The audit office (C&AG of India) scrutinizes the accounts of government and reports to the legislature whether has been faithfully executed by the government. Details of constitutional provisions relating to budget are summarized in **Annex A1.** These provisions are referred to and explained in detail in the relevant sections.

Role of the Executive – Budget preparation and management

Responsibilities of the executive with respect to budgetary process involve the following:

- budget preparation - the overall objective, fiscal policy strategy and priority, detailed budget projections, etc.
- budget execution - collection of revenues and control of expenditure, and
- accounting and reporting for own use, to the legislature and to general public.

Each Minister holding a portfolio for formulating departmental policies is responsible to oversee its implementation and ensure the efficient working of the administrative machinery under his/her charge. The Ministry of Finance at the Union and the Department of Finance at the State level have the overall responsibility of coordination and control of finances of the Government. Several powers are also delegated to Administrative Ministries.

The Finance Minister, assisted by the Budget Division, is responsible for preparing the budget along with other budget documents and supplementary budgets as may be needed during a year for the Union Government. Same is the case at the level of State Government.

At any stage before the budget is presented to the Parliament or State Legislature, Finance Ministry/Department of Finance may make the necessary modifications in the estimates as may be necessary due to factors affecting the estimates.

Controller General of Accounts (CGA) compiles the accounts of the civil ministries of Government of India. The Pay and Accounts Offices, working under the technical supervision of CGA, maintain line item wise accounts of all the transactions involving Consolidated Fund of India, Contingency Fund of India and Public Account of India. Various subsidiary accounts such as Loan accounts, Fund accounts, etc. are also maintained by these units.

The accounts compiled by the Pay and Accounts Offices are consolidated on a monthly basis in the Principal Accounts Offices at the Ministry's headquarters. The consolidated accounts of the Ministry are rendered to the Controller General of Accounts. The accounts received from various Ministries are further aggregated in the office of the Controller General of Accounts to generate the accounts of the Government of India as a whole. These monthly accounts are reviewed and a critical analysis of expenditure, revenue collection, borrowings and deficit is prepared for the Finance Minister.

Compilation of accounts

Urban local bodies maintain their own accounts, whereas accounts of panchayat raj bodies are sometimes maintained in the Treasuries

Similar arrangements exist at the state level for compilation of accounts. Treasuries where all financial transactions take place maintain initial books of account. They render these accounts along with all vouchers and challans to the State Accountant General, who compiles the accounts for the state government. As far as local bodies are concerned, the urban local bodies maintain their own accounts, whereas accounts of panchayat raj bodies are sometimes maintained in the treasuries, however, these bodies are also required to prepare their accounts and submit them for audit.

Role of Parliament and State Legislature – Budget approval

The Parliament and State Legislative Assembly approve the Central and State annual budgets respectively. The Indian Constitution clearly vests 'the power over the purse in the hands of elected representatives'. All financial legislations are discussed and approved by the representatives of the people and this underlines the legislative control over the finances.

The budget is passed by the Legislature after due discussions that take place in stages. **Figure 1** provides the details of typical budget passing. The figure traces the process from the time the budget is presented by the Finance Minister to the final voting and approval of the budget.

Ministry of Finance - FM introduces the Budget

- On last working day of Feb
- Budget is introduced only in the Lok Sabha along with Finance Bill
- No discussion takes place

(1) General Discussion

- General debate spreads over 3-4 days
- Deals with general aspects of budget and does not go into details of budget

(2) Detailed discussion & voting on Demand for Grants

- Discussion on Expenditure part of the Budget
- DRSCs minutely examine Ministry/Dept Grants
- Cuts Motions take place

(3) Final Voting & approval of Budget

- Demands of the Ministry voted
- Guillotine applied
- Appropriation bill put for final voting
- Sent to The President of India

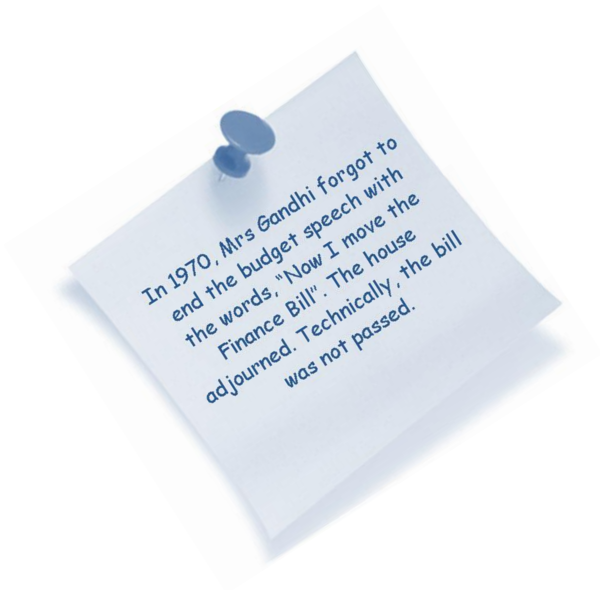
Figure 1: Budget Process in Lok Sabha

Independent Audits – Budget control

Legislative control over public expenditure: The oversight by the legislature over public expenditure is realized through legislative committees viz. Public Accounts Committee and the Committee on Public Undertakings constituted by the respective houses of legislature at the Union and State levels. In addition, there are Department Related Standing Committees in the Union that scrutinize the budget proposals in relation to overall functioning of the government departments.

The Comptroller and Auditor General (C&AG) of India is an independent authority established by the Constitution of India. C&AG play an important role in parliamentary financial control and oversight. The Indian Constitution provides for a unitary and independent audit by the C&AG. The audited Appropriation and Finance Accounts are submitted along with the audit reports of the C&AG to the President of India. These accounts and reports are then laid before the Parliament, which are examined by the Public Accounts Committee and Committee on Public Undertakings. Their reports along with action taken by the government on their recommendations are placed again before the legislature. C&AG also audits accounts of state governments and the related reports are submitted to the

Governor who causes them to be laid before the state legislature and the state legislatives committees examine them as in the case of union government.



Check your Understanding - Unit A1

Instructions
Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **Budget is a statement of:**
   a. Asset and liability
   b. Estimated receipts and proposed expenditure
   c. Policies and expectation
   d. Demand and supply

2) **Government budget is prepared**
   a. Annually
   b. As and when required
   c. Quarterly
   d. Once in five years

3) **Budget also gives information about previous year's**
   a. Budget variance
   b. Net cash flows
   c. Assets and liabilities
   d. Actual receipts and expenditure

4) **In India there are __________________ levels or tiers of government**
   a. Two
   b. Three
   c. Four
   d. Multiple

Part II: Fill in the blanks with suitable words

1) **Indian __________ provides for parliamentary form of Government**
   a. Constitution
   b. Supreme Court
   c. Rules and Regulations
   d. Customs and practices

2) **Union budget preparation is initiated by ______________**
   a. Department of Company Affairs
   b. Revenue Department
   c. Finance Ministry
   d. Reserve Bank of India

3) **________ prepares the Budget and _________ approves the same**
   a. Judiciary, Executive
   b. Executive, Legislature
   c. Finance Ministry, Home Ministry
   d. Lower House, Upper House

4) **Oversight on the public expenditure is exercised by ________ committees of Legislature**
   a. Two
   b. Three
   c. Four
   d. Multiple

5) **C&AG submits the audited Appropriation and Finance Accounts to _________**
   a. Parliament
   b. Finance Minister
   c. President
   d. Supreme Court

UNIT A2

The Budget Statement

Unit A2: The Budget Statement

The Budget statement, also referred to as the Annual Financial Statement (AFS) is prepared by all the three tiers of the government for each financial year and the process for the same begins well in advance. Financial year extends from 1st April of a calendar year to 31st March of the next calendar year. This is also referred to as the 'fiscal year'. The AFS is the main Budget document. It shows the receipts and payments of Government, under three parts[4] viz., Consolidated Fund, Contingency Fund, and Public Account (**Figure 2**, Annual Financial Statement of India).

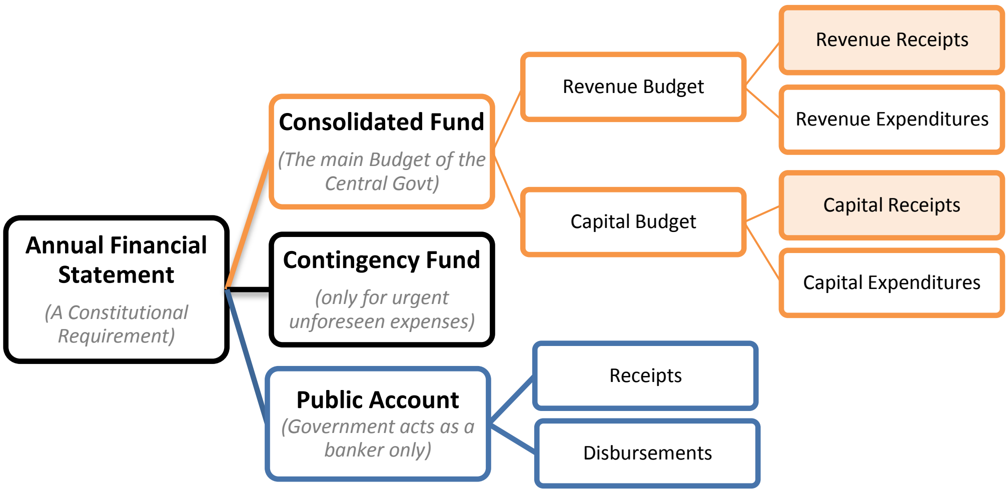


Figure 2: Annual Financial Statement

Consolidated Fund

According to Article 266 of the Constitution all revenues received by the Government of India, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the 'Consolidated Fund of India'. Similarly, all revenues received and raised by the state governments form one consolidated fund known as 'Consolidated Fund of State (e.g. Consolidated Fund of Assam)'. Thus, all revenues and receipts of the government must be credited into the Consolidated Fund. All government expenditure, except for certain exceptional cases, are met from this fund. No expenditure from this fund can be effected without the legislature's approval.

The sources of revenue credited to the Consolidated Fund are:

[4] Note that the local bodies do not follow the three part system

a. Tax Revenues: by way of Central and State taxation (income-tax, central excise, customs duty and land revenue),
b. Non-tax Revenues: from sources such as Railways, Posts, Transport, etc.,
c. Internal Debt: all loans raised by Government through issue of Public notifications and treasury bills,
d. External Debt: loans obtained from foreign governments and international monetary institutions, and
e. Moneys received by the Government in repayment of loans and interest.

All expenditures incurred by the government for the conduct of its business for various purposes are met from this fund.

Contingency Fund

As the name suggests, this is an emergency fund at the disposal of the President/Governor. As no money can be appropriated from the Consolidated Fund without authorization by the legislature, the Contingency Fund helps to meet unforeseen expenditure arising in the course of the year for which approval from the Legislature cannot be obtained immediately. For example, expenditures for immediate relief to victims of natural calamity or a major accident or to implement any new service not contemplated in the plan are met from this fund. The advances sanctioned out of the Contingency Fund are paid back to the Fund from the Consolidated Fund after obtaining the Vote of the Legislature for those amounts.

Public Account

All public moneys received by or on behalf of the government both at the Union and State, which are not credited to the Consolidated Fund, are accounted for under the 'Public Account'. These funds do not belong to the government and have to be paid back to their rightful owners whenever required. Such funds include:

- provident funds,
- small savings,
- deposits in government treasuries by contractors, merchants etc. as security deposits,
- deposits made in courts in connection with litigations, and
- funds for various expenditures by local bodies such as Panchayati Raj Institutions.

As funds in the Public Account remain merged in the cash balance of the government (with the Reserve Bank of India who is the government's banker), they become available for financing the expenditure of government.

Structure of the Budget

The budget both at the Centre and the State consists of two parts, the Expenditure Budget and the Receipts Budget.

- The Expenditure Budget includes information on how much the government intends to spend and on what. There are two categories in the Expenditure Budget namely Revenue Expenditure and Capital Expenditure.
- The Receipt Budget includes information on how much the Government expects to collect as financial resources and what are the sources. The Receipts Budget, like the Expenditure Budget, is also divided into two distinct categories, Revenue Receipts and Capital Receipts.

a. Expenditure Budget

Expenditure is classified as:

- Capital Expenditure & Revenue Expenditure,
- Plan Expenditure & Non-Plan Expenditure and
- Voted Expenditure & Charged Expenditure.

Capital expenditure relates to acquisition of assets like land, buildings, machinery, equipment, as also investments in shares, etc., and loans and advances granted by Central Government to State and Union Territory Governments, Government companies, Corporations and other parties.

Revenue Expenditure relates to all charges for the maintenance of assets created (under capital expenditure) and working expenses, such as operational expenses of a school or a health clinic. Revenue expenditure is recurring in nature as the government incurs such expenditure annually.

The **Plan** and **Non–Plan** distinction is unique to India. The Government of India adopted development planning since the early 1950s. Under development planning, government prepares Five Year Plans, which put forward the goals/targets for socio-economic development to be achieved by the end of the Plan period (typically, five years) and also suggests a wide range of programmes/schemes to achieve those goals.

Annual Plans are prepared based on approved Five Year Plan. An Annual Plan can be seen as a collection of various programmes/schemes for socio-economic development. Thus, plan expenditure refers to government expenditure on the programmes/schemes framed under the on-going Five Year Plan, or the unfinished programmes/schemes of the previous Five Year Plans. The expenditure on such planned schemes/programmes within a plan period is termed as Plan Expenditure, for example, expenditure under Sarva Siksha Abhiyan (SSA) or Ujjwala (Anti-Trafficking scheme of GOI).

The Non-Plan expenditure includes all the operational expenditures like salaries/employee benefits, rents, etc. other than Plan expenditure and forms sizeable portion of the total budget. However, it is important to understand that Non-Plan Expenditure is not to be interpreted as unplanned expenditures. It includes a large portion of government expenditure on salaries, wages and other operating expenses incurred to maintain and sustain different organs of the state such as the judiciary, police, administration, etc. as also primary health services, education and so on which are committed expenditures on schemes implemented during the previous plans and continued during the budget year. It also includes some very important types of government expenditures such as Non-Plan grants to States and UTs and debt servicing.

Voted and Charged expenditures

When the expenditure incurred out of the Consolidated Fund of India is subject to vote of the legislature it is termed as '**Voted expenditure**'. The Legislature has the 'vote' to restrict this expenditure if need be. The **Charged expenditures** are those expenditures that are not subject to vote by the legislature. Such expenditures are 'charged' on the Consolidated Fund. But the Legislature has the powers to discuss those estimates. These include items of expenditure such as emoluments of the President, salaries and allowances of the Chairman and the Deputy Chairman of the Rajya Sabha, the Speaker and the Deputy Speaker of the Lok Sabha, salaries, allowances and pensions of Judges of the Supreme Court, Comptroller and Auditor General of India, members of Central Vigilance Commission at the Central Government level and debt charges, emoluments and allowances of the Speaker and Deputy Speaker, salaries and allowances of the Judges of the High Court, and the sums required to satisfy any decree or award of any court or arbitral tribunal, etc. The provision of charged expenditure is to ensure the independence of these important offices.

Expenditure Budget

Total Expenditure of the Government

= Revenue Expenditure + Capital Expenditure

= Plan Expenditure + Non-Plan Expenditure

= Voted Expenditure + Charged Expenditure

Functional classification of expenditure

Expenditure is classified as per the function that it serves. This is termed as **Functional Classification of expenditure**. The expenditure budget reflects expenditure on various items/services that can be classified according to the different functions/services of the government for which the expenditure is meant. Accordingly, all services as indicated in the expenditure budget are divided into three categories:

i. **General Services:** expenditures on organs of state e.g. legislature, offices of president/governor, council of ministers, administration of justice, elections, maintenance of law and order, defence of the country, revenue departments, etc.
ii. **Social Services**: Expenditures on **education, health, w**ater supply and sanitation, social security and welfare, welfare of Scheduled Castes,

Scheduled Tribes and Other Backward Classes, housing and urban development, etc. are clustered under this category.

iii. **Economic Services**: Expenditures on foreign trade and export promotion, agriculture and allied services, industry and minerals, rural development, transport and communications, etc. fall under Economic Services.

Refer Annex A2 for functional classification of expenditure.

The accounting structure including functional classification is common to both the union and the states. Refer **Box 1** – Functional Classification: An Illustration from Karnataka.

Besides these, there are other expenditures such as statutory grants-in-aid to States and UTs and technical and other loans to foreign countries, which are listed under Expenditure Budget.

Box 1 - Functional Classification– Karnataka State Budget : An Illustration

ಕರ್ನಾಟಕ ಸರ್ಕಾರದ ರಾಜಸ್ವ ಮತ್ತು ವ್ಯಯದ ಸಾರಾಂಶ ನಿರೂಪಣೆ
ABSTRACT STATEMENT OF RECEIPTS AND DISBURSEMENTS OF THE GOVERNMENT OF KARNATAKA

(ಲಕ್ಷ ₹ ಗಳಲ್ಲಿ) (₹ In Lakhs)

ಸಮೂಹ ಶೀರ್ಷಿಕೆಗಳು ಬಂಡವಾಳವೂ ಸೇರಿ ವೆಚ್ಚ	Group Heads Expenditure Including Capital	ಲೆಕ್ಕ Accounts 2009-10	ಬಜೆಟ್ Budget 2010-11	ಪರಿಷ್ಕೃತ Revised 2010-11	ಬಜೆಟ್ Budget 2011-12
ಸಂಚಿತ ನಿಧಿ	**I CONSOLIDATED FUND**				
ರಾಜಸ್ವ ಲೆಕ್ಕ	**REVENUE ACCOUNT**				
ಸಾಮಾನ್ಯ ಸೇವೆಗಳು	A. GENERAL SERVICES	1276233.86	1607454.08	1461357.71	1851287.51
ಸಾಮಾಜಿಕ ಸೇವೆಗಳು	B. SOCIAL SERVICES	1911885.64	2195245.90	2303413.27	2487875.13
ಆರ್ಥಿಕ ಸೇವೆಗಳು	C. ECONOMIC SERVICES	1318171.38	1222615.07	1585638.37	1729934.59
ಸಹಾಯಾನುದಾನಗಳು ಮತ್ತು ಅಂಶದಾನಗಳು	D-GRANTS-IN-AID AND CONTRIBUTIONS	247400.70	288514.12	268514.12	434335.68

b. Receipts Budget

The Receipts Budget includes various sources of income and various kinds of receipts in that financial year. There are two categories of income for the government – Capital Receipts and Revenue Receipts consisting of Tax Revenue and Non Tax Revenue.

The receipts of the government through different types of taxes such as corporation tax, personal income tax, wealth tax, sales tax, custom duties, excise duties, service tax, etc. are collectively referred to as **Tax Revenue**, whereas interest receipts, fees/user charges, rents, etc. constitute **Non-tax Revenue.**

The **capital receipts** are loans raised by government from public, such as market loans, borrowings from Reserve Bank and others through sale of Treasury Bills, loans received from foreign Governments and bodies, and recoveries of loans from State and Union Territory Governments and other parties.

Check your Understanding - Unit A2

Instructions

Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **Budget is also called as**
   a. Annual Financial Statement
   b. Financial Summary
   c. Finance Accounts
   d. Appropriation Summary

2) **Annual Financial Statement contains three of the following except**
   a. Contingency Fund
   b. Revenue Budget
   c. Public Accounts
   d. Consolidated Fund

3) **Consolidated Fund of India includes**
   a. All revenues of the government
   b. All borrowings of the government
   c. Loans raised by Treasury Bills
   d. All the above

4) **Emergency requirements of Funds are handled by**
   a. External Debt
   b. Public Accounts
   c. Consolidated Funds
   d. Contingency Fund

Part II: Fill in the blanks with suitable words

1) **Capital expenditure does not include _______________**
    a. Purchase of assets
    b. Construction of buildings
    c. Loans and advances
    d. Payment of Salaries

2) **Annual Plans are based on __________**
    a. Approved Five Year Plans
    b. C&AG Audit Reports
    c. Report of Reserve Bank of India
    d. Parliamentary Questions

3) **Voted Expenditure out of Consolidated Fund is subject to the vote of ____________**
    a. Finance Minister
    b. President
    c. Legislature
    d. Parliamentary Committees

4) **Functional classification of Expenditure does not include __________**
    a. Social Services
    b. Economic Services
    c. General Services
    d. Plan Services

UNIT A3

Planning and Budgeting

Unit A3: Planning and Budgeting

Planning and Budgeting are done over several stages, and involve a series of systematic processes completed within specified time frames. The Planning Commission is the nodal agency for planning in India. It was set up by a resolution of the Government of India in March 1950. The Planning Commission formulates the Five Year Plans that outline the blueprint for socio-economic and regionally balanced development. The principal task of the Planning Commission is to formulate the Five Year and Annual Plans for the most effective and optimal utilisation of the country's resources (material, capital and human resources).

The 1950 resolution[5] setting up the Planning Commission outlined its functions as below:

a. Make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation’s requirement;

b. Formulate a Plan for the most effective and balanced utilisation of country's resources;

c. On a determination of priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage;

d. Indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan;

e. Determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;

f. Appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and

g. Make such interim or ancillary recommendations as appear to be appropriate either for facilitating the discharge of the duties assigned to it, or on a consideration of prevailing economic conditions, current policies, measures and development programmes or on an examination of such specific problems as may be referred to it for advice by Central or State Governments.

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[5] http://planningcommission.nic.in/aboutus/history/index.php?about=funcbody.htm

The Prime Minister as the chairperson of the Planning Commission gives direction to the Commission on major policy issues. The Deputy Chairperson oversees the overall working and major decision making of the Commission whereas each full-time member (generally about 5 to 8) is in-charge of a group of one or more subjects and State/s and deals with the issues pertaining to their allotted subjects and State(s).

The Budget Process

The budget process both at the Union and State comprises four distinct phases:

- Preparation or Formulation of the Budget;
- Enactment of the Budget;
- Execution of the Budget; and
- Legislative Review of the Budget Implementation.

The Annual Budget process is divided into broad heads that outline the necessary steps to be followed every year. The 'Budget Cycle' normally begins towards the end of September of the current year and ends in May of the next year. A comprehensive Schedule for carrying out the budget preparation activities is prepared at the onset. This Schedule clearly indicates the administrative authorities responsible for the various tasks/activities outlined along with the timeframe.

Union Budget

The budget preparation process begins in September with the Budget Division, a part of the Department of Economic Affairs in the Finance Ministry, issuing Budget Circular. The circular provides detailed instructions on how to prepare the estimates of receipts and expenditures and the formats in which they are to be presented. The division also prepares a comprehensive schedule of the activities in the budgetary process which is constantly reviewed. **Figure 3** gives the work flow of the Budget process.

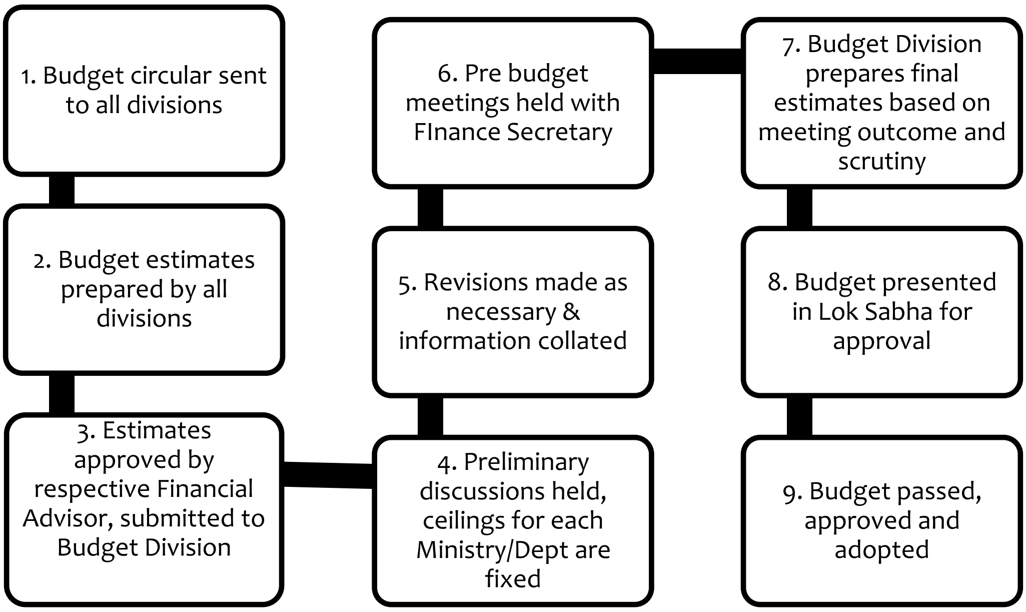

Figure 3: Budgeting Process - The Union Budget

The Union Budget Cycle begins with the 'Annual Budget Circular' that is issued by the Budget Division (Department of Economic Affairs, Ministry of Finance) towards the end of August or the beginning of September. The circular is issued to all Ministries and Departments and contains detailed guidelines for preparing/framing the Revised Estimates (RE)[6] for the current Financial Year, and Budget Estimates (BE) for the next financial year. It also contains the formats and statements in which the estimates are to be furnished. The same are submitted to the Budget Division. The Ministries/Departments are required to provide the following figures in their respective statements of Budget Estimates (BE):

i. Revised Estimates (RE) for Non-Plan Expenditure for the current financial year,
ii. Revised Estimates for Plan Expenditure for the current financial year and
iii. Budget Estimates for Non-Plan Expenditure for the next financial year.

The detailed estimates of expenditure are prepared by the estimating authorities according to their assessments of requirements. The estimates of expenditure are prepared separately for Capital and Revenue as a constitutional requirement and Plan and Non Plan in keeping with the existing classification system. The estimates of Plan expenditure are made on the basis of the approved plan allocations

[6] It may be noted that at the time of budget preparation, about 6 months of the current year would have been completed. Hence the actual numbers of the completed period and projected numbers for the balance period are taken and revised estimates (RE) made.

intimated by the Planning Commission (the Planning Department in case of the states).

The estimates of expenditure are furnished to the Budget Division in stages. The stages of the Budget process are as follows:

- The Secretary (Expenditure) holds discussions with the Financial Advisors (FA) of the various Ministries/Departments after which the estimates are finalized. These discussions are held in the month of October/November.
- In the Budget Circular, clear instructions are provided for individual Ministry/Department to realistically assess their requirement of funds such that unwarranted surrender of savings[7] at a later date can be avoided.
- At the Ministry/Department level, the estimating authorities forward the budget proposals to the departmental heads. The estimates are scrutinized, necessary modifications are made and they are sent to the FA for further examination and action.
- The FA ensures the correctness of accounts classification, consolidates the estimates for each programme/organisation to present a complete picture of their financial costs, and obtains approval of the Secretary (Expenditure), wherever necessary.
- The Finance Ministry, in consultation with the Planning Commission, decides the size of the 'Gross Budgetary Support' (GBS) available in the Budget for the next Annual Plan of the Government. As soon as the Planning Commission receives this information, it forwards the same to the different Ministries/Departments keeping in mind the sectoral priorities outlined in the Five Year Plan.
- Thereafter, the Ministries/Departments discuss their respective Plan/ Programmes/Schemes (PPS) and the funds required with the concerned officials in the Planning Commission to provide the budget Estimates for Plan Expenditure for the next financial year.
- After several discussions and reviews, the Planning Commission approves the Budget Estimates for Plan Expenditure of each Ministry/Department for the next financial year. This information is passed on to the Ministries/Departments by the Finance Ministry.

[7] When budget is approved by the Legislature the funds are allocated against specific account heads and in case the entire amount is not spent it denies opportunity to another department that needed funds and could have utilized it. Thus, it is important that budget estimates are prepared realistically.

- The Ministries/Departments prepare the Statement of Budget Estimates (SBE) for both the current year's Revised Estimates (RE) and the ensuing year's Budget Estimates (BE) for pre-budget discussions with the Secretary (Expenditure).
- The Financial Advisors then process the SBEs and forward the same to Budget Division by the date prescribed in the Budget Circular. The SBEs contain the current year RE for Plan and Non-Plan expenditure and Non-Plan BE for the ensuing year indicated separately for Revenue and Capital expenditure. In finalizing the same, the Finance Ministry takes into account the actual expenditure incurred (i.e. disbursements made) by the Ministries/Departments in the first six months of the current financial year. This is an indication of the resource absorption capacity or spending capacity of the respective Ministries/Departments in the remaining part of the current financial year and also in the next financial year. In the discussions the total requirements of funds for various PPS are discussed, along with receipts of the Departments (viz. interest receipts, dividends, loan repayments, departmental receipts, receipts of Departmental Commercial Undertakings, etc.). The indicative budget figures are discussed on a net basis. This process of finalization is usually completed during the period from last week of October to end of December.
- The briefs for the pre-budget meetings are prepared by the officers in the Budget Division as per the horizontal allocation[8] of Ministries/Departments and the related demands.
- By the month of January, the Finance Ministry would have an idea of the total requirement of resources to meet expenditures in the next financial year, and so it focuses on the Revenue Receipts for the next financial year.
- The Budget Division (Department of Economic Affairs, Ministry of Finance) finalizes the estimated figures of Non-Tax Revenue Receipts for the Government.

[8] Horizontal allocation refers to allocation across the various ministries and departments.

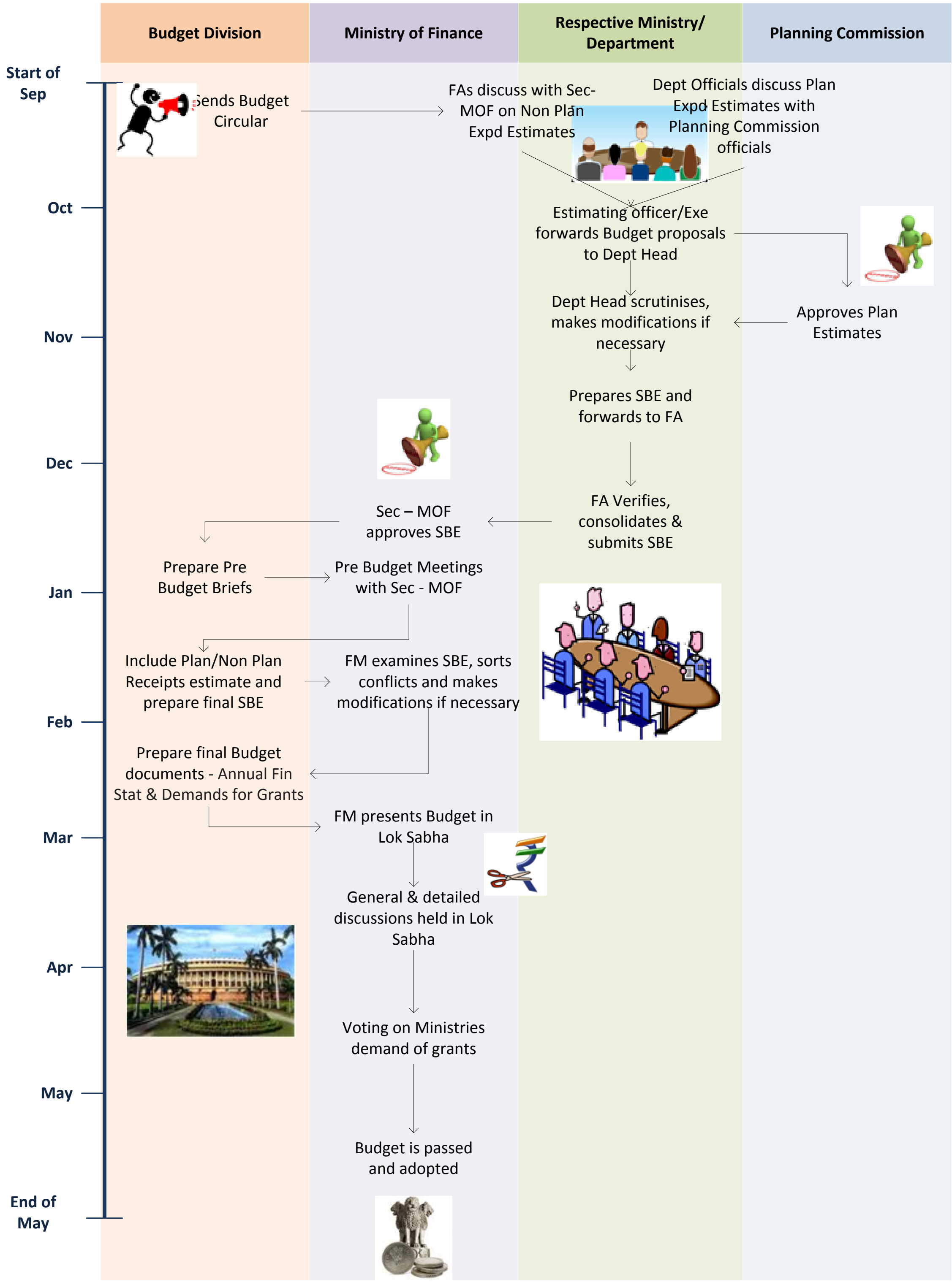

Figure 4: Union Budget Process Calendar

- The Revenue Department (MoF) estimates the Tax Revenue that can be collected in the next fiscal year on the basis of existing tax rates, projected growth of the GDP, tax buoyancy, projected rate of inflation and so on. In case this amount is found insufficient, the Revenue Department focuses on additional resource mobilization, through various direct and indirect tax proposals. With the help of the Central Boards of Direct Taxes and of Customs & Excise, the Department finalizes the Revised Estimate for Tax Revenue in the current financial year and the Budget Estimate for Tax Revenue in the next financial year.
- The FAs of the Ministries/ Departments prepare their final Statements of Budget Estimates in requisite format. The Revenue and Capital expenditure break up is finalized within the concerned Ministries/Departments by the FAs. These final Statements of Budget Estimates are sent to the MoF.

Presentation of budget

Indian budget is presented in Parliament on a date fixed by the President. The Budget speech of the finance minister is usually divided in two parts. Part A deals with general economic survey of the country while Part B relates to taxation proposals

- The next step is to finalize the Budget. The Finance Minister examines the budget proposals prepared by the Ministry/Departments and makes changes, if required. The Finance Minister also consults the Prime Minister, who briefs the Union Cabinet about the Budget at this stage. If there is any conflict between the Ministry/Department and the MoF with regard to any allocation in the Budget, the matter is resolved by the Union Cabinet. The Budget Division consolidates all figures to be presented in the Budget and prepares the final budget documents - the 'Annual Financial Statement' and 'Demands for Grants'.
- The Finance Minister seeks the permission of the President for presenting the Union Budget to the Parliament. As per convention, the Union Budget is presented in Lok Sabha by the Finance Minister on the last working day of the month of February every year.
- After the Finance Minister's Budget Speech in the Lok Sabha, the 'Annual Financial Statement' is laid on the table of Rajya Sabha. The budget documents are made available to the Members of Parliament after the Finance Bill has been introduced in Lok Sabha and the House has been adjourned for the day. No discussion on the Budget is held on the day it is presented in the Lok Sabha. Subsequently, it is discussed in the Lok Sabha in two stages: first, a general discussion, and secondly, a detailed discussion and voting on the Demands for Grants for different Ministries.

State Budgets

The State Annual Plan and Budget formulation process follows more or less the same process and time line as the Union Budget. The State Annual Plans are prepared at the level of the State Government in synergy with the National Annual Plans.

Generally the states finalise and present their budgets during February/March every year. Since the State Governments implement schemes of Central Government also, the 'Plan' component of the State Budget includes both Central and State Schemes. The schemes implemented under centrally sponsored programmes are shown separately. Apart from these, the State has its own 'Non-plan' budget which it requires for its operations.

The State Budget process

The broad steps can be outlined as follows:

- The Budget Cycle begins in August-September, when the initial letter/circular is sent to the line departments from the Finance Department. The circular lays down a detailed time-table and guidelines for finalizing various stages of budget preparation at various levels such as, heads of offices/heads of departments/administrative departments/Planning Department/Finance Department, etc.
- The Planning Commission issues guidelines to the States for the formulation of the Annual Plan[9]. As per the guidelines, the Finance Department of the State prepares an assessment of the State's resource envelope. The Planning Department of the State Government seeks information from each department regarding projected expenditure under State Plan Schemes (SPS), Centrally Sponsored Schemes (CSS), Externally Aided Projects (EAP), Additional Central Assistance (ACA), etc. The Department-wise allocations are fixed, and after approval by the State Government communicated to each Department. Accordingly, the Departments furnish scheme-wise details of outlays and physical targets to the State Finance Department. These discussions take place between 1st and 25th December. It may be noted that 'plan outlay' at the State level means only the State Plan outlay and does not include centrally sponsored items.

[9] Guidelines are also uploaded on the following link http://planningcommission.nic.in/plans/stateplan/index.php?state=b_othbody.htm.

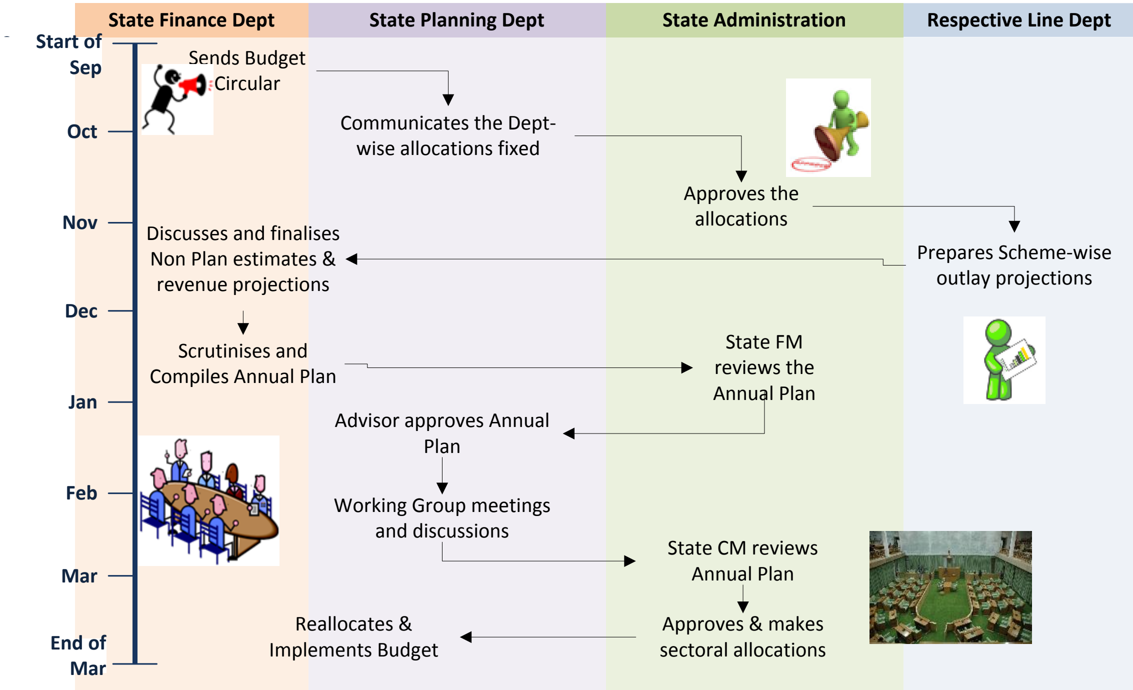

Figure 5: State Budget Process Calendar

- The scheme wise details of each department is scrutinized and compiled into a draft Annual Plan by the Finance Department. This draft Annual Plan document is shared with the Planning Commission by 15th January.
- Meanwhile, meeting is held between the State Finance Department and the Administrative Department for finalization of the Non-Plan estimates. The Finance Department scrutinizes the estimates of standing charges (Non-Plan) received from various administrative departments. After the necessary modifications, the expenditure estimates under all departments are then consolidated to arrive at the figure of 'estimated expenditure' of continuing nature on Non-Plan account for the entire State, for the ensuing fiscal year.
- Simultaneously, while the estimates for Non-Plan standing charges are consolidated, the estimates of revenue and receipts from various sources (tax receipts, non-tax receipts and grants-in-aid, receipts under public debt and recovery of loans and advances) are also prepared in the budget wing of the Finance Department. The Finance Department estimates the resources for the Plan and submits them for approval by Advisor to the Planning Commission. The approval for new PPS by the sectoral departments is given only after the overall resource position of the State Governments is clear.

- The Finance Department re-assesses the financial resources and accordingly the Planning Department re-allocates department wise revised estimates. This is communicated to each department. The approval of the State Government is obtained prior to this.
- Working group meetings of state department heads with the concerned advisors of the Planning Commission are held from 15th January onwards, to finalize scheme wise allocations. From February onwards, States begin preparing for the meetings of the State Chief Minister (CM) with the Dy. Chairperson, Planning Commission for finalization of the size of State Annual Plan. Within 15 days of the meetings, the State administration makes desired changes to sectoral allocations in view of the discussions with the Planning Commission. The final plan with revised sectoral distribution of outlays is sent to the Planning Commission for approval.

Measurement of Resource Gap

For the government, as much as for citizens, it is important to see what the resource gap is in budgeting. In other words, is the government able to raise enough resources to meet its current expenditure (committed expenditure) and some part of capital expenditure? If not, what is the gap? The measures of resource gap now commonly used are revenue deficit, gross fiscal deficit, net fiscal deficit and the primary deficit. These concepts are explained below.

Revenue Deficit:

Revenue deficit is the difference between revenue receipts and revenue expenditure. There is a deficit on the revenue account if the expenditure on the revenue account exceeds the revenue receipts. A surplus on the revenue account would mean that expenditure on the revenue account is lower than the revenue receipts. One of the basic principles of public finance is that there should be a surplus on the revenue account to meet a part of the capital expenditure. Ideally, current (revenue) expenditure should be met from revenue receipts. That is, if not a surplus, at least, the revenue expenditure and revenue receipts must match as otherwise a part of the government borrowings would go to meet the deficit. Borrowing to meet the current expenditure of the government is considered poor public finance management as in course of time when the burden of debt servicing increases, the government would need to borrow even more in order to fund the public expenditure.

Types of Budget Deficits

- *Revenue deficit*
- *Gross Fiscal Deficit*
- *Net Fiscal Deficit*
- *Primary Deficit*

Gross Fiscal Deficit (GFD):

Gross fiscal deficit denotes the borrowing requirements of the government to meet its budgeted expenditure. Gross fiscal deficit is the difference between aggregate disbursements and aggregate receipts of the government. Aggregate disbursements include revenue expenditure, capital expenditure and repayments of loans taken by the government net of recovery of loans. Aggregate receipts for the purpose of calculating GFD include revenue receipts and non-debt capital receipts.

GFD =	(Revenue Receipts + Non-debt Capital Receipts) *minus* (Revenue Expenditure + Capital Expenditure + Loans and Advances net of repayment of loans).

Net Fiscal Deficit is GFD minus net lending of the State government.

Primary Deficit:

Primary Deficit is GFD minus interest payments. Interest payments by the government are given and the government has no discretion over it. The primary deficit shows how current activities of the government influence the net public debt, and accordingly it is an important indicator for evaluating the sustainability of budget deficits.

Budget Management through FRBMA

FRBM

Mandates minimum quantifiable targets for reducing the growth of debt, deficit and guarantees in a time bound manner and entails a series of improvements in the area of fiscal transparency and medium-term fiscal planning to improve budget management

In order to regulate the fiscal management, the Union Government enacted the Fiscal Responsibility and Budget Management Act in December 2000. The Act and the Rules made under the Act were brought into force on 5th July 2004. Similar legislations have been enacted by most state governments. The basic features of FRBM legislation are the same – they not only mandate minimum quantifiable targets for reducing the growth of debt, deficit and guarantees in a time bound manner but also embed a series of improvements in the area of fiscal transparency and medium-term fiscal planning to improve budget management.

Objectives of the FRBM Act

The preamble of the Act declares the three major objectives of the Act as follows:

a. The first objective of the Act is to make the Government responsible to ’ensure inter-generational equity in fiscal management’ implying that borrowings are nothing but deferred taxation and the governments living beyond their means leave a burden of debt on future generations.

b. The second objective is to make the Government responsible for ensuring long term Macro Economic stability because reckless borrowings by government crowds out private investment or fuels inflation or leads to balance of payment crises eventually leading to macro-economic instability.

c. The third objective is to make the Government responsible for removing fiscal impediments to the effective conduct of monetary policy because unsustainable increase in deficit makes the task of the RBI to control money supply difficult as the RBI also happens to be the debt manager of the government.

The strategic approaches of the FRBM Act are:

a. Limits on government borrowing under a time bound programme to altogether eliminate revenue deficit and bring down fiscal deficit to prudent limits.

b. Bringing a medium term perspective in Budget planning through the introduction of certain statements to accompany the budget document.

c. Improving transparency in the fiscal operations of the government in order to avoid any window dressing in meeting the deficit targets as well as improving fiscal discipline.

The Budget Process in Local Bodies

Local bodies (Urban and Rural) have been recognized by the Constitution 73rd and 74thamendments respectively with the right to financial delegation and autonomy to function independently. Therefore, they have their separate Annual Budgets and Plans. Most states and some scheduled areas in a few states have elected rural and urban local bodies.

Article 243H invests the legislature of a state to authorise Panchayats to levy, collect and appropriate certain types of taxes, duties and tolls. In addition, the Legislature may assign the proceeds of certain taxes, duties and levies imposed and collected by the state government. Panchayats may also receive grants-in-aid from the Consolidated Funds of the State.

Local Bodies

The 73rd and 74th Constitutional Amendments provided autonomy to the Urban and Rural local bodies

Similarly, Article 243X invests the Legislature of the State with similar powers in respect of Municipalities. The Legislature of a State may, by law:

a. authorise a municipality to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;

b. assign to a municipality such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits and

c. provide for making such grants in aid to the Municipalities from the Consolidated Fund of the State.

The local bodies get their funds from three major sources viz. own sources (tax and non-tax), borrowings (wherever permitted), and transfer from the State Government. Financial resources are transferred to the local bodies by the State Government, usually on the recommendations of State Finance Commission constituted by the Governor once in five years to meet their committed expenditure and implement development programmes. The State Finance Commission based on various parameters lays down a formula for estimating how much funds are to be transferred to each of the local bodies. This transfer is accounted in the Annual

Budgets of the States. Local bodies also raise some resources of their own and also incur expenditure for various other programmes and naturally, these are not reflected in the State Budget. Thus the State Budget does not reflect the entire receipt or the expenditure of the local bodies.

Normally, all development resources allocated from the State Budget to local bodies are subsumed in the Annual Budgets of the States. As a consequence, it is difficult to ascertain the expenditure and developmental programmes of the local bodies from the Annual Budgets of the States.

The Urban and Rural Local Bodies generate financial resources within their jurisdiction. These resources are made use of by the Local Bodies for a variety of functions that include administrative expenses such as compensation to employees, office expenditure, providing general, economic and social services to the people through capital and current expenditures. The 13th Finance Commission (FC) has made several significant recommendations relating to the urban local bodies with the aim to strengthen municipal finances and urban governance in India. The 13th FC recommended that the grants for local bodies be distributed to the States in two parts:-

a. General Basic Grants

b. General Performance Grants - This category of grants can be accessed by the States only if the State complies with the following nine conditions or reforms:

   - The State Government must put in place a supplement to the budget documents for local bodies.
   - The State Government must put in place an Audit System.
   - The State Government must put in place a system of independent local body Ombudsmen.
   - The State Government must put in place a system to electronically transfer local body grants provided by the Commission.
   - The State Government must prescribe through an Act the qualifications of persons eligible for appointment as a member of the State Finance Commission.
   - All local bodies should be fully enabled to Levy Property Tax without hindrance.
   - The State Government must put in place a State Property Tax Board.
   - The State Government must gradually put in place standards for delivery of essential services.

- All municipal corporations with a population of more than one million (2001 census) must put in place a Fire-hazard Response and Mitigation plan for their respective jurisdictions.

Urban: The Urban Local Body Budget Process

The budget process at the ULBs is slightly different compared to the State and Union governments and is guided by Statutes that have to be mandatorily followed. Most of the funds are released as grants or devolved to the local self-governments by the Union or State governments and this constitutes a significant portion of the ULB budgets. The process also differs from State to State. The following paragraphs discuss the budget cycle based on the system prevalent in Karnataka and Tamil Nadu. This is a reasonable representation of the system in other states also.

The Budget Cycle

The Budget Cycle begins with the preparation and publication of the Annual Performance Report[10] of the previous year. It is important that this report is published in September/October of each year.

The first round of public consultations towards finalizing the Budget is held in November when the Annual Performance Report is also discussed. The second round of public consultations is organized in December and the draft budget is outlined. The budgets are first prepared at the unit office level and consolidated upwards at the Department level and the ULB level. This is submitted to the Commissioner/Chief Officer who then finalizes the Budget. This procedure, however, differs from state to state.

The Budget document is submitted to the Municipal Council within the time prescribed (Jan/Feb). The Budget is approved by the Council after discussions and the necessary alterations are made. This process should be complete before 31st March. The Annual Financial Statements of the previous year are submitted to the auditors before 31st May. This audit process is to be completed before 31st July every year and the council has to adopt it before 31st August. In September, as mentioned earlier, the Annual Performance Report is prepared. The Performance Report is based on the Annual Financial Statement of each year.

At the ULB level the Budget Documents constitute the following:

a. Details of expected income and expenditure for the next ensuing financial year from April to March.

b. Expected grants under SFC and other scheme grants sponsored by Central and State governments.

[10] It is called Annual Performance Report in Karnataka and Budget Performance Report in Tamilnadu. These are not mandatory in all States.

c. Expected tax from property and lands (advertisement tax, development charges)

d. Estimates of Expenditure on general administration, maintenance of street lights, public health and convenience, maintenance of water supply, maintenance of vehicles, celebration of national festival, purchase of chemicals and sanitary material, taking up of civil works, making contributions, reservation of 22.75% amount for the welfare of SC and ST, and reservation of amount for sports. This also differs from state to state.

e. Repayment of outstanding loans and other dues payable to government.

f. Payment of pensioner contribution, guarantee commission payable to the government, etc.

g. Payment of audit charges and cess amount to the government.

h. Service charges payable to the respective departments.

Approval of budgets

Urban and Rural local bodies have their own elected bodies which have the authority to approve the budget.

Rural: The Gram Panchayat Budget Process

The process of preparation of budgets and their approval and the associated timelines differ slightly from State to State. Standardization of processes and formats across the country is only now being attempted in the PRI sector unlike the ULB sector where the reforms have started a few years back. The process explained in the following paragraphs[11] may be taken as reasonably representing the process in other states also with certain changes.

The Secretary prepares the Budget for the Gram Panchayat[12] towards the end of January every year. The Secretary places the budget proposal before the Gram Panchayat sometime between 1st February and 10th March. The Gram Panchayat General Body approves the budget. In the next stage the budget passed by the general body is ratified by the Gram Panchayat officials. Subsequent to this the Secretary and President of the Gram Panchayat sign and approve the Budget document.

The budget passed/approved by the Gram Panchayat is sent to the Taluk. All the Gram Sabha budgets are received by the Taluk Panchayat[13] office, and the Taluk executive officer ratifies these documents and approves the same around April. This budget approved by the Taluk Executive Officer is the final budget of the Gram Panchayat.

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[11] Based on the system prevalent in Karnataka

[12] Village Level

[13] Block Level

There is a provision for a citizen interface with the Gram Panchayat members during the period 16th August to 15th September every year to discuss the budget. Also, there is opportunity for citizen interface in the form of Gram Sabhas (every six months) to ensure a participatory discussion on the budget.

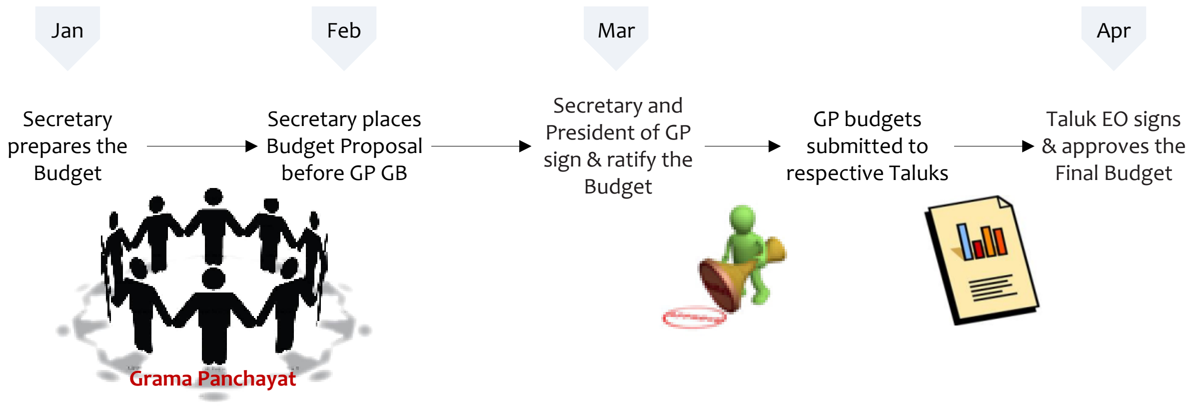
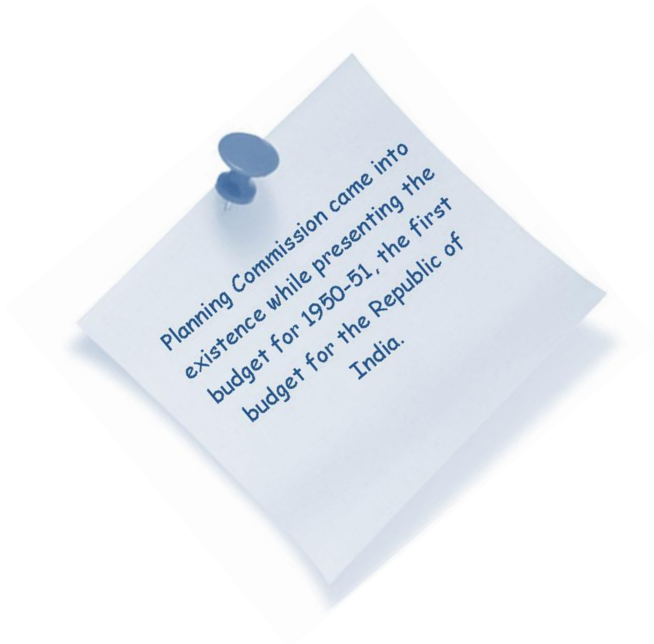


Figure 6: PRI Budget Process (Generic)

A similar budget process is followed in the Taluk (Block) and Zilla (District) Panchayats also.



Check your Understanding - Unit A3

Instructions

Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **Budget process includes the following except:**
    a. Enactment of the budget
    b. Release of Economic Survey
    c. Execution of the budget
    d. Legislative review of the budget implementation

2) **Generally the budget preparation process starts during the month of**
    a. January
    b. December
    c. September
    d. March

3) **Annual Budget Circular is issued by**
    a. Department of Economic Affairs
    b. Planning Commission
    c. Public Accounts Committee
    d. Office of C&AG

4) **Plan Expenditure for various ministries is approved by**
    a. Public Accounts Committee
    b. Office of C&AG
    c. Department of Economic Affairs
    d. Planning Commission

5) **Tax Revenues are estimated by**
    a. Revenue department
    b. Income Tax department
    c. Ministry of Finance
    d. Reserve Bank of India

6) **Pre-budget discussions on Statement of Budget Estimates, Revised Estimates are held with**
   a. Secretary Expenditure MoF
   b. Finance Minister
   c. C&AG
   d. Members of Parliament

7) **The difference between revenue and expenditure is called as**
   a. Budget deficit
   b. Fiscal deficit
   c. Revenue deficit
   d. Current account deficit

Part II: Fill in the blanks with suitable words

1) **________________________ is the nodal agency for planning in India**
   a. Parliament
   b. Planning Commission
   c. Finance Ministry
   d. Central Government

2) **Finance Minister seeks the permission of ______________ to present the Budget**
   a. Parliament
   b. Prime Minister
   c. President
   d. Planning Commission

3) **When there is conflict between Ministry of Finance and other Ministries on budget estimates the same is resolved by _________**
   a. Planning Commission
   b. Union Cabinet
   c. Finance Minister
   d. President

4) **Size of State Annual Plan is finalised by the State Chief Minister in consultation with _____**
   a. Union Finance Minister
   b. President
   c. Deputy Chairperson, Planning Commission
   d. Governor of the State

5) **Financial resources are transferred to local bodies based on the recommendation of the _________**
   a. Finance Minister of the State
   b. Finance Department
   c. State Finance Commission
   d. Union Finance Minister

UNIT A4

Fiscal Architecture and Resource Flow from Union to State

Unit A4: Fiscal Architecture and Resource Flow from Union to State

The Constitution of India provides a clear division of the roles and responsibilities of the Union and State Governments, which also translates into a division of powers to legislate and related powers to levy taxes between the two. Taxes form a huge chunk of the revenue receipts both for the Union and the State.

Division of taxation powers

Taxation powers

The Indian Constitution divides taxation powers between the Centre, States and Local Bodies

The power to levy taxes and duties is divided amongst the governments within the three tiers of governance, i.e. Union Government, State Governments and Local Bodies. This division of taxation powers between the three tiers follows the provisions laid out in the Indian Constitution. The division of taxation powers between the Union, State and Local bodies is as follows:

Union Government

Vested with the power to levy Income Tax (except tax on agricultural income, which the State Governments can levy), Customs duties, Central Excise, Central Sales Tax and Service Tax.

State Governments

Vested with the power to levy Sales Tax (tax on intra-State sale of goods), Stamp Duty (a duty on transfer of property), State Excise (a duty on manufacture of alcohol), Land Revenue (a levy on land used for agricultural/ non-agricultural purposes), Duty on Entertainment and Tax on Professions.

Local Bodies

Local bodies have been empowered to levy tax on properties (buildings, etc.), Octroi (a tax on entry of goods for use/consumption within areas of the Local Bodies), Tax on Markets and Tax/User Charges for utilities like water supply, drainage, etc.

The Union - State Fiscal relations

There is a vertical imbalance between the Union and the States with respect to powers related to raising revenue through taxes and duties in comparison to the expenditure requirements. The states have limited or insufficient powers with respect to revenue mobilization. This 'vertical imbalance' between the Union and State fiscal relations was deliberately built into the fiscal architecture for two reasons i.e. (a) for uniformity, economy and efficiency in tax administration and (b) to address the 'horizontal imbalance' arising out of limited/restricted abilities of some states to mobilize/generate adequate resources independently. For example, States like Bihar and Jharkhand have greater development needs compared to the resources they can generate. Therefore, to ensure equitable development across States, the fiscal architecture enables the Union Government to transfer/devolve significant amount of financial resources from the Central Pool to supplement the revenues of certain less developed states. This money is transferred in the form of loans, grants and the State's share in tax revenue collected by the Centre.

The Planning Commission's role is very significant in deciding the magnitude of funds to be given from Union Budget to different States as 'Central Assistance for State Plans' and the magnitude of funds to be given to Central Government Ministries/Departments for Plan expenditure on the Central Sector Schemes. The Planning Commission is also responsible for assessing the availability of own resources with a State Government and its capacity to utilize the funds. Once the size of the State Plan is decided, the Planning Commission recommends to the Centre to provide financial assistance to the State for its State Plan, which is based on the Gadgil formula (Revised) given in **Table 1**.

Table 1: Gadgil formula (Revised)

Gadgil-Mukherjee Formula			
I	Criteria	Weight	Remarks
II	Population (1971)	**60%**	
	Per capita Income	**25%**	
	a) Deviation method	*20%*	Covering states with per capita SDP below national average
	b) Distance method	*5%*	For all states
III	Performance in Tax Effort, Fiscal Management and Progress in respect of National objectives	**7.5%**	Tax policy [2.5%], Fiscal Management [2.0%], National objectives [3%] comprising population control (1.0%), elimination of illiteracy (1.0%), timely completion of Externally Aided Projects (0.5%) and land reforms (0.5%)
IV	Special Problems	**7.5%**	

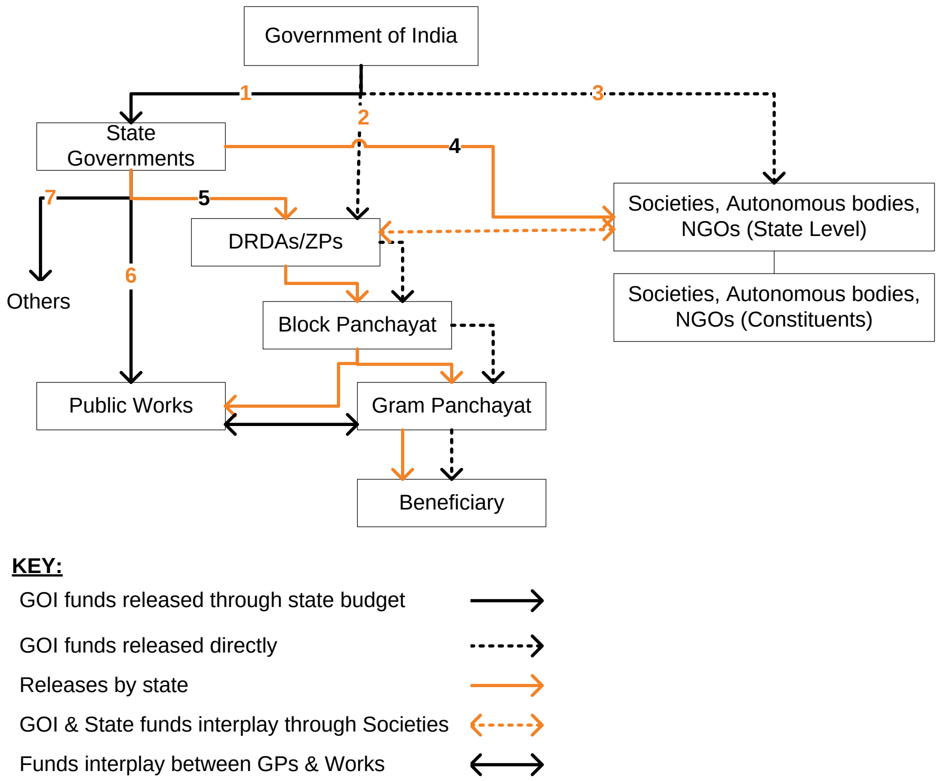
The money kept aside from the Union Budget in the form of the State's share in Central Taxes, Non-Plan Grants for the State, Central Assistance for State Plan, and the funds allocated for Central Sector Schemes determine to a significant extent the total expenditure that can be incurred from the State Budget. Though the fiscal year/ financial year for the States is same as that for the Centre yet, in case of many States, the State Budget is finalized only after the Union Budget is presented, as a large chunk of funds for the State would be transfers from the Union Budget.

A part of grants to the States are 'untied'. Untied grants are those that are not tied to any specific spending programme designed by the Centre and are also known as '**block grants**' or '**general purpose grants**'. However, a substantial chunk of the Union Government's grants for a State are **'Tied grants'** or '**specific purpose**' grants.

Resource flow from Union to States

The resource flow from Union Government to State Governments is mainly by way of assignments (example: the State's share in central taxes is an assignment) and transfers. The transfer of resources from Centre to States may also be classified as

- **Non-Plan transfers** - Finance Commission Grants and other Non-Plan Grants, and
- **Plan transfers** - State Plan Schemes, Centrally Sponsored Schemes (CSS) and a small portion of Finance Commission grants treated as Plan Grants.
- In addition to these (Non-Plan and Plan Transfers), the Central Ministries also implement some schemes directly in States/UTs which are called **Central Sector Schemes** but resources under these Schemes are not generally transferred to States.



Note:

i. In the present accounting system, GOI releases to the State Government and state level IA marked in figures as 1, 2 and 3 are captured as final expenditure in the GOI Accounts.
ii. Releases by State Government to State level Societies (4) and DRDAs (5) etc are booked as final expenditure in the accounts.
iii. The flow of fund depicted by unnumbered arrows is not captured in the State accounts.
iv. Actual expenditure is captured in State accounts only in respect of expenditure incurred by State Departments (6, 7).

Source: *Report of the High Level Expert Committee on Efficient Management of Public Expenditure, Government of India, Planning Commission, New Delhi, July 2011*

Figure 7: Fund releases to States

The grants for Centrally Sponsored Schemes are meant to supplement the resources of the State Governments, who are responsible for the implementation of these schemes. State Governments are expected to contribute a matching amount although these schemes are designed by the Central Ministries. These Central Ministries then pass on the funds to the States from the Central Plan Budget that the Ministries control. The outlay and nature of the individual schemes are determined by the provisions and guidelines attached to schemes, and are relatively inflexible, and cannot be altered by the States. The flow of funds from a Union Budget to State Budget is shown in **Figure 8** below.

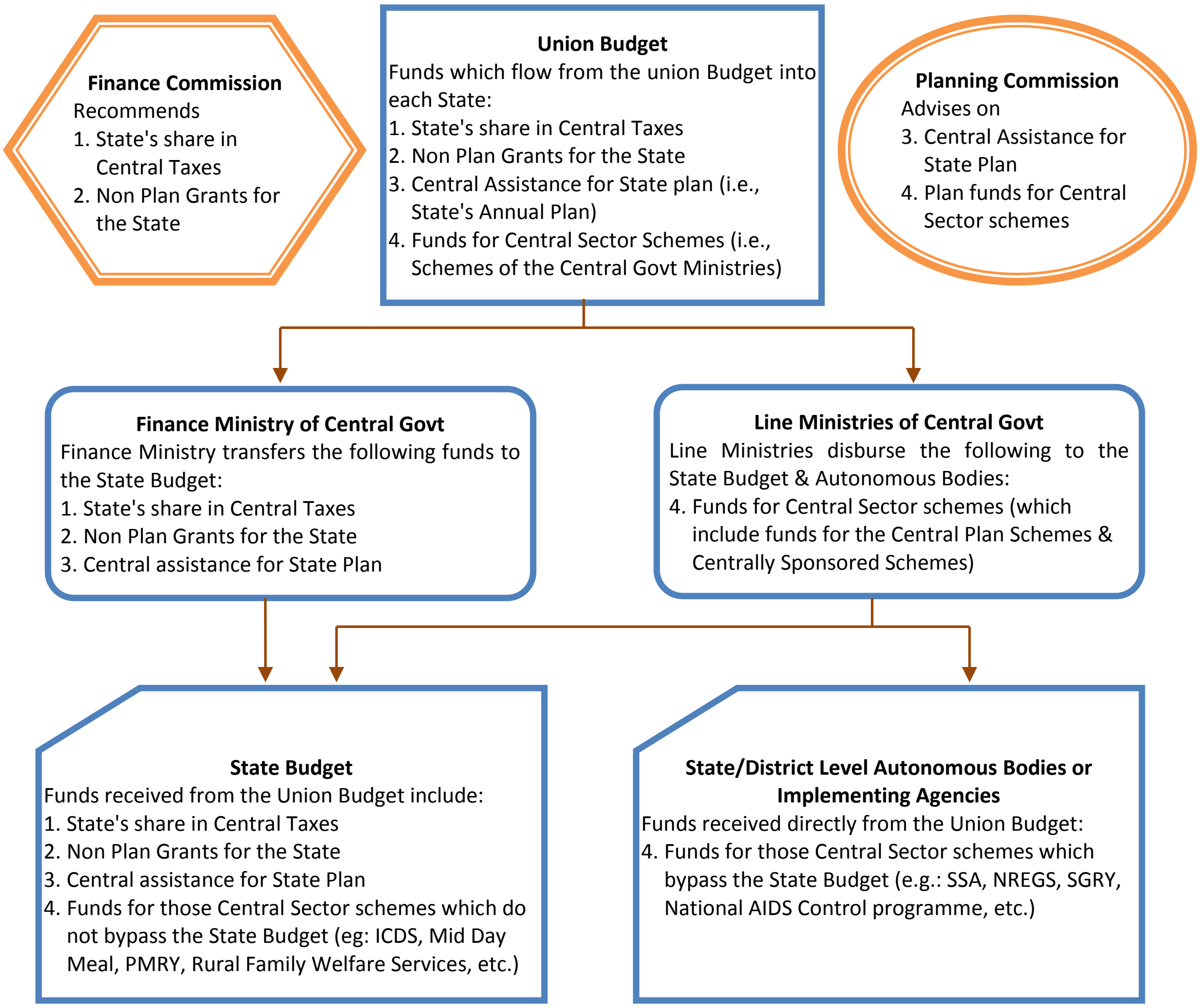


Figure 8: Flow of funds from Union Budget to State Budget and Autonomous Bodies

Mode of fund transfer

There are mainly two ways in which finances are transferred from the Centre to the States - the **Treasury route** and **Direct transfers/Society route**. Non-Plan transfers such as Finance Commission grants are transferred to the States through **Treasury route** whereas in case of Plan schemes, resources are transferred through either **Treasury route** or **Direct transfer/Society route.** The characteristic of each of these fund transfer routes is shown in **Table 2**:

Table 2: Treasury and Direct Funds Transfer

Treasury Mode	Direct transfer/Society Mode
• The RBI is intimated to transfer the funds to the State Government. • A clearance memo from the RBI to confirm fund transfer is received by State Government and State Accountant General (AG). • The finance department of the State approves and sanctions the budgetary allocation /withdrawal. • The concerned department/agency withdraws funds. • The system ensures that the expenditure is routed through the treasury and is captured by the AG office through vouchers received for the same. • **Accountability under this mode:** The treasury accounting system is a robust system that tracks down expenditure up to the object level as vouchers for each transaction are available with the treasury/AG. The expenditure, as compiled by the AG, goes through a process of validation and is audited by the CAG. • For funds transferred under this mode, in GOI accounts, the transfer to States is treated as Grants-in-Aid and booked as final expenditure and can be traced to corresponding receipts in the State Budgets.	• The funds are credited directly to the bank accounts of concerned agencies, i.e. DRDAs, Societies, NGOs. • The agencies to which funds flow directly from GOI are PRIs, ULBs, societies/ autonomous bodies at State level, central autonomous bodies, NGOs etc. Collectively these Bodies are known as Implementing Agencies (IAs). • Funds are released by these first level recipients to their constituents at the district, block (taluk) or village level. • **Accountability under this mode**: Expenditure of funds is monitored by the concerned central administrative ministry/department. The audit of such bodies is conducted by chartered accountants. • The weakness of this mode of transfer is that there is no uniform formal accounting framework for these IAs. There is no assurance whether the amount has actually been spent by the IAs on the schemes or not. Also, assets created in the system remain unaccounted.

Accounts compilation in state treasuries in almost all the States as also in the AG offices is computerized. It is thus easy to track these funds till the State Government spends this amount through departments, or transfers the fund to the Implementing Agencies (IAs - mostly local bodies). The funds transferred to local bodies are captured at the time of release and booked as expenditure. However, one limitation is that the actual expenditure by the local bodies is not fed back into the treasury system. There is no clear unitary accountability model that takes a comprehensive view of the total transfers to States and accounting and reporting issues linked to these transfers.

Check your Understanding - Unit A4

Instructions
Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **Power to levy Sales Tax rests with**
   a. Union government
   b. State government
   c. Local government
   d. All of the above

2) **The major role in allocation of funds to the States is with**
   a. Planning Commission
   b. Union Finance Minister
   c. Public Accounts Committee
   d. Council of Ministers

3) **The two modes of funds transfer are**
   a. Government route and RBI route
   b. Bank route and society route
   c. Treasury route and bank route
   d. Treasury route and direct route

4) **Union to State fund transfer does not include**
   a. Non Plan Transfers
   b. Central Sector Schemes
   c. State Financial Commission transfers
   Plan Transfers

5) **Planning Commission uses this formula for recommending funds transfers to States**
   a. Budget Formula
   b. Gadgil Formula
   c. Nehru Formula
   d. Treasury Formula

Part II: Fill in the blanks with suitable words

1) **Grants that are not tied to any specific programme are called as _________**
   a. Untied grants
   b. Block grants
   c. Specific grants
   d. General purpose grants

2) **Gadgil formula does not include ______________ as one of the criteria**
   a. Population
   b. Per capital income
   c. Inflation
   d. Special problems

3) **Levying property tax is the domain of _________**
   a. Local governments
   b. Central government
   c. State government
   d. None of the above

4) **In many states budget is finalized after Union Budget, as ___________**
   a. Both follow different budget period
   b. Only after approval of Union budget State budget has to be released
   c. States have to wait for permission from the Central Government
   d. Transfers from Union to each state has to be known

5) **The responsibility of implementing centrally sponsored schemes lies with the _________**
   a. State government
   b. Central government
   c. Finance Ministry
   d. Finance department of the State

UNIT A5

The Accounting System

Unit A5: The Accounting System

Accounting system followed in India

In India, both at the Union and State, government accounts are kept on a cash basis. Only actual receipts and payments during the financial year are taken into account. Any outstanding liabilities or accrued incomes are not included and all cash appropriations lapse at the close of the financial year[14]. This system has several advantages:

- It is simple and easy to monitor.
- It is compliant with budget and legislative regulations.
- The focus is on cash management.

However, there are some limitations to this system:

- It does not account for expenditure already incurred for which payment is yet to be made.
- It does not account for revenue earned but cash not received.
- Asset accounting of government buildings, infrastructure, power projects, etc. is partial and incomplete. This is because all the money spent on creation or purchase of assets is treated as expense and not considered as assets as the government does not prepare a balance sheet on strict accrual accounting principles[15]. Also receivables information is incomplete, as they are not accrued.
- Liability accounting is incomplete as liabilities such as current liability and pension liability are excluded.
- There is no accounting for depreciation, and outstanding revenue is not fully accounted, so the accounting system does not provide a true and fair view.

As has been discussed earlier, government accounts are maintained in three parts - Part I - Consolidated Fund, Part II - Contingency Fund and Part III - Public Accounts. (Also refer **Box 2**, for structure of Governments Accounts). As can be seen in the table, Part I - **Consolidated Fund** is further divided into **Revenue Section** and **Capital Section**. The **Revenue Section** includes **receipts** (Tax revenue, Non-Tax Revenue and Grants-in-Aid and Contribution) and **expenditure** (four functional service categories/sectors - General, Social, Economic and Grants-in-Aid and Contributions). The functional classification has been given in **Annex A2**.

Cash Vs Accrual

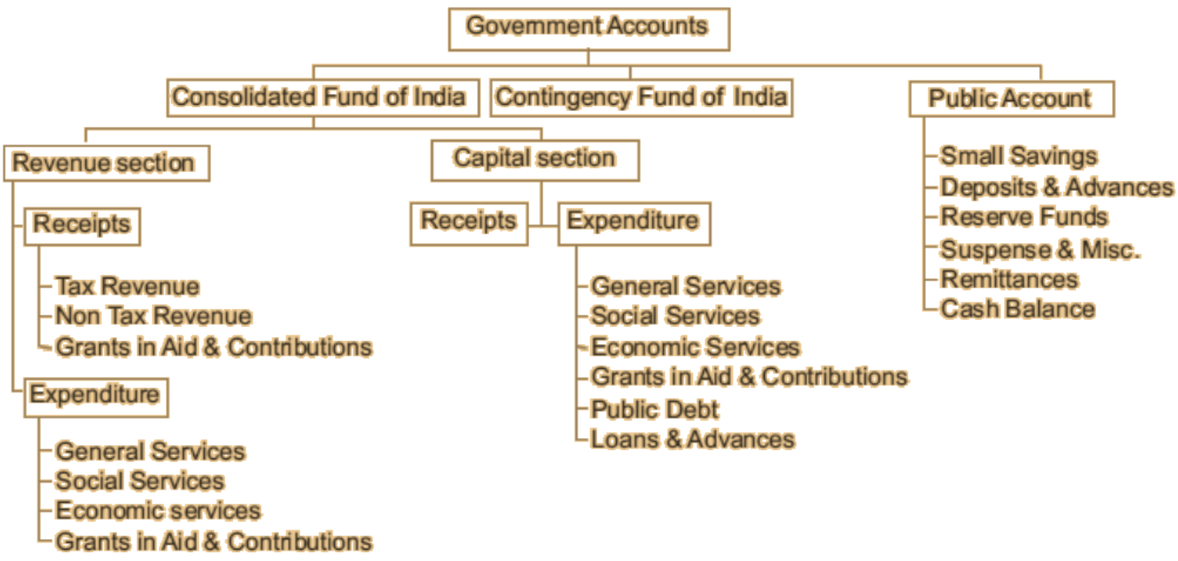
In cash basis of accounting, inflows and outflows are recognized when money actually comes in or goes out.

In accrual basis, inflows and outflows are accounted as revenue is earned or expenditure is incurred irrespective of whether there is a movement of cash

[14] Since the accounting is not accrual, receivables and payables are not known clearly, and any pending payments and pending receipts are not known by looking at the financial statements.

[15] For instance, the Government prepares a 'Statement Showing Liabilities and Assets of the State' for each year but not on strict accrual principles

Box 2 - Structure of Government Accounts



The Accounting Process in India

The accounting process of government transactions in India has been designed in a manner each accounting transaction is linked to a function or activity, and the concerned administrative Ministry/Department (that is responsible for that activity and controls the transaction). Also, in this system there is a provision to match the transactions to legally approved appropriations. This enhances transparency and legislative scrutiny. The accounting system also serves as a financial management tool for both the Union and State Governments. In India, there is a **system of uniform classification of transactions for both the Union Government and the State Governments.** This enables financial comparisons between the two governments.

The Accounting Classification and Coding System

The budget of the government - both Union and State - is provided against the account heads. The accounting system follows classification of transactions on a function-cum-programme basis or a functional approach to classification as has been discussed. This is based on a uniform classification for the budget and accounts. This system presents the objectives and purposes of government expenditure clearly in terms of functions, programmes and activities. The accounting system follows a six-tier system that is discussed at length with examples in the following paragraphs.

The six tier accounting classification

Each Division in the Consolidated Fund is divided into sectors, which is further divided into sub-sectors and then into the six tiers of accounting classification. The main unit of classification in accounts is the major head which is divided into sub-major heads which are further divided into minor heads. Each minor head has a number of subordinate heads or sub-heads. The sub-heads are further divided into detailed heads which in turn are split into object heads. Codification structure up to minor head is uniform across the country as it is prescribed by Controller General of Accounts in consultation with the Comptroller and Auditor General of India. The States are free to decide the coding of sub head and below depending upon the local requirements. Due to this, the system of coding below sub head could vary from state.

(1) Major Head
(2) Sub-Major Head
(3) Minor Head
(4) Sub-Head
(5) Detailed Head
(6) Object Head (also called as sub-detailed head).

Expenditure is classified according to the function, programme, and their economic nature using a fifteen digit numerical code. Receipts are classified according to their nature and source.

Contingency Fund has only a single major head and all the transactions met out of the Fund are recorded under it.

Understanding Account Codes

A four digit code is allotted to the Major Head: the first digit indicates whether the Major Head is a Receipts Head or Revenue Expenditure Head, or Capital Expenditure Head or Loans and Advances Head (in case of consolidated funds) or whether it pertains to Public Account.

- First digit is '0' or '1', the Head of Account represents Revenue Receipt;
- First digit is '2' or '3' it represents Revenue Expenditure;
- If first digit is '4' or '5', it indicates Capital Expenditure;
- '6' or '7'indicates it is Loans and Advances Head;
- ‘4000’ represents Capital Receipt;
- '8000' represents Contingency Fund; and
- First digit 8 represents Public Account.

The number of classifications in the detailed Demands for Grants comprises the standard six tiers. The six tiers, what each tier indicates, and the corresponding codes are presented in **Table 3**.

Table 3: Account Codes Explained

<table>
<tr><th>The Tiers</th><th>What does it indicate?</th><th colspan="2">Understanding the codes</th></tr>
<tr><td>Major Head - 4 digits

Represents a function of the Government within a particular sector/sub-sector.</td><td>Each Head indicates broad function of Government. Refer Box 4, The Detailed Demand for Grants Demand No. 57, Department of School Education and Literacy, 2008-009. The Major Head 2202- General Education.</td><td colspan="2">A Four digit code is allotted to the Major Head; <u>the first digit</u> indicates whether the Major Head is a Revenue Receipt/Revenue Expenditure, Capital Receipt/Capital Expenditure/ Contingency/ Loans & Advances/Public Account.
In the example, the Major Head <u>2</u>202- General Education. The first digit ‘2’ indicates Revenue Expenditure.</td></tr>
<tr><td>Sub-Major Head- 2 digits
Represents the sub- function of the government</td><td>The Sub-Major heads are opened under a Major head to record those transactions which are of a distinct nature and of sufficient importance to be recorded exclusively, but at the same time allied to the function of the Major head.</td><td colspan="2">This is a ‘two digit’ code starting from ‘01’ allotted, under each Major Head. A code ‘00’ is allotted in case no sub major head exists. A standard nomenclature ‘General’ has been allotted code ‘80’ so that even after further sub-major heads are introduced the code for ‘General’ will continue to remain the last one.
In the example the Sub Major Head is 01 - Elementary Education.</td></tr>
<tr><td rowspan="4">Minor Head- 3 digits
Representing a programme of the government.</td><td rowspan="4">The Major and Sub-Major heads are subdivided into Minor heads. The minor heads correspond to programmes or broad groups of programmes. It is output oriented rather than organization or input oriented.
In the example the minor head is 107 - Teachers Training.</td><td colspan="2">The minor heads have been allotted a three digit code starting from 001.</td></tr>
<tr><td>Codes from ‘001’ to ‘100’ and ‘750’ to ‘900’</td><td>Reserved for certain standard Minor Heads. Example 001 always represents Direction and Administration. The Code for ‘Other Expenditure’ is ‘800’.</td></tr>
<tr><td>Code numbers from ‘900’</td><td>Always reserved for Deduction (Receipt and Expenditure) Heads.</td></tr>
<tr><td>Code ‘600’</td><td>This is the code for other grants/other schemes, etc. where minor head ‘Other Expenditure’ also exists. This has been done to ensure that the order in which the Minor Heads are codified is not disturbed when new Minor Heads are introduced.</td></tr>
<tr><td>Sub-Head- 2</td><td colspan="3">In the example:</td></tr>
</table>

<table>
<tr><th>The Tiers</th><th>What does it indicate?</th><th>Understanding the codes</th></tr>
<tr><td>digits

Represents scheme</td><td colspan="2" rowspan="3">There are two Sub-Heads or two schemes under the Programme - Teachers Training.

<u>01-</u> Strengthening of Teachers Training Institutions - Sub-head

01.00.<u>13</u>- Office Expenses – Detailed Head

01.00.<u>31</u>- Grants- in- Aid- Object Head (the economic Nature of Expenditure)

<u>04</u>- National Council for Teachers Education- Sub-head

04.00.<u>31</u>- Grants-in-Aid - Object Head (the economic Nature of Expenditure)</td></tr>
<tr><td>Detailed Head- 2 digits

Represents a Sub-Scheme</td></tr>
<tr><td>Object Head - 2 digits

Object Head or Primary Units of Appropriation- representing economic nature of expenditure</td></tr>
</table>

This classification is explained with the help of an example - the Demand for Grants, Demand No. 57, Department of School Education and Literacy (**Box 4)** & Expenditure Classification and Coding System: An Illustration **(Box 3)**

The classification system also applies to the State Governments, with the exception that they are given the flexibility to introduce their own heads of account below the third tier in the six tier hierarchy as per their respective needs. Understanding the coding system is of utmost importance for any expenditure review exercise.

Box 3 - Expenditure Classification and Coding System: An Illustration[16]

मांग संख्या 57
DEMAND No.57
स्कूल शिक्षा एवं साक्षरता विभाग
DEPARTMENT OF SCHOOL EDUCATION AND LITERACY

	राजस्व REVENUE	पूँजी CAPITAL	कुल TOTAL
स्वीकृत VOTED	27850,00,00	--	27850,00,00
प्रभारित CHARGED	--	--	--

(हजार रुपया में)
(In thousands of Rupees)

Revenue Section

बजट अनुमान
Budget Estimates
2008-2009

		योजनागत Plan	योजनेतर Non-Plan	कुल Total
2202	General Education (Major Head)			
01	Elementary Education (Sub-Major Head)			
107	Teachers Training (Minor Head)			
01	Strengthening of Teachers Training Institutions (Sub Head)			
01.00.13	Office Expenses	30,00	--	30,00
01.00.31	Grants-in-aid	1,00,00	--	1,00,00
04	National Council for Teacher Education(Sub Head)			
04.00.31	Grants-in-aid	--	--	--
जोड़ Total-	**Teachers Training (Minor Head- 107)**	**1,30,00**	**--**	**1,30,00**
111	Sarva Shiksha Abhiyan (Minor Head)			
01	General Component (Sub Head)			
01.01	Sarva Shiksha Abhiyan (Amount to be met from Gross Budgetary Support) (Detailed Head)			
01.01.28	Professional Services	15,00,00	--	15,00,00
01.01.31	Grants-in-aid	2716,03,00	--	2716,03,00
जोड़ Total-	**Sarva Shiksha Abhiyan (Amount to be met from GrossBudgetarySupport)**	**2731,03,00**	--	**2731,03,00**

[16]Source: Demand for Grants, Department of School Education and Literacy, 2008-09

Check your Understanding - Unit A5

Instructions
Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **Consolidated Fund does not include**
    a. Capital Receipts
    b. Revenue Expenditure
    c. Finance Accounts
    d. Capital Expenditure

2) **Government Accounting codes follows a**
    a. Two-tier system
    b. Six-tier system
    c. Three-tier system
    d. Five-tier system

3) **If the first digit of the account code is '2' or '3' represents**
    a. Revenue Expenditure
    b. Revenue Receipt
    c. Capital Expenditure
    d. Capital Receipt

4) **The last two digits of the 15 digit code represents**
    a. Object code
    b. Minor head
    c. Detailed head
    d. Sub-head

5) **The Major heads with first four digits represent**
    a. Function/sector/sub-sector
    b. Priority sector
    c. Voted item
    d. Charged item

Part II: Fill in the blanks with suitable words

1) **_______ represents the complete code of Plan expenditure of Grant-in-aid in Box 3 for Rs.13000 (Crore)**
   a. 2202.01.111.04.00.31
   b. 2202.01.107.01.00.13
   c. 2202.01.111.01.00.13
   d. 2202.01.107.01.00.31

2) **The code for professional services for Sarva Siksha Abhiyan as per Box 3 is ______________ providing for Rs.150000 (Crore)**
   a. 2202.01.111.01.01.28
   b. 2202.01.111.01.01.01
   c. 2202.01.111.01.01.31
   d. 2202.01.111.01.01.13

3) **Minor head represents the _______________ of the government**
   a. Ministry
   b. Department
   c. Programme
   d. Function

4) **The two-digit sub-head represents the ___________**
   a. Scheme
   b. Sub-scheme
   c. Project
   d. Programme

5) **____________is not part of the Finance Accounts**
   a. Small savings
   b. Reserve funds
   c. Economic Services
   d. Remittances

6) **Governments in India follow _________ system of accounting**
   a. Accrual
   b. Hybrid
   c. Cash
   d. Single entry

UNIT A6

Understanding Budget Documents

Unit A6: Understanding Budget Documents

The Annual Financial Statement or the Budget comprises of several statements. These statements taken together are called the Union or State Budget. It is important to understand how the budget papers are organized to be able to locate the information that will help in analysing the budget. This section examines how the budget papers are organized and identifies the different statements and tries to help understand the same.

Listing Budget Documents

There are as many as fourteen separate documents – some of which have to be placed in the Parliament/State Legislature and some others that are supporting documents or explanatory documents that help present the Budget information in a more suitable manner. Some budget documents are common for both the Union and State. However, there are inter-State variations with respect to certain documents that are part of the State Budgets. The information in all the documents is presented in a consistent and comparative format.

Budget documents

14 documents

4 categories

6 statements

Broadly, all the fourteen documents can be clubbed into four categories:

- The first category comprises all the Summary Documents - Budget Speech, Budget at a Glance and the Annual Financial Statement (AFS). Of these, only the AFS is presented in the Parliament/ State Legislature.
- The second category comprises all the expenditure documents - Expenditure Budget Vol.-I, Expenditure Budget Vol.-II and Demand for Grants or Appropriation Bill. Of these only the Demand for Grants/Appropriation Bills is placed in the Parliament/ State Legislature. These documents contain detailed information on expenditure of the government.
- The third category comprises all revenue documents that present detailed information on how money is raised by the government. The revenue documents are Receipts Budget, Finance Bill and Memorandum on Finance Bill. Of these, the Finance Bill alone is presented in the Parliament/ State Legislature.
- The last category lists all those documents that are published under the Fiscal Responsibility and Budget Management Act (FRBMA)[17]. These include the Macro Economic Framework, Medium Term Fiscal Policy and Fiscal

[17] The Fiscal Responsibility and Budget Management Act, 2003 (FRBMA) was enacted by the Parliament of India to institutionalise financial discipline, reduce India's fiscal deficit, improve macroeconomic management and the overall management of the public funds by moving towards a balanced budget.

Policy Strategy. All the documents under the FRBMA are presented before the Parliament/ State Legislature. A list of Budget Documents for Karnataka is in **Annex A3**.

The **six statements** presented in the Parliament/State Legislature are discussed in brief below:

1. The Annual Financial Statement

The 'Budget' also referred to as the 'Annual Financial Statement' (AFS), is a statement of the estimated receipts and expenditure of the Government of India/State Government for that year and is laid before the Houses of Parliament (Art. 112) / House or Houses of the Legislature of the State (Art.202). The AFS is presented for the new fiscal year, which commences on the 1st of April every year. The AFS for any given fiscal year reflects all receipts and expenditures of the Central Government/State Government for that fiscal year in three separate parts - Consolidated Fund, Contingency Fund and Public Account. The AFS of the Government of India consists of five statements:

a. Statement I : Consolidated Fund of India

    (i) Revenue Account- Receipts

    (ii) Revenue Account- Disbursements

    (iii) Capital Account- Receipts

    (iv) Capital Account - Disbursements

b. Statement IA: Disbursements Charged on the Consolidated Fund of India

    This statement includes details of the disbursements 'Charged' on the Consolidated Fund of India.

c. Statement II: Contingency Fund of India

    This statement provides details on the Net Position relating to the transactions under the Contingency Fund of India.

d. Statement III: Public Account of India

    (i) Receipts

    (ii) Disbursements

e. Statement IV: Receipts and Expenditure of Union Territories without Legislature

    This is a statement giving budgetary details of tax and non-tax revenues of Union Territories not having a legislative body, along with the budgeted expenditure provisions against Revenue, Capital and Loans and Advances heads.

2. Demand for Grants

The estimates of expenditure from the Consolidated Fund included in the Budget Statements which are required to be voted by the Lok Sabha are submitted in the form of Demands for Grants. The Demands for Grants are submitted to the Parliament along with the AFS. A Demand represents the major functions of any Ministry/Department. Each Demand for Grant shows the total amount required for that particular function during the year reflecting revenue and capital expenditure separately. Refer **Box 4**, for a specimen of Demand for Grants.

Box 4 - Demand for Grants: An Illustration[18]

अनुदानों की मांग, 2012-2013 Demands For Grants 1

मांग संख्या DEMAND NO. 1

कृषि और सहकारिता विभाग DEPARTMENT OF AGRICULTURE AND COOPERATION

I. **कृषि और सहकारिता विभाग** के संबंध में 31 मार्च, 2013 को समाप्त होने वाले वर्ष में व्यय के लिये आवश्यक धनराशि का अनुमान।
I. Estimates of the amount required in the year ending 31st March, 2013 to defray charges in respect of **DEPARTMENT OF AGRICULTURE AND COOPERATION**

	राजस्व Revenue	पूंजी Capital	जोड़ Total	*(करोड़ रुपए) (In crores of Rupees)*
भारित Charged:	...	...	...	
स्वीकृत Voted:	20466.77	63.45	20530.22	

II. शीर्ष जिनके अन्तर्गत **कृषि मंत्रालय** की ओर से इस अनुदान का हिसाब दिखाया जाएगा।
II. The Heads under which this Grant will be accounted for on behalf of the **MINISTRY OF AGRICULTURE**.

			बजट 2011-2012 Budget			संशोधित 2011-2012 Revised			बजट 2012-2013 Budget		
		मुख्य शीर्ष Major Head	आयोजना Plan	आयोजना-भिन्न Non-Plan	जोड़ Total	आयोजना Plan	आयोजना-भिन्न Non-Plan	जोड़ Total	आयोजना Plan	आयोजना-भिन्न Non-Plan	जोड़ Total
राजस्व भाग	***REVENUE SECTION***										
सचिवालय- आर्थिक सेवाएं	Secretariat-Economic Services	3451	10.00	62.09	72.09	10.00	58.18	68.18	11.50	63.24	74.74
अन्य प्रशासनिक सेवाएं	Other Administrative Services	2070	3.06	9.73	12.79	1.95	9.62	11.57	3.17	10.13	13.30
कृषि कार्य	Crop Husbandry	2401	6463.87	292.87	6756.74	6201.15	206.43	6407.58	7638.35	212.21	7850.56
मृदा और जल संरक्षण	Soil and Water Conservation	2402	14.00	2.60	16.60	14.53	2.66	17.19	15.50	2.76	18.26
सहकारिता	Co-operation	2425	190.00	...	190.00	87.00	...	87.00	95.00	...	95.00
अन्य कृषि कार्यक्रम	Other Agricultural Programmes	2435	333.80	32.11	365.91	347.10	32.77	379.87	863.20	33.28	896.48
भारित		*Charged*	...	...	...	...	*0.64*	*0.64*	...	...	...
स्वीकृत		Voted	333.80	32.11	365.91	347.10	32.13	379.23	863.20	33.28	896.48
पूर्वोत्तर क्षेत्र	North Eastern Areas	2552	797.38	...	797.38	746.72	...	746.72	965.50	...	965.50
राज्य सरकारों को सहायता अनुदान	Grants-in-aid to State Governments	3601	9236.04	...	9236.04	9041.54	...	9041.54	10550.98	...	10550.98
संघ राज्य क्षेत्र की सरकारों को सहायता अनुदान	Grants-in-aid to Union Territory Governments	3602	3.12	...	3.12	1.86	...	1.86	1.95	...	1.95
जोड़ - राजस्व भाग	**Total-Revenue Section**		**17051.27**	**399.40**	**17450.67**	**16451.85**	**309.66**	**16761.51**	**20145.15**	**321.62**	**20466.77**
भारित		*Charged*	...	...	...	...	*0.64*	*0.64*	...	...	...
स्वीकृत		Voted	17051.27	399.40	17450.67	16451.85	309.02	16760.87	20145.15	321.62	20466.77

The expenditure proposals in the Union Budget are classified in two ways:

- On the basis of Departments that will undertake the specific expenditures - for which there are Demand numbers or,
- On the basis of specific services which are delivered through a particular expenditure - for which there are Major Heads of account.

[18] *Source: http://indiabudget.nic.in*

For example, Ministry of Agriculture:

- Demand No. 1: Department of Agriculture and Cooperation
- Demand No. 2: Department of Agriculture Research and Education
- Demand No. 3: Department of Animal Husbandry, Dairying and Fisheries

3. Receipt Budget

The estimates of receipts included in the AFS are explained and analysed in the 'Receipts Budget'. The document gives details of revenue receipts and capital receipts and explains the estimates. It also presents the trends of revenue receipts and capital receipts over the years and details of External Assistance received. The Receipts Budget has two parts - **Part 'A' - Revenue Receipts (**both tax revenue and non-tax revenue are explained in this part) and **Part 'B' - Capital Receipts** (includes market loans, external assistance, small savings, Government provident funds, etc.). The receipts budget contains 12 Annexes. These annexes are important from the perspective of understanding the status and the trend of the actual collection of various receipts projected in the budget. Three of these annexes gain importance for analysis:

- Annexure 10 - Tax Revenues raised but not realized (principal taxes);
- Annexure 11 - Arrears of Non-Tax Revenue; and
- Annexure 12 - Revenue foregone under the Central Tax System

4. Expenditure Budget Volume I

Expenditure Budget Volume I presents the revenue and capital disbursements, provides the estimates in terms of 'Plan' and 'Non-Plan' and explains the variations in the estimates of both. It gives analysis of various types of expenditure. It also contains information in separate statements and annexes, providing information relating to General Expenditure, Non-Plan Expenditure and Plan Outlay. The Gender Budgeting and Budget provisions for schemes for Women and Child Welfare are also reflected in this volume. The estimates of budgetary expenditure are prepared in three parts: Part I -General, Part II - Non Plan Expenditure and Part III - Plan Outlay. Each part contains different statements. In addition to these statements mentioned under three categories, the Expenditure Budget Volume I also contains six annexes.

Tax Expenditure

Tax expenditure or a revenue foregone statement was laid before Parliament for the first time during Budget 2006-07 by way of Annex-12 of the Receipts Budget 2006-07. It was well received by all quarters and gave rise to a constructive debate on the entire gamut of issues concerning fiscal policy. It also lent credence to the Government's intention of bringing about transparency in the matter of tax policy and tax expenditures.

Two important statements forming part of this Volume are:

Statement No. 20 "Gender Budgeting" - highlighting the quantum of public expenditure earmarked for (a) women specific programmes (100% provision) and (b) pro-women allocations (at least 30% provision) for gender neutral programmes.

Statement No. 22 "Schemes for the Welfare of Children" - reflects the budget provisions of schemes that are substantially meant for the welfare of the children. The provisions in this statement indicate educational outlays, provisions for the girl child, health and provisions for child protection etc.

5. Expenditure Budget Volume-II

This volume incorporates the Notes on Demands for Grants along with the net provisions for the scheme/programme. To understand the objectives underlying the expenditure proposed in the Demands for Grants, a brief description of the various items of expenditure on major programmes is included in these Notes together with the reasons for variation between the budget estimates and revised estimates for the previous year. Budget estimates for the current year are also provided in this volume.

6. Finance Bill

The Finance Bill is presented in fulfilment of the requirement under Article 110 (1) (a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. It is accompanied by a Memorandum explaining the provisions included in it. Finance Bill is defined as a Money Bill, and as required under Article 117 of the Constitution, introduction of the Finance Bill needs the prior recommendation of the President, except for reduction or abolition of any tax.

Budget Documents of State Government

The structure of State Government Accounts is quite similar to the Union Government as the Constitution provisions governing Union and State Budgets are very similar (refer **Annex A1**, on Constitutional provisions). The accounting system followed by the State and Union Government as well as the classification of expenditure is also similar. There is only a slight difference in the Receipts Budget as the sources of funds for the State Budget are different from that of the Central Government.

The sources of funds for a State Budget are:

- State's own Tax and Non-Tax Revenue
- State's share in Central Taxes
- Non-Plan Grants from Central Government

- Central Assistance for State Plan and
- Borrowings.

Budget Documents of the Local Bodies

Urban Local Bodies: Budget procedures and documents are covered in the Corporation/Municipalities Act of various State Governments. A single budget document is placed with the supporting papers to the Council and the Budget is passed.

With regard to ULBs such as the Municipalities and Corporations, funds are earmarked by the State based on the recommendation of the State Finance Commission.

Rural Local Bodies (PRIs): The Constitution authorises the State to assign certain taxes, duties and tolls to the Panchayats to impose, collect and use for development purposes. Also of the funds imposed and collected by the State, a portion is assigned to the Panchayats. Apart from these, the Panchayats are provided Grants in aid and additional funds from the Consolidated Fund of the State.

The formats of budget documents are prescribed in the respective State PRI Acts and the relevant Rules.

Check your Understanding - Unit A6

Instructions

Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **The four categories of budget document does not include**

   a. Summary documents
   b. Revenue documents
   c. Legal documents
   d. Expenditure documents

2) **Medium Term Fiscal Policy is part of**
   a. Summary documents
   b. FRBMA documents
   c. Revenue documents
   d. Expenditure documents

3) **Annual Financial Statement includes**
   a. Consolidated Fund of India
   b. Disbursement on the Consolidated Funds of India
   c. Receipts and Payments of Union Territories without Legislature
   d. All of the above

4) **Demand for Grants is submitted to Parliament along with**
   a. Budget Speech
   b. C&AG Audit Report
   c. Annual Financial Statements
   d. Finance Bill
5) **FRMB Act aims to address the following except:**
   a. Reducing debt
   b. Reducing deficits
   c. Reducing inflation
   d. Reducing guarantees

Part II: Fill in the blanks with suitable words

1) **There are ___________________ categories of budget documents**
   a. Two
   b. Four
   c. Six
   d. Fourteen

2) **Capital Receipts do not include _______________**
   a. Market loans
   b. External assistance
   c. Tax collection
   d. Government Provident Fund

3) **Finance Bill deals with __________**
   a. Imposition of tax
   b. Regulation of tax
   c. Alteration of tax
   d. All of the above

4) **State Budget includes the following except ____________**
   a. State's own tax and non-tax revenue
   b. State's share in central taxes
   c. Property tax from local governments
   d. Central assistance for State Plan

5) **The State transfers funds to local governments based on the recommendations of _____**
   a. Finance Ministry
   b. State Finance Commission
   c. Legislature
   d. Governor

Module B

Budget Analysis

Module B: Budget Analysis

Introduction

Module B of the Budget Toolkit is divided into six units. Unit B1 focuses on general information on the tools and methods that can be applied while performing Budget Analysis. This also includes an introduction to Public Expenditure Reviews (PERs) which are done at the macro level for a Government, and budget analysis is a part of PERs. The Units B2 to B4 provide practical hands-on information that is of value for analysts performing real analysis of budgets. These sections are based on actual budget analyses that CBPS engaged with the three sectors of Education, Health and Water in Karnataka. Budget analysis from the perspective of Equity is discussed in Unit B5 and includes two examples of budget analysis - for Children and for Gender. Unit B6 discusses how budget analysis can be used to trigger advocacy.

UNIT B1

Analysing Budgets - Understanding the Basics

Unit B1: Analysing Budgets - Understanding the Basics

A Public Policy lays down the broad contours of the plan of action that guide government policies and programmes. Public policy can be defined as a system of 'courses of action, regulatory measures, laws, and funding priorities concerning a given topic promulgated by a governmental entity or its representatives.'[19] It is a statement of intention, a document of stated objective and goals and a guide that specifies the necessary steps to achieve the same. It is through the instrument of budgets that these objectives can be realized. Therefore, the budget is the key policy document of the government. It is the blueprint that steers the process of identifying the sources for raising revenues, planning and prioritizing spending.

Budget analysis helps understand the way government raises revenues, plans policies, budgets and executes programmes. Budget work reveals the schism between public policy, stated commitments and real intentions - especially with reference to the development sector that have a direct impact on the common citizen. Budget work helps understand through analyses the equity perspective as also efficiency and effectiveness of public policies, programmes and expenditure.

Budget Analysis Methods

There are multiple ways/methods by which one can analyse budgets. The choice of method and the tools depend entirely on the objective of the analyses and the purpose that it intends to serve. The different perspectives or criteria of analyses through which budgets can be scrutinized can be broadly grouped into the following:

i. The criterion of Adequacy

This is the most basic criterion of analysis. It strives to probe questions regarding how much is budgeted with regards to a specific sector (Education, Health, etc.) or for a particular group (women and girls, Dalits, minorities, etc.) within a sector and assess if that is adequate; the analysis may also involve a time series to examine how the trends have changed overtime.

However, it is difficult to define in real terms/numbers how much is really 'adequate'. There are International benchmarks (though restricted to certain sectors) that can guide and inform such a study; the World Health Organisation (WHO) encourages states to spend at least 5 percent of their Gross National Product (GNP) on health expenditures; UNDP recommends states devote at least 5 percent

Criterion of analysis

The Criterion of Adequacy

The Criterion of Priority

The Criterion of Efficiency of Spending

The Criterion of Performance/Achievement/ Outcomes

The Criterion of Equity

[19] **Definitions of Public Policy and the Law,** Dean G. Kilpatrick, Ph.D, National Violence Against Women Prevention Research Center © Copyright 2000

of their GNP or the equivalent of 20 percent of the national budget on what it calls human priority expenditures (i.e. on basic education, health, water, family planning and nutrition); the 20/20 initiative adopted at the World Summit on Social Development directs developed states to devote 20 percent of their Official Development Aid (ODA) and developing states to devote 20 percent of their national budget on basic social services[20]. The international benchmarks can be used as a monitoring tool by human rights advocates as they help identify the gaps in 'adequate funding' to cover the minimum core obligation to supply the necessary or critical services. For example, a government may not devote sufficient resources to an area related to a specific right – such as education, health, food security, etc. - or within a sector, government may allocate disproportionately less resources to those items that should be priority. (Refer **Box 5**).

Box 5 - Analyzing Public Expenditure on Human Development

UNDP suggests certain benchmarks that can be used as useful indicators of the allocation of expenditure from a human development perspective. It suggests that in order to develop a sound basis for analysing public spending on human development, countries should monitor four ratios:

- **The public expenditure ratio** - the percentage (share) of national income that goes into public expenditure – 25 % of GNP
- **The social allocation ratio** - the percentage (share) of public expenditure earmarked for social services (health, education, welfare, social security, water, sanitation, etc.) – 40 % of public expenditure.
- **The social priority ratio** - the percentage (share) of social expenditure devoted to human priority concern such as education, primary health, water and sanitation etc. - at least 50 % of social sector expenditure.
- **The human expenditure ratio** - the percentage of national income devoted to human priority concerns - 5 % of the GNP.

Source: Human Development Report 1991, UNDP 1991

ii. The criterion of Priority

The criterion of 'priority' strives to examine and assess government's sectoral priorities. One may examine the proportion of allocation vis-a-vis the total quantum of allocation for a fiscal year or over a plan period. It also helps assess as to how budgets for a select sector compare with other sectors, for example, budget for

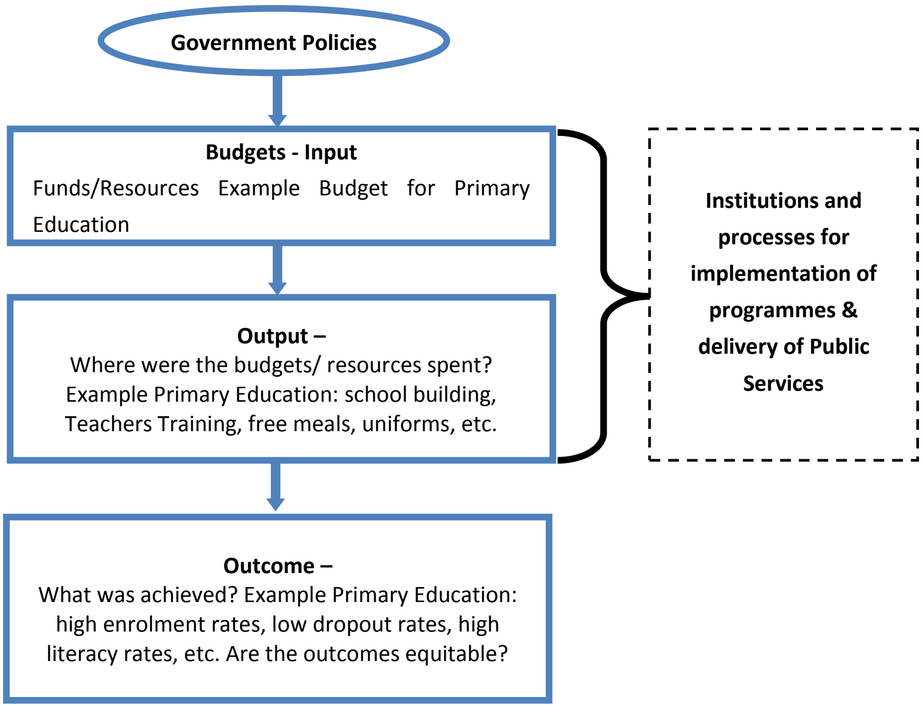
[20] These basic social services are: Basic Education, Primary Health Care, Safe Drinking Water, Family Planning Services and Nutrition Programme for the most deprived people

defence compared to that of social sector outlays (education, health, etc.). It is imperative to scan and examine sectoral policies as this helps identify the gaps between stated commitments, programmatic response and budgets. It also helps understand the deficiencies in the sector policy. This is a powerful accountability and advocacy strategy.

iii. The criterion of Efficiency of spending

This criterion probes the efficiency of spending - how was the money spent, was it spent the way it was planned - inputs vs. outputs, what was delivered, and so on. It also examines the discrepancies with regard to the amount allocated versus the revised and actual expenditure. This may include studying and understanding the various channels or institutional mechanisms through which money is routed to be able to identify the leakages.

Box 6 - Input to Outcomes



iv. The criterion of Performance/Achievement/Outcomes

An important criterion that helps assess the progress and achievements in a particular sector or sectors. It helps monitor government's commitments and also measures the progress over time in the respective sector/sectors. It links inputs (budgets), with the outputs and outcomes. Data on sector specific indicators can be used to assess the achievements or outcomes. The sectoral performance against the Millennium Development Goals[21] (MDGs) or National Goals (for example monitorable targets 11th Five Year Plan[22]) can be used as a framework to measure the achievement. (Refer **Box 6**)

v. The criterion of Equity

This is an important criterion from the perspective of marginalization and exclusion. This criterion probes the important question of equity and responds to whether the resources allocated under any sector are fairly distributed - across geographic regions and across populations (to benefit the most disadvantaged groups - Dalits, minorities, women, children, etc.). All other criteria of analyses are silent on who benefits and where. It is important to understand the phenomenon of social exclusion related to ethnicities, religious minorities, geographically disadvantaged groups and gender.

Public Expenditure Reviews (PERs)

Public Expenditure Review (PER) is an umbrella term used for a variety of tools that can be used to analyse government budgets. Depending on the objective and scope of analysis, PERs:

i. assess the allocation and actual disbursement of public funds to a specific sector or sectors over a given period of time,

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21 The MDGs address key development challenges over a range of issues and have defined targets to be achieved by the end of 2015. Goal 1: Eradicate Extreme Poverty and Hunger; Goal 2:Achieve primary universal education; Goal 3: Promote gender Equality and empower women; Goal 4: Reduce Child Mortality; Goal 5: Improve Maternal Health; Goal 6: Combat HIV/AID, Malaria and other diseases; Goal 7: Ensure Environmental sustainability; Goal 8: Develop a global partnership for development

22 A key feature of the inclusive growth strategy in the Eleventh Plan is that growth of GDP should not be treated as an end in itself, but only as a means to an end. This is best done by adopting monitorable targets which would reflect the multi-dimensional economic and social objectives of inclusive growth. Twenty-seven monitorable targets at the national level have been identified. These fall in six major categories. The six categories are: (a) Income and Poverty; (b) Education; (c) Health; (d) Women and Children; (e) Infrastructure; and (f) Environment. See Government of India. 2007. *Eleventh Five Year Plan 2007-12.* Planning Commission, New Delhi.

ii. extend their analysis to the allocation of resources at sub-national levels of governance within a sector or sectors,

iii. include a review of the budgetary process; a review of the institutional arrangements within a sector through which budgets are disbursed and services rendered. May also include tracking expenditure through these channels to the beneficiary to be able to locate leakages,

iv. seek to enhance government accountability. The analysis helps inform public policy decisions for better prioritization and efficient, effective and equitable use of resources, and

v. are used as an advocacy tool to improve sectoral budget allocation and for enhanced, transparent and responsible financial management and accountability.

It is of utmost importance to understand how a PER is planned. A well planned PER with clear objectives will help shape the methodology. PERs should be planned systematically and in a consultative manner. The following paragraphs outline the generic steps that can be followed while planning a PER. They also indicate the methodology and tools for the same.

The first step is to outline the objective and scope of the PER. It is imperative that the objective should be clearly specified at the outset. The purpose that the PER intends to serve (as envisioned by the organization) is a good starting point. Before defining the objective and scope, it is essential to identify the focus of the PER. The focus may either be sectoral or through a specific lens - children, gender, aging population, etc. This will depend on the organization's core area of work. If a rights based organization's core area of work includes education or social sectors, then the focus will be on those sectors. If an organization works in the area of child rights and welfare, then the PER may focus on sectors that include programmes related to children, or the PER may focus on any specific concern related to children such as nutrition or child labour. It is equally important to identify the level of governance or level of decentralization at which the PER will be located - National, State, District or Local. This is important as the data requirements can be figured out and outlined only subsequent to this.

The following are different ways in which budget numbers are analysed in a PER:

a. The total annual sector expenditure in real (inflation-adjusted) terms over time, and as a proportion of total public expenditure. This helps indicate the relative importance of the select sector as compared to total public expenditure.

b. The annual sector spending as compared to the expenditure in other sectors in the given time period. This helps assess the relative priority that is accorded to the select sector as compared to other sectors.

c. The total annual expenditure on select sector as compared to the size of the sector's GDP. This is also known as the 'intensity ratio' of the given sector. This is useful as a measure of the amount budgeted for the sector as compared to the value added by the sector. For illustration refer **Box 7**. Based on the GDP figures for the third quarter (October–December, 2011–12), the table provides information on how each sector combines to contribute to the economy.

Box 7 - Sector wise GDP contribution to the Economy, Q3 2011-12: An Illustration

Sector	INR (in Crores)	% contribution to the Economy
Agriculture, Forestry & Fishing	2,30,168	17%
Mining & Quarrying	27,334	2%
Manufacturing	1,95,228	15%
Electricity, Gas & Water Supply	24,509	2%
Construction	1,02,887	8%
Trade, Hotels, Transport & Commn.	3,61,074	27%
Financing, Insurance Real estate & Business Services	2,33,537	17%
Community, Social & Personal Services	1,64,866	12%
Total	**13,39,603**	**100%**

Source: India 2011 Q3 GDP Growth Slides to 6.1% by *Manshu* on February 29, 2012 in *Economy*, One Mint.

d. A programmatic/schematic breakup of the annual sectoral expenditure and expenditure disaggregation between the different functions of the sector under review. This helps to assess the budget priority within the sector and to analyse which programmes/schemes are under-resourced or less prioritized.

e. Calculating the aggregate expenditure out-turn compared to the original approved budget. An assessment of the low disbursement rate - the amount budgeted (Budget Estimates) as compared to the Actual Expenditure (AE). This is an important indicator as it assesses the capability of a sector to implement the budgeted expenditure and point out the limitations in the capacity to spend money as planned and the ability to deliver public services. This is also important as it affects future allocations for the sector. According to the Public Financial Management (PFM), Performance

Measurement Framework (PEFA Framework)[23] is assigned a score 'A' if the actual expenditure as compared to budgeted expenditure deviates by an amount equivalent to more than 5 % of the budgeted expenditure in no more than one out of three years. Similarly the performance may be graded as B, C or D. (Refer **Box 8**)

Box 8 - Aggregate expenditure out-turns Vs original approved budget: Scorecard

Score	Minimum Requirements
A	In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 5 % of budgeted expenditure.
B	In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10 % of budgeted expenditure.
C	In no more than one of the last three years has the actual expenditure deviated from budgeted expenditure by more than an amount equivalent to 15 % of budgeted expenditure.
D	In two or all of the last three years did the actual expenditure deviate from budgeted expenditure by an amount equivalent to more than 15 % of budgeted expenditure.

Source: *PEFA, Public Financial Management Performance Measurement Framework, Revised Jan 2011, PEFA Secretariat, World Bank*

f. An assessment of Sectoral Expenditure at the local level as compared to the National. This helps understand the degree of decentralization. Such expenditure reviews also help analyse the trends in expenditure between National and sub-National level.

g. The spatial distribution of sectoral expenditure within the country. This helps assess sectoral expenditure across the regions. Such analysis points at the regional disparities in sectoral allocations and also under schemes and programmes within different sectors. Specific regional indicators under the select sector can be used to compare the committed expenditure against the required to highlight the gaps.

[23] The public financial management (PFM), Performance Measurement Framework (PMF or PEFA Framework) has been developed as a contribution to the collective efforts of many stakeholders to assess whether a country has the tools to deliver three main budgetary outcomes: aggregate fiscal discipline, strategic resource allocation and efficient use of resources for service delivery.

h. Sectoral spending through the lens of equity (gender, caste, class, religion, etc.). This is an important criterion of analysis as it focuses on the equity dimension of budgeting. It is not always easy to analyse expenditure through this lens unless there is disaggregated data to support the analysis.

Generic Analysis of Budgets

a. The budget statements are generally numbers with coded line items, and may not tell us anything qualitatively about the particular line item except the numbers.

b. Hence it is essential that the reader goes through various documents like the Economic Survey, Budget Speech of the Finance Minister, Policy Statements of particular Ministries or Departments, etc. to get an understanding about the background.

c. While in India still the budgets do not disclose much of the information an analyst generally seeks, going through such documents will help the budget analyst get familiar with some of the major line items of the budget.

d. The analysis of the budget will depend what the analyst wants to understand. If it is just the size of the budget of Health Department in relation to the overall budget of the State let us say, it is enough if one compares the size of the Health Department with the budget of the entire state, and conclude that the size is seven percent and possibly reach a conclusion about the relative importance or need. This is sometimes referred to as relative outlay analysis. The relative outlay analysis in Health department is shown in **Unit B3**. It has to be noted that a larger size budget need not necessarily be a good budget unless it focuses on the right areas of intervention. For instance, if nutrition is an issue then noon meal scheme is one of the good strategies. So the reader should have some idea with regard to the needs of a particular sector before analysing the budget of that department.

Large Vs Good budget

A larger size budget need not necessarily be a good budget unless it focuses on the right areas of intervention. The reader should have some idea with regard to the needs of a particular sector before analysing the budget of that department

e. It may be worthwhile comparing the relative size of a particular department with that of another. For instance the size of the Health and Education Department budgets with the budget of the entire state can be an indicator of the need or relative importance of these Departments in the state.

f. The trend in expenditure is also an important item for scrutiny while analysing budget. The rate at which the State or Central Budget increases vis-à-vis the rate at which a particular department or ministry's budget increases can be an indicator of the changing focus or importance of a particular department.

g. Revenue trend is in a similar way very important, as many of the projects do not get fully implemented without adequate funds. If the incremental rate of revenue is less than the incremental rate of the expenditure then it is a red flag for the government or the authority which has to plan for the likely deficits that can be expected in the future. Revenue trend analysis of Water budgets is shown in **Unit B4.**

h. The incremental analysis (based on trends) is a simple but important budget analysis tool. The incremental analysis of Education budget is shown in **Unit B2.**

i. In various revenue earning ministries/departments and particularly in the local bodies the behaviour of the tax and non-tax revenues need to be examined. Examination of these in comparison to the borrowings and subsidies show how self-reliant a department is financially. However this rule cannot be used always as many departments like the social welfare department cannot have streams of revenue to fund all the development programmes.

j. There are certain items of implementation that could be outside the purview of the budgets – like funds from multilateral agencies like the World Bank or JICA. These are generally referred to as off-budget items and the reader needs to examine departmental reports or website to get a comprehensive picture about the overall funds utilization of a project or a department.

k. Many departments do prepare 'Performance Budgets' and some of these are available in public domain. But in general the Performance Budget has not been taken seriously and hence a clear understanding about the performance of a department does not emerge.

l. While the budgets are financial summaries, the quantitative achievements in terms of actual service delivery (e.g. length of roads built, number of poor rehabilitated, etc.) are not yet part of budget documents. Hence the real performance cannot be analysed. However a keen analyst by going through various documents could get some details of such quantitative service deliveries and use them.

m. For many sectors, like the urban sector, GOI has developed service level bench marks (like litres per day of water supply) that need to be linked to budgets for a meaningful analysis. This is yet to be put in practice.

n. Outcome Budget that has been introduced in the recent times is yet to be implemented in many departments. Even in departments where it has been implemented the exercise does not seem to have been done in a very scientific way. Outcomes and Outputs are still not well defined and mapped to the Outlays (traditional financial estimates). If these are available then analysis of budgets can become simpler and better.

o. Interstate and inter local body comparison is also another method to understand and compare the performance of two entities. However the lack of uniformity in presentation would influence the analysis.

p. To bring the comparisons to the national and global levels, comparing the variable (line item that is being analysed) to GDP, SDP, etc. may be helpful. **Unit B5** shows GDP related analysis of Women and Child Budget.

q. If the analysis is over a time series, particularly more than 5 or 7 years, then adjusting the same for inflation may be necessary.

r. In cases where exports and imports are being studied, using prevailing/applicable exchange rates will make the analysis scientific.

s. Per capita analysis based on the recent census will be very useful. In case of years beyond the census year, the average rate of annual population increase for the unit of government considered (geographical area) can be used.

t. All the monies budgeted are always not spent. This could be due to various reasons ranging from over-estimation of revenues to delays in project funding and, on the expenditure side, delays in project execution (for whatever reason), etc. Unless budget to actual comparison is there, it would very difficult. The actual data has to come from accounting. Such a document comparing the budget with actuals is not available.

Specific Analysis of Budgets

1. Understand the specific features of the sector/department/function whose budget is being analysed.
2. Each of the departments/functions has its own peculiarities.
3. Understand the key performance indicators for each of such functions.
4. Try to look out for what exactly is wanted. When granular details are not available understand the extent to which specific comments can be made.

Check your Understanding - Unit B1

Instructions
Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **Budget analysis method includes**
   a. The criteria of priority
   b. The criteria of efficiency of spending
   c. The criteria of equity
   d. All of the above

2) **Is the full form for PER**
   a. Public Expenditure Review
   b. Public Efficiency Review
   c. Public Expendable Rate
   d. Public Economy Review

3) **The total annual expenditure on select sector as compared to the size of the sector's GDP is called**
   a. Equity ratio
   b. Availability ratio
   c. Intensity ratio
   d. Expenditure ratio

4) **Budget can be analysed in these two ways**
   a. Gross and net
   b. Scheme and specific
   c. Virtual and real
   d. Generic and specific

5) **Aggregate expenditure 'outturn' indicates**
   a. Amount of total estimated expenditure
   b. Amount of Budgeted Estimate as compared to the Actual Expenditure
   c. Total revenue vis-a'-vis the total expenditure
   d. Capital expenditure compared to revenue expenditure

Part II: Fill in the blanks with suitable words

1) **There is a red-flag when there is incremental expenditure without corresponding incremental __________________**
    a. Capital
    b. Revenue
    c. Asset
    d. Liability

2) **Outcome budgets includes ________________**
    a. Outcomes
    b. Outlays
    c. Outputs
    d. All of the above

3) **Annual spending in a sector in relation to the other sectors over the years gives an indication of relative __________**
    a. Priority of the sector
    b. Importance of the sector
    c. Performance of the sector
    d. None of the above

4) **While undertaking PER the first step is to establish ____________**
    a. Benchmarks
    b. Objectives and scope
    c. Team for the study
    d. Budget for the study

5) **Budget currently does not include __________**
    a. Quantitative summaries of achievements
    b. Funds from multilateral agencies
    c. Service level benchmarks
    d. All of the above

UNIT B2

Analysing EDUCATION Budgets

Unit B2: Analysing EDUCATION Budgets

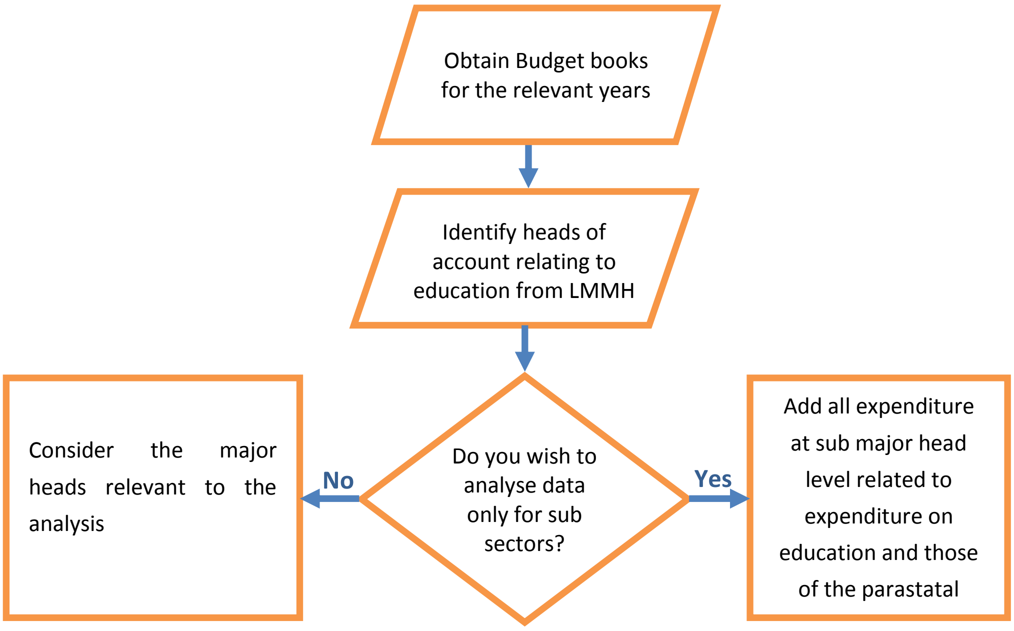
The first step is to identify the departments within the sector being reviewed. In Karnataka, a significant amount of expenditure on education is incurred by the Department of Primary and Secondary Education and the Department of Higher Education. Besides the Education Department, several other departments are also involved in implementing schemes relating to education. These departments spend some part of their outlays on education related schemes and programmes; for example, Agriculture Department spends money on agricultural education and research and the Medical Department on medical education and research. Hence they form part of the total public spending on education sector in the state. Refer **Annex B1 for** description of funding sources/implementing agencies in respect of education sector.

The starting point of budget analysis would then be locating the education related revenue and capital expenditure in the budgets for which the Major Heads are known. One can refer to the List of Major and Minor Heads Account published by CGA, GOI to locate the various Major Heads, Sub Major Heads, and Minor Heads. Major Head 2202 represents revenue expenditure in General Education sector. As discussed earlier there are other spending ministries/ departments that implement certain schemes to fulfil education related goals for either a specific section of society / targeted beneficiaries like minority students, or for the development of certain fields of education that is not being covered by the direct spending ministry, like medical education, agricultural research, etc. This expenditure is reflected in the Major Heads of other ministries/departments. Hence, the whole analysis will have three sub parts which aggregated will provide the total expenditure.

- Expenditure by direct spending ministries
- Expenditure by other spending ministries
- Direct transfers to the states by GOI under various CSS, and central plan schemes that don't get reflected in the state budgets

Identifying all major heads that might involve expenditure on a particular subject would require detailed study of the List of Major and Minor Head and/or the Annual Report of the Department concerned. While some of the classification might be a matter of common knowledge (that the expenditure on medical education might appear under the function – health), it may not be always so self-evident. It helps to consult the departmental web site or annual report first to see what schemes are being implemented, based on which one can search the LMMH for relevant heads of account. This would also help find schemes outside the budget being implemented by the parastatal agencies under the department. **Box 9** presents the process flow to be followed to analyse expenditure up to program level.

Box 9 - Process Flow to Analyse Expenditure

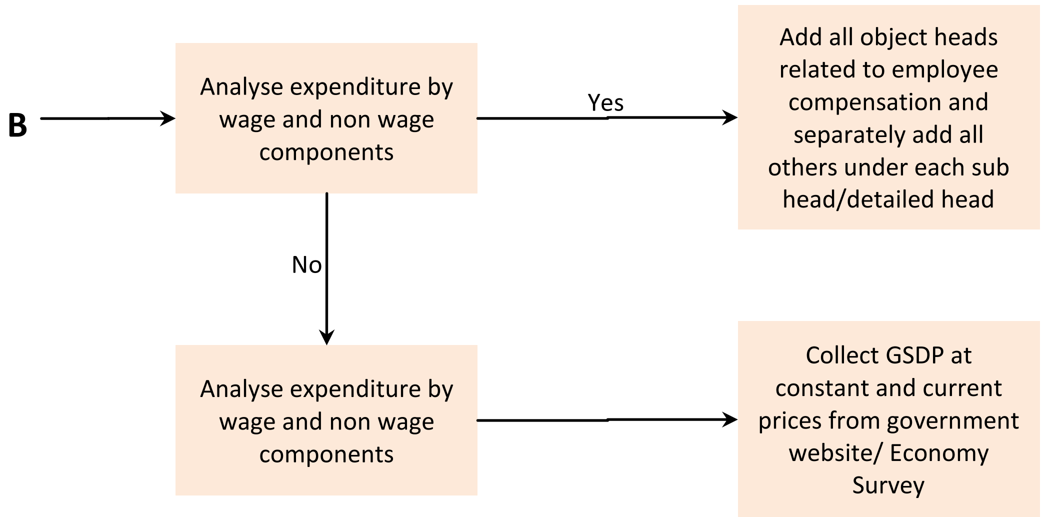


Annex B2 provides the table that shows the Major, sub-Major Heads and Minor Heads related to the education sector. It is the analyst's choice regarding which function or sub function to consider, depending upon the purpose of the analysis. If the concern is only about elementary education, then only the concerned sub Major Head is enough. However, if the analysis aims to look at all the expenditure on education, then all Major Heads and sub-Major Heads providing outlays on education must be considered. It must, however, be remembered that sometimes only a portion of the outlay under a sub-Major head might deal with education. For the Major Heads showing expenditure of related ministries, one needs to scan the Minor Heads and sub heads to find out which line item belongs to which sub sector. Similarly, for CSS and central plan schemes, one should identify the schemes with the Sub Major Head (whether the scheme falls in elementary, secondary, etc.) and add them to the relevant sub sector. It is also recommended that the analyst should document the entire process for subsequent verification.

For instance, for elementary education, Sarva Shiksha Abhiyaan (SSA) is a CSS wherein the GOI and the state government share the expenditure that is planned to be incurred annually. The funds under this scheme are disbursed through the SSA society. In addition to this important scheme, the GOI introduced Rashtriya Madhyamik Shiksha Abhiyaan (RMSA) in 2009. This is implemented by the Ministry of Human Resource Development (MHRD, GOI) with the objective of enhancing access to secondary education. It is being implemented by the State Government societies established under the scheme. Under this scheme, the central share is released to the implementing agency directly and the applicable (matching) State Government share is released to the implementing agency by the respective State

Governments. Similarly, TEQIP (Technical Education Quality Improvement Programme) is also implemented by the MHRD to improve the quality of technical institutions in States in a phased manner. All the expenditure incurred through these projects/schemes should be included within the scope of such an analysis. Therefore, to be able to ascertain the quantum of allocations and expenditure it is necessary to include all schemes/programmes that are implemented in the education sector by MHRD (Union Government) as well as by the State governments for the financial year/years under review.

The guidelines on PER as discussed and explained in the preceding sections provide an overview of how public expenditure can be analysed across a given sector for programmes/schemes implemented both under National and Sub National governments. It does not, however, provide any information on how the money was spent and on what. Given that some expenditure is considered more desirable than others, an analysis of expenditure from the perspective of end application might be of interest. For this type of analysis the researcher is required to go down one more layer up to the object head where the economic nature of expenditure is captured. Refer **Box 10** for the process flow if the scope of analysis is beyond that of programmes to ascertain how much has been spent on wage and on non-wage expenditure. Low non-wage expenditure might indicate that there is very little being spent on other essentials such as maintenance of assets and necessities to effectively deliver the public services. To strengthen this point one may illustrate using the Health Sector. For an effective primary health care service it is important to have sufficient doctors and nursing staff, but for the programme to be effective it is equally important to ensure the availability of medicines and other medical supplies. Also, one must understand that any addition to the capacity of the existing level of service delivery is possible only by creation of new assets (such as school buildings, hospitals, hostels, etc.): therefore it is equally important to examine the capital expenditure under a particular scheme / programme for this type of in-depth analysis.



Box 10 - Process Flow for PER to analyse beyond overall Program Budgets

How to include wage and non-wage components of Revenue expenditure

The wage component includes pay, emoluments and allowances in all forms (including honoraria and leave encashment). It does not include travel expenses (other than leave travel concession). All other object heads are classified as non-wage. Using details of object head, the items under revenue expenditure can be classified as wage and non-wage revenue expenditure. For doing this, one can pick out all the object heads that are in the nature of salaries to arrive at the wage component under an activity/programme/function. Similarly the non-wage components can be categorized by scanning individually the items of object heads. Both wage and non-wage components when added up together provide the total revenue expenditure under each activity/program for a function. (Refer **Annex B3** for a list of object heads classified as wage). If possible, one should check and add the wage and non-wage components of the state's share of direct transfers as well. **Matrix 1** shows the various aggregations that were attempted by CBPS in the education sector.

Matrix 1 - Aggregations in Education Sector

Function level	Sub sector level	Object Head Level
Using Major Heads, calculate the Revenue and Capital expenditures by direct and related ministries as mentioned	Using Sub Major Heads, calculate the Revenue and Capital expenditure for elementary, secondary, university and higher education (both by direct and related spending ministries). The totals of all this should match the totals with the Major Heads.	For each Sub Major Head, classify thewage and non-wage expenditures by scanning the object head description. Total of wage and non-wage of each category should match with amounts obtained in the previous step for respective Sub Heads

Comparing growth in public expenditure in real and nominal terms and as a proportion of GSDP

Often social sector expenditure as a proportion of GDP is compared across countries to see the relative priority accorded to such expenditure by different countries. Even within the same country or state, one can examine whether the social sector expenditure, as a proportion of G(S)DP, is increasing, is static or decreasing over time. The trend in public expenditure on a particular sector might show an increase from year to year; however, in real terms there might not be any increase in expenditure owing to a higher depreciation of value of money caused by inflation. To illustrate, if in 2004-05, the expenditure in a sector has been Rs. 40,000 and it rose to Rs. 45,000 in 2005-06, it shows that there has been a nominal increase of Rs 5,000. But this does not capture the effect of inflation during this period on the purchasing power of money. For capturing this, the nominal money needs to be deflated with a constant year prices (say 2004-05 prices). This will show whether there has been a real rise or fall in expenditure in the two periods under review. For example, if there has been a price inflation of 10% then when one compares the value of Rs. 45,000 in 2005-06 (at 2004-05 prices), the real expenditure would be Rs. 40,909 in 2005-06. So the real increase is only Rs. 909 in the given period. The expenditures may show a rise or fall or remain constant depending on whether the price inflation has been low, high, or has remained constant in the period.

It may be noted that in the base year, the nominal and real GDP/GSDP remain the same. In the budget analysis, one should always convert the nominal expenditures into real by using a GSDP deflator or by using the Wholesale Price Index or Consumer Price Index. Usually, the GSDP real and nominal figures are provided in the Economic Survey of the State. This can be used to calculate the deflator for each year. One can also compare the Real and Nominal expenditure for each function/

programme and activity to see whether there has been an actual increase in public expenditure or have the expenditures increased just enough to cover for price inflation. Using the GSDP data in the period 1999-2000 to 2009-10, the GSDP deflators have been calculated. The table presented in **Box 11** presents the GSDP deflators for the two periods of reference.

Box 11 - GSDP deflators: Karnataka

GSDP Deflator	1999-2000	2000-01	2001-02	2002-03	2003-04	
At 1999-2000 prices	1	1.03	1.06	1.1	1.14	
GSDP Deflator	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
At 2004-05 prices	1	1.06	1.12	1.19	1.27	1.34
Source: Economic Survey, Government of Karnataka: 2005-06 and 2011-12						

Calculating the Per capita spending

Using the processed data from the budget analysis, one can attempt to calculate the per capita expenditure for a scheme/programme or function. This level of analysis provides a rough estimate of the unit cost or the per capita public spending in the overall select sector in a State or a particular scheme within the sector for that particular reference year. For a schematic or programme level per capita expense calculation, it is important to have information on beneficiaries i.e. the number of units served. This is easy to calculate provided one has the data on number of beneficiaries for the scheme / programme / function. For example, to calculate the per capita spending in elementary education in Karnataka, the first step is to get the total expenditure in elementary education sector, and then the number of students in age 6-14 years who attended public institutions in that year. Dividing the total expenditure by number of students will give the per capita spending on elementary education. Usually the beneficiary data is available in the public domain. One can take indicators like enrolment data in education sub sectors, beneficiary list for various schemes, population data for schemes availed by a particular target of population in the state and so on, to be able to calculate the per capita costs. For example, to calculate the per capita expenditure on RSBY scheme, Karnataka Government, one can use the scheme beneficiary data (enrolment or number of persons utilizing the scheme in a year). Also, data from National Sample Survey Organization and Central Statistical Organization can be accessed for finding benefit incidence of public expenditure in various sectors. Refer to **Matrix 2** below to help guide this level of analysis.

Matrix 2 - Approach for PER

What data sources to look at?

This is an important starting point while planning a PER. While developing the PER scope and methodology, it is imperative to ascertain the data needs – both primary and secondary, establish data sources and check availability. For example, to procure the budget data at the state level for education sector, one can access the website of Ministry of Finance (Department of Finance), websites of major schemes in the sector like SSA, MDM, RMSA, and Ministry of Human Resources and Development, GOI. Also, one can contact the officials of the Finance Department and procure a soft copy of the audited budget expenditure if it is not available in public domain. For Karnataka's GSDP real and nominal estimates, one can refer to the state's Economic Survey for the year/years under review. Refer **Annex B4** for sources of information for websites.

Illustration: Education Budget – Incremental Analysis

Assume that a certain analysis requires a comparison of the increase in budget allocated towards various major heads related to Education. In this illustration let us consider the budget allocated to General Education (Major Head 2202) and Technical Education (Major Head 2203) in the Karnataka State Budget. The figures corresponding to these two major heads have been taken from the Karnataka Budget documents of four financial years and tabulated below. The percentage increase in budget allocation has been calculated and shown in the last column. This has been calculated as follows:

% increase in current year =

[(Budget in current year - Budget in previous year) /Budget in previous year] X100

In this example it can be clearly seen that the increase in budget pertaining to General education (2202) is steady while that pertaining to Technical education (2203) is erratic. This may be further analysed to scrutinise cause for the said trends.

Comparison of rate of increase in budget allocation for General education (2202) and technical Education (2203)

Major Head - 2202

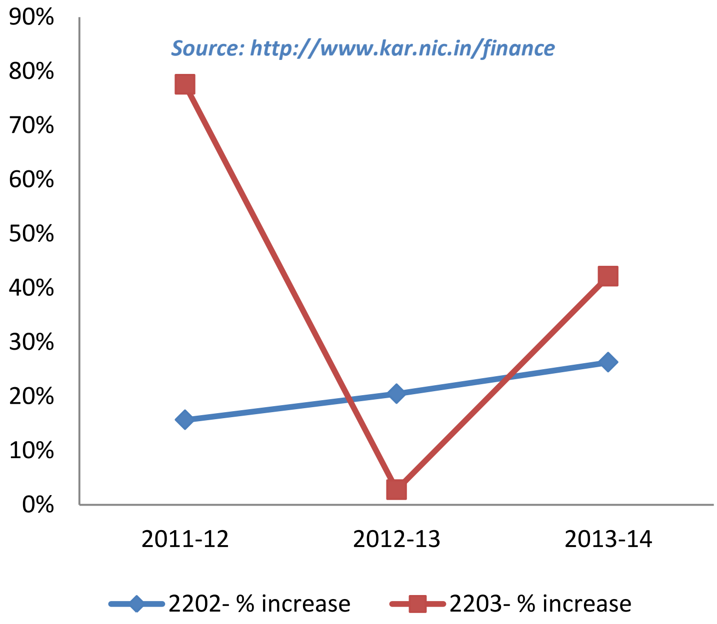
- General Education

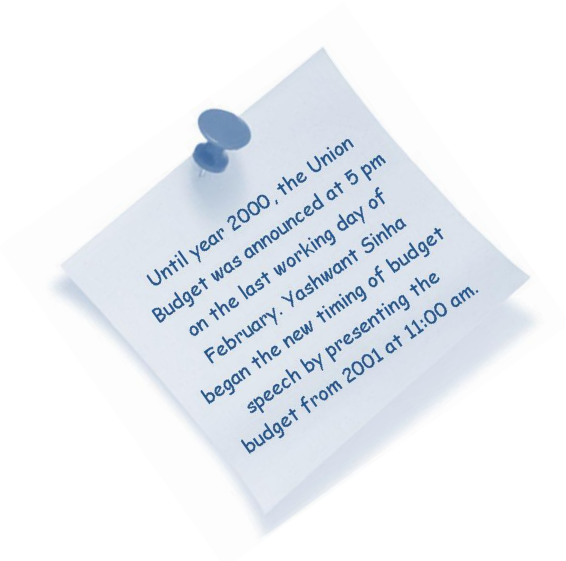
Year	Amount Rs in Lacs	2202 - % increase
2010-11	9,81,187.15	
2011-12	11,34,973.32	16%
2012-13	13,67,415.58	20%
2013-14	17,27,086.13	26%

Major Head - 2203

- Technical Education

Year	Amount Rs in Lacs	2203 - % increase
2010-11	22,164.51	
2011-12	39,360.14	78%
2012-13	40,450.35	3%
2013-14	57,507.61	42%





Check your Understanding - Unit B2

Instructions

Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **The wage component in Revenue expenditure does not include**
   a. Pay
   b. Emoluments
   c. Travel expenses
   d. Allowances

2) **In Education budget, capital and revenue expenditure at elementary, secondary and university levels can be analysed from**
   a. Account head level
   b. Functional level
   c. Sub-sector level
   d. Department level

3) **The GSDP and nominal data at the State level can obtained from**
   a. Economic Survey of the State
   b. Budget book
   c. Receipts and Payments of the department
   d. All of the above

4) **In General Education, the growth between 2011-12 and 2012-13 has been (refer to the illustration given in the unit)**
   a. 16%
   b. 20%
   c. 26%
   d. 3%

5) **In Technical Education, the growth between 2012-13 and 2013-14 has been (refer to the illustration given in the unit)**
   a. 78%
   b. 3%
   c. 42%
   d. 26%

Part II: Fill in the blanks with suitable words

1) **Incremental percentage in expenditure is calculated by the formula**
   a. (Budget of current year – Budget of previous year)/ Budget of previous year %
   b. (Budget of current year – Budget of previous year)/ Budget of current year %
   c. (Budget of previous year – Budget of current year)/ Budget of previous year %
   d. (Budget of previous year – Budget of current year)/ Budget of current year %

2) **GSDP deflator for Karnataka for 2007-08 at 2004-05 prices is as given in Box 11 _______________**
   a. 1.06
   b. 1.1
   c. 1.19
   d. 1.27

3) **Various data on performance can be obtained from _________**
   a. Central Statistical Organization
   b. National Sample Survey Organization
   c. Websites of the Ministries/Departments
   d. All of the above

4) **Per capita cost of education (spent) by government can be found out by ____________**
   a. Dividing the total cost of education by total no. of beneficiaries
   b. Writing to the concerned department
   c. Extrapolating previous year's figures
   d. None of the above

5) **In the budget analysis, one should always convert the nominal expenditures into real by using _________**
   a. A GSDP deflator
   b. Wholesale Price Index
   c. Consumer Price Index
   d. All of the above

UNIT B3

Analysing HEALTH Budgets

Unit B3: Analysing HEALTH Budgets

In Karnataka, public expenditure towards provisioning of the health services is mostly incurred by the Department of Health and Family Welfare through the Directorate of Health and Family Welfare Services, Directorate of Medical Education, Directorate of Indian System of Medicine and Homeopathy (AYUSH) and through the Drugs Control Department.[24] A few other departments are also involved in implementing schemes/programmes for the attainment of health related goals. These departments spend some part of their outlays on health related expenditures. For example, the Rashtriya Swasthya Bima Yojana (RSBY), a centrally sponsored scheme to provide health insurance to below poverty line population is implemented by the Department of Labour. Therefore, to be able to arrive at the total expenditure on health, it is important to also include expenditure incurred by other departments on health related schemes/programmes. To locate the expenditure data for the health sector, one may refer to the list of Major and Minor Heads Account published by CGA, GOI. This will provide health related Major Heads, Sub Major Heads, and Minor Heads.

Step 1: Identify spending Ministries/Departments

As discussed earlier there are other spending line ministries/ departments as well that implement certain schemes to fulfil health related goals. These schemes could be tailored for a specific section of society or targeted beneficiaries like the health insurance scheme implemented by Ministry of Labour, schemes providing nutrition for women and children (implemented by Department of Women and Child Welfare) or as a programmatic response for certain specific health related concerns, such as HIV/AIDS (implemented by the Department of AIDS Control). Similarly, the Health sector also includes expenditure on engineering related works of Public Health as incurred by the Public Works Department. Expenditure such as this is reflected in the Major Heads of other ministries/departments. The pot of money also includes direct transfers from the Centre to the States for the implementation of various central schemes, and this expenditure is not booked under State Budgets. The mode of transfers differs depending on the scheme. For example, the National Rural Health Mission (NRHM) is a major initiative by the Union government to provide accessible, affordable and quality universal health care, both preventive and curative, for the rural population. The functions under this Mission at the State level are carried out through the State Health & Family Welfare Society. Similarly, RSBY, a CSS, is implemented with the objective of providing health insurance to below poverty line households in select states and Janani Shishu Surakhsa Karyakaram

24 For details on the Department of Health and Family Welfare, Government of Karnataka http://karhfw.gov.in/aboutus.html

(JSSK)[25] is implemented by the Ministry of Health and Family Welfare (MoHFW) and in collaboration with States. It is important to bear in mind that for a sectoral analysis such as this, the direct transfers to the States from GOI through these schemes should also be included. So if the PER is towards the Health Sector, it is advised to include all health related schemes implemented by the Union Government, the State Government, by nodal Ministry/Department as well as those schemes (may be under the purview of other departments - Labour, Women & Child, Minorities, etc.) that are geared towards attaining health related objectives. Hence, a PER for Health will include the three sub components that in aggregate will provide the total expenditure in the sector:

- Expenditure by direct spending ministries in the health sector
- Expenditure by other spending ministries in the health sector
- Direct transfers to the States by GOI under various CSS, central plan schemes that do not get reflected in the state budgets

Step 2: Identifying schemes and heads of Expenditure

The identification of Expenditure for provisioning of health services under other Major Heads may not be evident directly. One needs to identify various schemes and the related department's website to locate the Major Heads through which this expenditure gets reflected. It must, however, be remembered that sometimes only a portion of the outlay under a sub Major Head might deal with health. To be able to locate the Major Heads showing expenditure of related ministries, one needs to scan the Minor Heads and Object Heads to find out which line item belongs to which sub sector. Similarly, for CSS and central plan schemes, one must also identify the schemes with the sub Major Head (whether the scheme falls under primary care, secondary care, etc.) and add them up to the relevant sub sector. It is recommended that the analyst should document the entire process for subsequent verification. Refer **Annex B5**: Major, Sub-Major and Minor heads related to the Health Sector. **Matrix 3** below provides information regarding the process flow while undertaking the ER.

25 To provide free and cashless delivery services to pregnant women and newly born sick babies in public health institutions.

Matrix 3 - Expenditure Review Process

Function level	Sub sector level	Object Head Level
Using Major Heads, calculate the Revenue and Capital expenditures by direct and related spending ministries as mentioned	Using Sub Major Heads, calculate the Revenue and Capital expenditure for Urban, Rural, Medical Education, Public Health (both by direct and related spending ministries). The totals of all this should match the totals from the Major Heads.	For each Sub Major Head, classify the wage and non-wage expenditures by scanning the object head description. Total of wage and non-wage of each category should match with amounts obtained in the previous step for respective Sub Heads

With the analysis at the Minor Head level, one gets details on revenue/capital expenditure of a programme within the sub category of the function. Like 2210-01-104 will provide details on revenue expenditure in Karnataka State Drug Logistic and Warehousing Society. So aggregations at Minor Head level can be done to arrive at programme/scheme wise expenditures within the overall sector.

Wage and Non-wage analysis of Revenue expenditure:

Analysis at the Object Head level will indicate the nature and form of expenditure, such as salaries, travel expenses, investment, loan, etc., otherwise known as objects of expenditure. This is useful to categorize the function/ programme/activities expenditure into wage/ non-wage and to see how each activity/programme is expending item wise under revenue/capital expenditure accounts. To explain this, we will take the same example that was discussed earlier. 2210-01-104-0-01-053 provides the amount of revenue expenditure under the Object Head *Pay Staff.* Hence, one can ascertain the total salaries paid for the Karnataka State Drug Logistic and Warehousing Society in a particular year.

Box 12 - Road Blocks and Practical Tips

In the Chart of Accounts, there are several intersections in expenditures. For example, the function Medical and Public Health is categorized as Urban Health and Rural Health services for Allopathy and other systems of medicine, Medical education and Public Health. This is a challenge as this does not help identify how much of public expenditure is incurred, for instance to provide primary care or what is the proportion of public expenditure that is being incurred on health related administration. To overcome this challenge and to facilitate the analysis, CBPS in the Health sector PER adopted two approaches to classify public expenditure viz:

- **Facility level**- This includes classification of revenue and capital expenditure related to Administration, Hospitals, Health Centres, etc.
- **Type of health care provided**- This includes classification of expenditure as Primary care, Secondary care, Tertiary care and expenditure on Administration (salaries, etc.) and Others (also refer **Box 13** and **Annex B6 and B7**).

In the Health PER that CBPS undertook, all the wage related components were included in the Administration category in the analysis by facility level. Similarly, in the analysis by line items of health expenditure, all wage related expenditure was categorized as Administration. By adding up the rest we will arrive at the Non-wage component of revenue expenditure. It is generally desirable to have a low share of non-wage component to release enough resources for drugs and consumables at sub-centres (SCs), primary health centres (PHCs) and community health centres (CHCs) – the first three tiers of primary and secondary health care facilities, especially in the rural areas. In the analysis it will be clear that a higher wage component would mean that the health sector is spending a substantial chunk only to meet the salary requirements of the personnel (doctors, ASHA workers and other staff).

Step 3: Analysis

There are several ways/methods in which the data can be analysed. The method of analysis is ideally ascertained at the time when the scope and objective of the study is established. The different methods of analysis that were used in the CBPS study are as described under-

a. **Comparing growth in public expenditure in real and nominal terms and as a proportion of GSDP**

It is advised that while performing budget analysis, one should ideally convert the nominal expenditures into real expenditures by using either a GSDP deflator or by using the Wholesale Price Index or Consumer Price Index. Usually, the GSDP real and nominal figures are provided in the Economic Survey of the State. This can be used to calculate the deflator for each year. One can also compare the Real and Nominal expenditure for each function/ programme and activity to see whether there has been actual increase in public expenditure or have the expenditures just increased enough to cover for price inflation. For the CBPS study, the GSDP data in the period 1999-2000 to 2009-10 (the two periods of reference) were used and the GSDP deflators were calculated. Refer **Box 11** for GSDP deflators.

Budget analysis in reference to GSDP for any sector helps to gauge the importance accorded to the sector. A low GSDP ratio indicates low priority accorded towards the achievement of the sector related goals. A rising GSDP over a period of time would indicate the gradual shift in focus towards the sector.

b. Per capita spending

Per capita spending when linked with health indicators such as MMR, IMR, FR, etc. also reflect on the status of health at the National and sub National Level. Low per capita spending is usually accompanied with gaps in health infrastructure and poor health indicators. Using the processed data from the budget analysis, one can attempt to find out the per capita expenditure for a scheme/programme or function. For example one can analyse the per capita public spending in overall health sector or on tertiary care, or the per capita spending for a particular scheme, for example Janani Shishu Suraksha Yojana, in a particular year. Per capita spending is easy to calculate provided the data on number of beneficiaries for the scheme/programme/function is available.

If one wishes to calculate the per capita spending in tertiary care in Karnataka, the first step is to get the total expenditure in tertiary care sector. The next step is to determine the number of patients that availed tertiary care across all public health institutions for the year under review. Dividing the total expenditure by number of patients/beneficiaries will give the per capita spending on the tertiary care of health sector. Usually the beneficiary data is available in the public domain. One can take indicators like hospitalization rates, patient lists, beneficiary list for various schemes, population data for schemes availed by a particular target of population in the state and so on to undertake such analysis. For example, to find out the per capita expenditure on RSBY scheme, one can use the scheme beneficiary data - enrolment or number of persons utilizing the scheme in a year - depending on the scope of analysis. Also, data from National Sample Survey Organization and Central Statistical Organization can be accessed for calculating the benefit incidence of public expenditure in various sectors.

What data sources to look at?

To procure the budget data at the state level, one can access the website of Ministry of Finance (Department of Finance), websites of major schemes in the sector like NRHM, RSBY, and Ministry of Health and Family Welfare, GOI. Also, one can contact the officials of the Finance Department and procure a soft copy of the audited budget expenditure if it is not available in public domain. For Karnataka's GSDP real and nominal estimates, we referred to the State's Economic Survey (2005-06 and 2010-11). Refer **Annex B8** for source of information for health sector budget analysis.

Illustration: Health Budget – Relative Outlay Analysis

This analysis illustrates a comparison of budget allocated towards Capital Outlay on Medical & Public Health (Major Head 4210). The figures corresponding to this major head and the Total Capital Outlay in Social Services have been taken from the Karnataka Budget documents of four financial years and tabulated below. The budget towards Major Head 4210 as a percentage of the Total Capital Outlay has been calculated and shown in the last column. This has been calculated as follows:

4210 as % of Total Capital Outlay = (Budget towards 4210/Total Capital Outlay in current year) X 100

This analysis illustrates that the 2011-12 budget placed greater importance for capital outlay towards health than the other three years. Also the percentage spending has been declining in the recent years. This may be further analysed to scrutinise cause for the said trends.

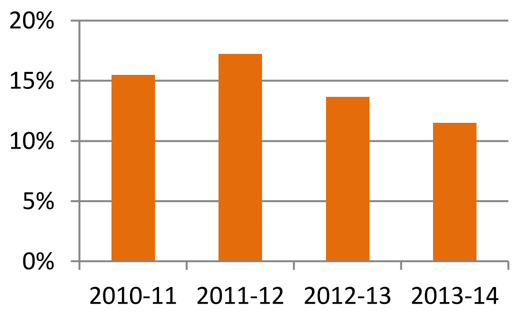
Major Head - 4210 - Capital Outlay on Medical & Public Health

All amounts are Rs in Lacs

Year	4210 Amount	Total Capital Outlay in Social Services	4210 as % of Total Capital Outlay
2010-11	39,838.00	2,57,133.71	15%
2011-12	42,045.00	2,44,378.30	17%
2012-13	36,697.00	2,69,037.92	14%
2013-14	37,039.00	3,22,354.67	11%

Source: http://www.kar.nic.in/finance

Medical & Public Health Expenditure as % of Total Capital Outlay



Check your Understanding - Unit B3

Instructions
Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **To locate and identify account heads say relating to Union health sector, one has to refer to the list of heads published by**
   a. C&AG
   b. Finance Ministry
   c. Controller of Government Accounts
   d. All of the above

2) **Comprehensive budget analysis of PER of health sector would involve**
   a. Expenditure by direct spending ministries in the health sector
   b. Expenditure by other spending ministries in the health sector
   c. Direct transfers to the States by GOI under various CSS, central plan schemes that do not get reflected in the state budgets
   d. All of the above

3) **Expenses such as salaries, travel expenses, investment, loan, etc. are identified at**
   a. Object level
   b. Major head level
   c. Minor head level
   d. Sub-sector level

4) **For a meaningful analysis of health sector, Per capita health expenditure has to be compared to other indicators like**
   a. GDP
   b. Total budget size
   c. Infant mortality rate
   d. No. of schemes

5) **(Budget towards a particular (health) head/Total Capital Outlay)% gives**
   a. Financial analysis
   b. Economic analysis
   c. Incremental analysis
   d. Relative outlay analysis

Part II: Fill in the blanks with suitable words

1) **From the illustration on Health sector, which year has the least outlay for Medical and Public Health as per cent of capital outlay ________________**
   a. 2013-14
   b. 2011-12
   c. 2012-13
   d. 2010-11

2) **In the illustration on Health sector, which year has the maximum budget (amount) for the account head 4210 ______________**
   a. 2011-12
   b. 2012-13
   c. 2010-11
   d. 2013-14

3) **Increase in GSDP for a particular sector indicates its _________**
   a. Priority/importance of the sector
   b. Size of the sector
   c. Performance of the sector
   d. None of the above

4) **Health sector projects and schemes are implemented by ___________**
   a. Health ministry/department
   b. Various ministries/departments
   c. Hospitals
   d. Primary care centres

5) **Health care interventions operate at _________**
   a. Primary level
   b. Secondary level
   c. Tertiary level
   d. All of the above

UNIT B4

Analysing WATER Budgets

Unit B4: Analysing WATER Budgets

Water is a State subject and rural water supply is included in the Eleventh Schedule of the Constitution among the subjects that may be entrusted to Panchayats by the States. The responsibility for provisioning of urban and rural drinking water supply is shared by both the Central and the State governments. Public expenditure in this sector is also shared between these Governments.

Step 1: Determine public provisioning of drinking water supply in the State

The Ministry of Drinking Water and Sanitation, GOI[26] and Ministry of Urban Development, GOI are the nodal departments responsible for the overall policy, planning, funding and coordination of programmes related to drinking water and sanitation in rural and urban areas of India. Ministry of Drinking Water and Sanitation is presently headed by the Minister for Rural Development, and the National Rural Drinking Water Programme (NRDWP)[27] (erstwhile Accelerated Rural Water Supply Program) is one of the six components that comprise Bharat Nirman. The fund sharing pattern for coverage, water quality and operation and maintenance components for all states is 50:50 (Centre to State) and for North-eastern States and Jammu & Kashmir is 90:10 (Centre to State). There is 100 % funding by GOI for activities related to support, natural calamity, DDP areas and sustainability in NRDWP.

At the state level[28], the provisioning of rural drinking water is implemented either by Department for Rural Development and by Public Health Engineering Department. Refer **Box 13**, Sources of public funding for provisioning of drinking water supply in Karnataka.

In urban areas, drinking water is supplied through a centrally sponsored scheme, Accelerated Urban Water Supply Program which has a 50:50 fund sharing pattern between the Centre and the States. Drinking water supply is provided in rural and urban areas of Karnataka through two separate departments namely the Rural Development and Panchayati Raj (RDPR) Department and the Urban Development Department (UDD). RDPR is the nodal department for implementation of rural water supply schemes. Works are carried out by the Panchayati Raj Engineering Department in various districts across all tiers of governments - Zilla Panchayat,

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26 For more details, please access the website of MDWS, GOI http://www.mdws.gov.in/

27For more details refer to the guidelines of NRDWP. It can be downloaded from the website http://www.mdws.gov.in/sites/upload_files/ddws/files/pdf/NRDWP-Anoutline.pdf

28 Refer to the Ministry's website to locate the line department of various states http://www.mdws.gov.in/state_gov

Taluk Panchayat and Gram Panchayat. However, the operation and maintenance of the completed works is done by the respective Gram Panchayat (GP). Karnataka Rural Water Supply and Sanitation Agency (KRWSSA) is a state agency set up to implement different donor funded and centrally sponsored schemes. Village Water Supply and Sanitation Committee is a locally elected body that manages demand driven water supply projects. The implementation of urban water supply works is done by the Urban Development Department (UDD) in the State. There are boards and special purpose vehicles under the UDD to carry out planning and implementation of water supply works and these include:

a. Karnataka Urban Infrastructure Development & Finance Corporation (KUIDFC) - set up as a special purpose vehicle for planning and financial management of infrastructure projects in the State including water supply projects. However of late, they have also assumed the role of implementing water supply projects.

b. Karnataka Urban Water Supply and Drainage Board (KUWSDB) - another board created by the State Government to plan and implement water supply works in all the urban local self-governments in the state (except Bangalore). KUWSDB hands over the assets created during the implementation to the local government, which are then operated and maintained by the respective local governments.

c. Bangalore Water Supply & Sewerage Board (BWSSB) - another board created by the State Government (and accountable to the State Government, not to the city Corporation) that manages water supply distribution in the city of Bangalore.

The Urban water supply services in the state are an example of a model where the policy making body is separated from the implementing body and the works are implemented in a project mode. The agency responsible for policy decisions in this case is the Urban Development Department which looks after planning new schemes and approving projects. The local boards such as KUWSDB and BWSSB are responsible for project design and implementation. However, in this scenario the ULB has very limited role either when it comes to making policy decisions such as revising water rates, approving projects, etc. While ULBs have a say in projects that cost Rs. 30-50 lakh, invariably capital intensive water supply projects cost around Rs. 10 crore or more, and hence there is no way a ULB can take a decision unilaterally and independently. However, the operation and maintenance (O&M) of these projects are taken over by the ULBs themselves, as well as the collection of water charges. Under certain circumstances the O&M is handed over to an external party such as the KUWSDB.

Box 13 - Sources of public funding for provisioning of drinking water supply in Karnataka

Level of government	Departments
Government of India (Union)	▪ Department of Drinking Water Supply - Centrally Sponsored Schemes, Central Sector Schemes ▪ Finance Department - Additional Central Assistance
Government of Karnataka (State)	▪ Rural Development and Panchayati Raj department • State plan and non-plan schemes ▪ Urban Development Department • State plan and non-plan schemes ▪ Finance department • funds for urban and rural local governments

Step 2: Locate the Revenue/Capital expenditure in the Budgets

The starting point of the budget analysis is to locate the revenue/ capital expenditure in the budgets for which the Major Heads should be known. One can refer to the List of Major and Minor Heads Account published by CGA, GOI to locate the various Major Heads, Sub Major Heads, and Minor Heads. Major Heads 2215, 4215 and 6215 have details on revenue, capital and loan expenditure on Water Supply and Sewerage and Sanitation. Sub Major Head 01 is Water Supply and Sub Major Head 02 is Sewerage and Sanitation. It should be noted that in the budget analysis for the drinking water sector, one should only include Sub Major Head 01 as this provides expenditure on the Water Supply. Sub Major Head 01 under Major Head 2215 represents revenue expenditure in rural and urban drinking water sector. Sub Major Head 01 under Major Head 4215 reflects the capital expenditure in drinking water sector. Major Head 6215 shows the loan amounts provided for the sector. Also, for certain CSS, the funds released do not get reflected in the state budgets. Hence for a complete analysis, one should include these PPS expenditure as well. This data can be obtained from the PPS office or from the scheme related website. Refer **Annex B9**, for the major, sub major and minor heads, Water Sector.

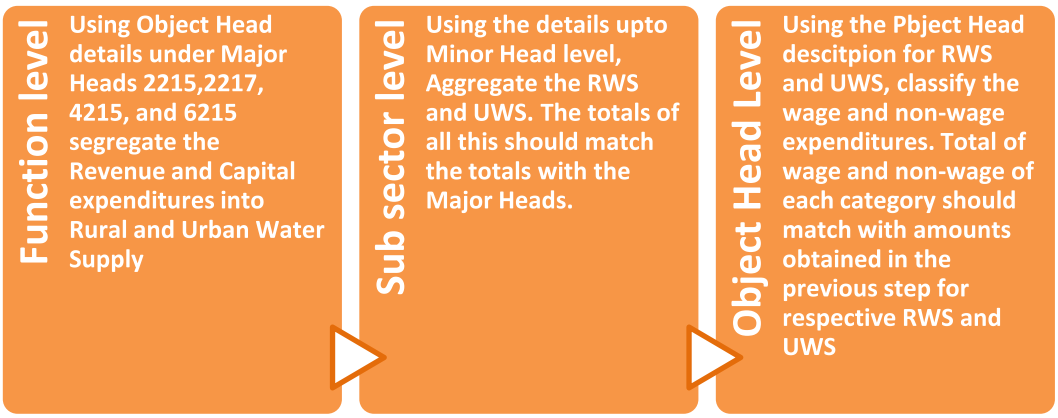
Step 3: Disaggregate the Rural and Urban expenditure under the sector

The next step is to segregate the expenditure incurred for supplying drinking water to rural and urban areas. The expenditure can be segregated as Rural Water Supply (RWS) and Urban Water Supply (UWS). This can be done for each account entry based on description of the combination of major head, sub-major heads and minor heads. Similarly, for CSS and central plan schemes, one should identify the schemes with the sub Major Head (whether the scheme falls in RWS or UWS) and add them to the relevant sub sector. It is recommended that analyst should document the entire process for subsequent verification. For a more detailed classification of account heads on RWS and UWS, please refer to the **Annex B10**.

Step 4: Disaggregate Wage and Non-wage components of Revenue expenditure

The wage component includes pay, emoluments and allowances in all forms (including honoraria and leave encashment); it does not include travel expenses (other than leave travel concession). All other Object Heads are classified as non-wage. Using details of Object Head, the items under revenue expenditure can be classified as wage and non-wage revenue expenditure. For doing this, one can pick out all the object heads that are in the nature of salaries to arrive at the wage component under an activity/programme/function. Similarly the non-wage components can be categorized by scanning individually the items of Object Heads. Both wage and non-wage components when added up together provide the total revenue expenditure under each activity/programme/ for a function. (Refer **Annex B3** for a list of Object Heads classified as wage). If possible one should check and add the wage and non-wage components of the state's share of direct transfers as well. **Matrix 4** shows the various aggregations that were attempted by CBPS in the drinking water sector.

Matrix 4 – Aggregations in Water Sector



What data sources to look at?

To procure the budget data at the state level, one can access the website of Ministry of Finance (Department of Finance), and websites of major schemes in the sector like GOI. Also, one can contact the officials of the Finance Department and procure a soft copy of the audited budget expenditure if it is not available in public domain. For Karnataka's GSDP real and nominal estimates, we referred to the State's Economic Survey (2005-06 and 2010-11).

Illustration: Water Budget – Revenue Trend Analysis

Revenue trend is a very important aspect in budget analysis, as many of the projects do not get fully implemented without adequate funds.

Let us make a comparison of Water Charges estimate (Revenue Receipts) and budget allocated towards Manpower costs Under Civic Amenities – Water Supply (51) of Tumkur City Municipal Council. The figures corresponding to these have been taken from the Tumkur City Municipal Council Budget documents of five financial years and tabulated below. The Water Charges estimate has been taken from under code 1461A and the manpower costs include codes 228G (Pay, Allowances & Benefits) and 239G (Water Supply Labour Contract). The percentage increase in receipts/expenses have been calculated and shown in rows I & II. This has been calculated as follows:

% increase in current year = [(Budget in current year - Budget in previous year)/ Budget in previous year] X 100

Note: If this percentage is negative it indicates a decrease in estimate compared to previous period.

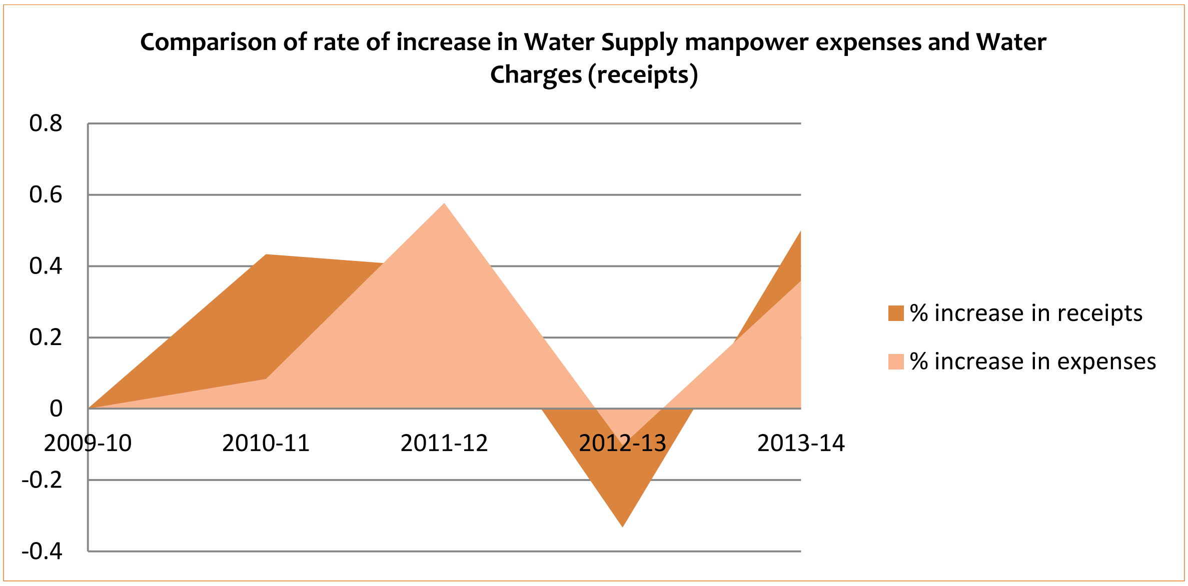
The analysis in this example clearly shows that the numbers in the following years are particularly worrying:

- 2011-12 - as the increase in expenditure has been greater than the increase in revenue; and
- 2012-13 - as the decrease in revenue is far greater than the decrease in expenditure.

If the incremental rate of revenue is less than the incremental rate of the expenditure then it is a red flag for the government or the authority which has to plan for the likely deficits that can be expected in the future.

Head of Account	2009-10	2010-11	2011-12	2012-13	2013-14
REVENUE RECEIPT: Code - 1461A - Water Charges	300.00	430.00	600.00	400.00	600.00
% increase in receipts (I)		**43%**	**40%**	**-33%**	**50%**
REVENUE PAYMENTS: Under Civic Amenities – Water Supply (51)					
a. Code - (51) 228G - Pay , Allowances & Benefits	140.00	160.00	310.00	168.00	300.00
b. Code - (51)239G - Outsourced Operating Expenses (Water Supply Labour Contract)	100.00	100.00	100.00	200.00	200.00
Total towards manpower costs (a+b)	240.00	260.00	410.00	368.00	500.00
% increase in expenses (II)		**8%**	**58%**	**-10%**	**36%**

Source: http://tumkurcity.gov.in



Check your Understanding - Unit B4

Instructions

Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **Under NRDWP, fund sharing ratio for states other than North eastern states and J&K is**
   a. 60:40:00
   b. 50:50:00
   c. 90:10:00
   d. 70:30:00

2) **In analyzing water supply budgets, the starting point should be the analysis of**
   a. Capital/revenue expenditure
   b. Income/expenditure
   c. Assets/liabilities
   d. Receipts/payments level

3) **In analyzing water supply budgets, the disaggregation of expenditure is done generally at**
   a. State and central levels
   b. State and local levels
   c. Government and non-government levels
   d. Urban and rural levels

4) **In analyzing water supply budgets, the disaggregation of revenue expenditure is done at**
   a. Wage and non-wage level
   b. State and local levels
   c. Various levels of government
   d. Source of water supply

5) **In the water supply budget the aggregation of rural water supply and urban water supply is done at**
   a. Sub-sector level
   b. Function level
   c. Department level
   d. State level

Part II: Fill in the blanks with suitable words

1) **Revenue trend is calculated by the formula**
   a. (Budget of current year – Budget of previous year)/ Budget of previous year %
   b. (Budget of current year – Budget of previous year)/ Budget of current year %
   c. (Budget of previous year – Budget of current year)/ Budget of previous year %
   d. (Budget of previous year – Budget of current year)/ Budget of current year %

2) **In the illustration given the incremental per cent in water charges revenue is highest during _______________**
   a. 2010-11
   b. 2011-12
   c. 2012-13
   d. 2013-14

3) **In the illustration the highest incremental expenditure is __________**
   a. 8%
   b. 58%
   c. -30%
   d. 36%

4) **In the graph shown in the illustration ____________**
   a. Increase% in expenditure is more than increase% in revenue
   b. Decrease% in receipt is more than decrease% in expenditure
   c. During 2012-13 there has been decrease in both revenue and expenditure
   d. All of the above

5) **Between the years 2010-11 and 2013-14 the man power cost in the water supply budget is __________**
   a. Steady
   b. Decreasing
   c. Increasing
   d. Fluctuating

UNIT B5

Analysing Budgets for EQUITY

- Children and Gender Oriented Budget Analysis

Unit B5: Analysing Budgets for EQUITY - Children and Gender Oriented Budget Analysis

Almost all expenditure reviews are performed without integrating this important dimension or criterion of investigation. As has been mentioned in the preceding section on Methods of Analysis, the lens of Equity is an important criterion from the perspective of marginalization and exclusion and brings to fore the gaps in policy and budgets and the disadvantages that a particular section in a population may face. These populations may be historically disadvantaged as a consequence of social norms and prejudices. They may face systemic barriers in accessing services and experience exclusion both implicit and explicit. This criterion hinges on the 'rights based approach' to the applied analysis of government budgets and helps highlight the gaps in budget provisions across sectors for the most marginalized or disadvantaged (Dalits, tribals, minorities, gender, children, differently-abled, elderly, etc.).

In India, the Planning Commission has clearly recognized the need for ensuring that development benefits should be equitably aligned across populations. It makes a clear distinction between the incidental benefits of a scheme or programme and the more pointed and direct policy driven benefits for the marginalized. There are certain inherent limitations that one may face while culling out the allocations and expenditure within a sector or any programme/scheme for a particular section of a population. The main challenge is the manner in which budgets are organised. The information in budget documents is organised according to the sectors, sub sectors and functions which are useful for departmentally managing the budgets. However, such classification poses problems for analysis of budgets on the equity criterion. The Government of India has formulated special policy guidelines and plan strategies to ensure 'direct benefits' from public expenditure to a few marginalized categories that are well below the national average on each indicator of human development. Some of the special measures/provisions from the lens of marginalization or equity are given in **Table 4**.

Table 4: Special provisions from Equity perspective

Category	Target Population	Special Provisions
Special Component Plan (SCP) and Tribal Sub Plan (TSP)	Schedule Caste and Schedule Tribes	Provisions such as the SCP, now called Schedule Caste Sub- plan[29] (SCSP) and TSP[30] were meant as special measures to ensure targeted benefit (of development related expenditure) to special groups by guaranteeing funds from all related development sectors both at State and Centre in proportion to the size of their respective population. In addition to this, the central government also extends Special Central Assistance (SCA) to States and Union Territories (Ministry of Social Justice & Empowerment provides 100 % grant under Central Sector Scheme of SCA to SCP as additional provision to SCP to States/UTs). Periodic Guidelines are issued by the PC to the State Governments with regards to these components. Separate budget heads are created to indicate the resource envelope and there funds cannot be diverted. The MSJE and Mo Tribal Affairs are responsible for overseeing performance under these special components.
The Women Component Plan (Now Gender Budget)	Women and Girls	The concept of WCP had entered the planning process in the Seventh Plan with the initiation of a special mechanism to monitor 27 beneficiary oriented schemes for women. The WCP was gradually adopted during the 9th FYP[31]. The WCP (now Gender Budget) guidelines are circulated by the Planning Commission to the State Governments as part of Annual State Plans (Listed as annexure VIII-A- the Women Component in the State Plan Programmes: Financial Outlays and annexure VIII-B- Women Component in the State Plan Programmes:

29 The strategy of SCSP consists in important interventions through planning process for social, educational and economic development of Scheduled Castes and also for improvement in their working and living conditions.

30 TSP approach envisages integrated development of tribal areas wherein all programmes irrespective of source of funding operate in unison to achieve the goal of bringing (tribal) area at par with rest of the State and improve quality of life of tribals. It is geared towards taking up family oriented income generating schemes, elimination of exploitation, human resource development through education & training and infrastructure development. TSP programmes are financed from (a) TSP funds from State /U.T Plans and Central Ministries/Departments, (b) Special Central Assistance (SCA) to TSP (c) Grants under Article 275 (1) of the Constitution to States/U.Ts (d) Funds through Central Sector Schemes/ Centrally Sponsored Schemes and (f) Institutional Finance.

31 It was in the Seventh Five Year Plan (1985-90) that specific attention was paid to allocations for programmes/ schemes which directly benefited women. In the 9th plan was realigned towards the concept of women's Empowerment and there was an assurance that at least 30% of objective funds/benefits from all development sectors flow to women.

Category	Target Population	Special Provisions
		Physical Targets and Achievements). GOI and a few State governments also publish the Gender Budget Statement[32] that projects the quantum of allocations for women in programmes and schemes across sectors.
Child Budgets (Central Government)	Children	Child Budgeting endeavours to examine the quantum of resources the government allocates to programmes that benefit children, and whether these programmes adequately reflect the needs and rights of children. The Child Budget statement is published as part of the Annual Union Budget[33].
The Prime Minister's, 15 point Programme, Ministry of Minority Affairs)	Minorities (Muslims, Christians, Sikhs, Buddhists and Zoroastrians (Parsis).)	Adopted in 2006, the 15 point programme[34] for minorities ensures, wherever possible, 15% of targets and outlays under various schemes are earmarked for minorities. The focus areas include Education, Economic activities and employment, Improving living conditions and Prevention and Control of Communal Riots.
Gross Budgetary Support (GBS)	North East Region (NER)	Another important step that was taken by the Central Government was to issue a directive that mandates Central Ministries and Departments to allocate 10 % of their plan funds for the development of the NE Region.
Backward Region Grant Fund (BRGF), Ministry of Panchayati Raj	Backward Regions	Backward Regions Grant Fund Programme (BRGF)[35] was launched in 2007. The initiative was designed to address the regional imbalances in development. The objective is to bridge gaps in local infrastructure, strengthen Panchayati Raj and municipal governance and to provide professional help to local bodies.

The objective of this section on 'Analysis through the lens of Equity' is to provide simple guidelines on how government budgets can be analysed from the perspective of the marginalized, by providing examples on ways to analyse budgets from the lens or perspective of children and gender.

32 For gender budget statement Union Government, 2011-12 http://www.wcd.nic.in/gb/material/Resource%20Material/GB%20Statements%20(Previous%20Years)/2011-12.pdf

33 For Child Budget Statement, Union Government 2011-12, http://indiabudget.nic.in/ub2011-12/eb/stat22.pdf

34 Guidelines for implementing the 15 point programme. http://www.minorityaffairs.gov.in/sites/upload_files/moma/files/pdfs/pm15points_eguide.pdf

35 The BRGF Programme covers 250 districts in 27 States, of which 232 districts have Panchayats and the Municipalities. The remaining 18 districts are covered by other local government structures, such as Autonomous District Councils under the Sixth Schedule and state specific arrangements as in the case of Nagaland and the hill areas Manipur.

Case #1: Analysing Children Oriented Budgets

Children are one constituency that cannot advocate for their own rights and entitlements. This is the primary reason why their issues and concerns are of least priority to the decision makers. The problem from the viewpoint of dedicated allocations for welfare of children is two pronged. One, the priority towards children and their specific needs, is least in the Budget and two; there is laxity in spending and effecting delivery of services and programmes. According to a study on budget analysis for Child Protection[36], Ministry of Women and Child Development, the problems relating to child budgeting over the years (both at the National and State level) have been identified as following:

- Gaps in budget estimates and expenditure;
- Problems in flow of funds from the Centre to the State;
- Inability of States to meet the matching grant requirement from the Centre in the case of Centrally Sponsored Schemes;
- Inadequacy of mechanisms to check misappropriation and misuse of funds;
- Dependence on external aid;
- Flaws in the very planning by various Ministries and Departments;
- Lack of meaningful communication and coordination between the Planning Commission, the Finance Ministry and the Ministries/Departments concerned with child protection issues at the stage of formulation of the Five-year Plan, Mid-term review and final evaluation of the Plan period

Analysing budgets using this criterion of investigation provides the means to create effective advocacy strategies for seeking enhanced and responsible commitment from the executive. It also helps increase accountability towards national and international commitments on child rights. This section explores steps on how budgets can be examined and analysed from a child rights perspective.

Step 1: *Identify the objective of the analysis*. For example, the objective could be to estimate the share of targeted allocations for children in the total budget (across sectors) or in a particular sector (across schemes or programmes). The objective could also be to assess the direct or indirect impact of certain policies and programmes on children or an assessment of per-capita expenditure (for example, in ICDS) or a study of priority towards child budgets as compared to the total budget, or trends over time in primary or elementary education; budget priority for girls within the child budget of a sector or a scheme, or costing of interventions such as child protection laws. Once the scope and objective is clear, one can prepare

[36] http://wcd.nic.in/BudgetingChildProtection.pdf

research questions and the methodology for the review. This step will also include identifying the level of analysis (national or sub national), time period to be reviewed, data sources and constraints, partners and the research time line.

Step 2: I*dentify the sectors*[37]. One may wish to list all sectors that have or may have children related policies, schemes and programmes. Or the focus could be any specific sector - Health or Education or Labour and Employment - and children related policies and schemes within those. One could also wish to prioritise a theme based analysis, for example schemes related to child protection[38] or vulnerable children or budgetary provisions for compliance of Child Labour Act, etc. This would cut across different sectoral Ministries and Departments. A thorough review of such provisions and the responsible agencies for the implementation is an important pre-requisite.

Step 3: Identify t*he schemes and programmes for children (targeted allocations) across the identified sectors.* This helps disaggregate expenditure meant for the welfare and benefit of children. At the Union level, the quantum of allocations for children below 18 years of age across all Ministries/Departments, GOI, is reflected in Statement 22, the Child Budget Statement. This is not the case with State governments. The sectors and schemes have to be identified if the analysis is focused at the sub national level. This exercise will help track and assess whether political commitments on child rights are coupled with dedicated resources or not.

Step 4: P*repare the analytical report and a dissemination strategy*. There is a need to build the capacities of organizations advocating for child rights in the domain of expenditure reviews through this critical lens of analysis. This will provide teeth to the advocacy efforts for optimum budgeting for meeting children's needs and aspirations.

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37 For example in India, the programmes for children spread over the following ministries and departments: Ministry of Health and Family Welfare, Department of Health, Department of Family Welfare, Ministry of Human Resource Development, Department of School Education and Literacy, Ministry of Women and Child Development, Ministry of Labour and Employment, Ministry of Social Justice and Empowerment, Ministry of Tribal Affairs, Ministry of Youth Affairs and Sports etc.

38 The budget for child protection largely addresses two very specific categories of children in difficult circumstances – child labour and children that fall within the purview of the juvenile system either as street children or as children in conflict with law or children requiring alternative care such as adoption. Budget for child labour elimination programmes also comprise the major share within child protection.

Case #2: Analysing Gender Oriented Budgets

Women and girls constitute almost 50% of the national population. Sex disaggregated indicators on development clearly point out the multiple disadvantages that women face in access to and control over resources. Policy makers are sensitised towards the importance to dedicate committed budgetary resources across sectors to be able to effectively mitigate gender related disadvantages. As a strategy, the GOI introduced the women component plan (WCP) from the 9th Plan onwards. In the subsequent plans, WCP was replaced with Gender Responsive Budgeting (GRB) as a pragmatic strategy to achieve gender equality and women empowerment (GE/WE) goals.

What are Gender Responsive Budgets?

Gender Responsive Budgeting (GRB) is a methodology by which gender concerns are integrated into the programme design and implementation processes through the instrument of budgets. Gender Responsive Budget Initiatives (GRBI) are gradually emerging as an approach to help bridge the gap between policy commitments, resource allocations and implementation. GRB is an umbrella term and constitutes a combination of different tools and frameworks[39]. A strategic approach to implementing GRB includes choosing tools and processes on the basis of the 'goals' that the initiatives seek to achieve.

As an approach, GRB seeks to achieve effective inclusion, and mainstreaming of gender concerns in all programmes and policies. It attempts to assess the impact of government expenditures and revenues on the social and economic position of men, women, girls and boys. GRB does not aim to produce a separate budget for women/girls; instead it seeks to identify the 'gender gaps' in outcomes. It seeks to ensure mitigation of identified 'gender gaps' and equality of outcomes by means of focused allocations and affirmative action. GRB is a process that entails gender sensitivity in the process of conceiving, planning, budgeting, approving, executing, monitoring and evaluating policies and programmes. It involves analysis of the impact of actual expenditure on women and girls as compared to men and boys and assists in deciding how policies need to be made, adjusted and re-prioritised, and in tracking whether allocations are aligned to policy commitments and is therefore accepted as an important tool for effective policy implementation.

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[39] The five step framework in gender responsive budgeting is a universal framework adopted by practioners of GRB the world over. The five steps outline a cyclic process that underlies policy making and budgeting. The five step framework is a means to ensure that real needs are addressed through the instrument of 'budgets'. It entails monitoring how the money was spent and who benefited from it. These five steps should, in fact, underlie any budgeting process as they ensure that the budget addresses real needs, and that the money allocated was utilised in a fair and transparent manner.

Entry Point Tools in Gender Responsive Budgeting

A strategic approach to implementing gender responsive budgets includes choosing tools and processes on the basis of the 'goals' that the initiatives are seeking to achieve. There are a range of entry points for GRB and the entry points can be adapted to the specific purpose for which a particular instrument is designed. Either one or a combination of two or more of these can be used at any given time. The entry points below are not the only possible ones, so others can be utilised as well.

Table 5: Tools for GRB Analysis

Sl. No.	Tools	Aim	Instruments	Who? Stakeholders
1.	Gender – disaggregated Beneficiary Assessment of Public Service Delivery and Budget Priorities	To collect and analyse the opinions of men and women on: 1. How far current forms of public service delivery meet their needs? 2. How far current patterns of public expenditure accord with their priorities?	**Quantitative Instruments-** Opinion Polls, Attitude Surveys **Qualitative Instruments-** Participatory Rapid Appraisals such as Focused Group Discussions and interviews	Government NGOs and CBOs Research and Academic Institutions
2.	Gender Disaggregated Public Expenditure Benefit Incidence Analysis	The aim of this tool is to analyse the extent to which men and women, girls and boys, benefit from expenditure on publicly provided services	**Quantitative Instrument** Benefit Incidence Analysis **Method:** 1. Measure unit cost of providing a particular service 2. Value of unit cost, multiplied by number of units utilised by relevant individuals	Central Statistical Office can develop the instrument Government Ministries and Departments NGOs and CBOs to assess sex disaggregated beneficiary incidence of projects Researchers
3.	Gender Aware Policy Evaluation of Public	The aim is to evaluate the policies that	**Causal Chain** Planned Public	Each Ministry/Department can conduct a gender

Sl. No.	Tools	Aim	Instruments	Who? Stakeholders
	Expenditure by Sector	underlie budget appropriations to identify their likely impact on men and women. - Are the policies likely to reduce, increase or leave unchanged the degree and pattern of gender differences?	Expenditure ↓ Activities supported ↓ Expected Intermediate Outputs ↓ Expected Impact on men and women	aware policy appraisal and evaluation of planned expenditure prior to the Budget NGOs and Researchers can carry out independent evaluations
4.	Gender- Aware Budget (Expenditure) Statement	It demonstrates the expected implications of expenditure estimates in addressing issues of gender inequality in terms of total public expenditure and expenditure by sectoral Ministries	Gender Budget Statement (Statement 20) of Government of India	Prepared by Ministry of Finance in cooperation with other Ministries/Departments NGOs/CBOs can also prepare a 'Gender-Aware Budget (expenditure) Statement
5.	Gender – disaggregated Analysis of Impact of Budget on Time Use	The aim is to identify the relationship between national budgets and the household time budget- this helps reveal the macroeconomic implications of unpaid work in social reproduction (time devoted to caring for family and community members, the sick, fuel wood and water collection , cooking, cleaning etc.	House hold surveys on time use. Time use surveys	Central Statistical Office is the major stakeholder Social sector Ministries can use this data to analyse the impact of their policies on household use of time to produce social services Researchers and NGOs can contribute to collate time use data

Note: Adapted from, Gender Budgeting Analytical Tools and Frameworks, Diane Elson, Gender & Youth Affairs Division, Commonwealth Secretariat

Government of India and GRBI

Governments may initiate GRBI by preparing the Gender Budget Statements to show the quantum of budgetary allocations for women/girls. Government of India presents Statement 20 (Gender Budget Statement) of the Expenditure Budget of the Union Government, in two parts:

Part A: Pro-women allocations, where 100 % of the allocation is meant for women

Part B: Pro-women allocations where 30 % to 99 % of the allocation is meant for women

A few State Governments also produce the GBS, although the format may differ from state to state.

Analysing Gender Budgets

There are several ways in which budgets can be analysed from a gender informed perspective. The choice of tools for analysis can be picked from those outlined in the table (tools for GRB Analysis). The choice of tools will be based on the objective of the analysis. Approaches and/or tools for budgets at the sub-national level will require stakeholders to be involved in the process and make local needs, priorities, and resources central to the process. Ideally, the tools adopted and adapted for identifying gender gaps at the sub-national level should complement existing local level research analysis efforts. It is also necessary to consider the opportunities, constraints and obstacles posed by utilizing the tool.

Illustration: Children and Gender Oriented Budget – GDP Analysis

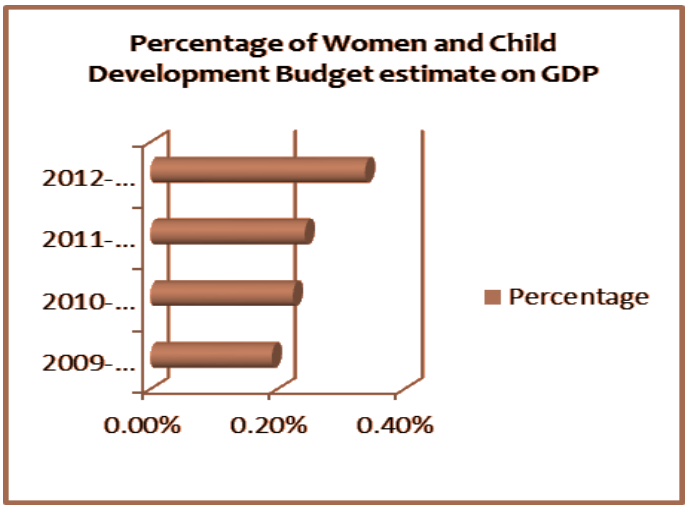
Comparing budget line items to national level variables such as GDP help understand the importance of the said sector at national level. We will look into the example of Women and Child Development, a central sector line item in the Union Budget. The budget allocated to this sector has been taken from the Union Budget of India pertaining to four financial years and tabulated below. The expense estimate of the said sector as a percentage of national GDP has been calculated and shown in the last column. This has been calculated as follows:

Percentage = (Sectoral Budget in Current year/ GDP in Current year) X 100

The graph clearly indicates a steady increase in percentage of budget allocated towards Women and Child Development as a percentage of GDP. This may be further analysed to scrutinise the said trend.

Rs. in Crores

Year	GDP #	Sectoral Budget *	Percentage
2009-10	45,16,071	8,624	0.19%
2010-11	49,37,006	11,071	0.22%
2011-12	52,43,582	12,733	0.24%
2012-13	55,03,476	18,584	0.34%

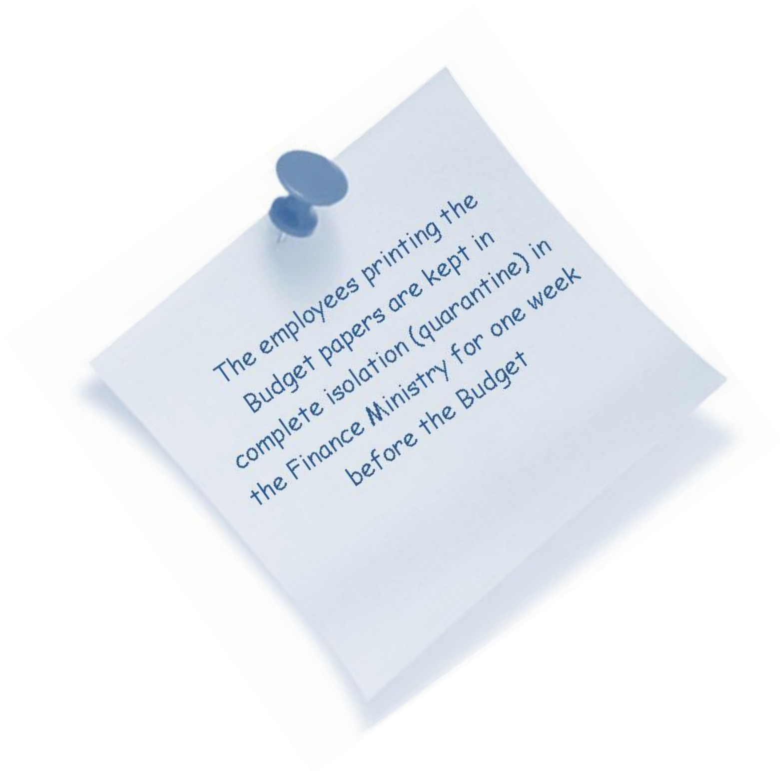


Note:

- National Gross Domestic Product at 2004-05 Prices

* - Women and Child Development - Central Sector in Union Budget

Source: http://data.gov.in & http://indiabudget.nic.in



Check your Understanding - Unit B5

Instructions

Read each questions carefully and write the correct alternative in the space provided before the questions/statements.

Part I: Multiple Choice Questions

1) **Rights based approach to budget analysis helps in addressing**
    a. Marginalization issues
    b. Exclusion issues
    c. Equity issues
    d. All of the above

2) **Gender Budget was earlier called as**
    a. Women Component Plan
    b. Women Rehabilitation Plan
    c. Women Cash Plan
    d. Women Development Budget

3) **Problems relating to Child Budgeting include**
    a. Problems in flow of funds from Central to State
    b. Dependence on external aid
    c. Problems in planning by various Ministries/Departments head level
    d. All of the above

4) **While analyzing a Child oriented budget a key approach would be select first the**
    a. Sectoral affiliation
    b. Region
    c. Age
    d. Schemes

5) **Gender Responsive Budgets seeks to**
    a. Make a separate budget for women and girls
    b. Identify gender gaps in out comes
    c. Ignore mainstreaming of women
    d. Have no inclusion of women

Part II: Fill in the blanks with suitable words

1) **Tools for Gender Responsive Budgets do not include __________________**
   a. Gender - Aware Policy Evaluation of Public Expenditure by Sector
   b. Gender – Aware Process evaluation
   c. Gender- Aware Budget (Expenditure) Statement
   d. Gender – disaggregated Analysis of Impact of Budget on Time Use

2) **Statement 20 Gender Budget Statement contains ________________**
   a. 100% allocation for women
   b. 30 to 99% allocation for women
   c. 51% allocation for women
   d. a and b above

3) **In the illustration given, the women and children budget as percentage of GDP is seen to __________**
   a. Steadily increase
   b. Steadily decrease
   c. Fluctuate
   d. Remain constant

4) **In the illustration given, the women and children budget as percentage of GDP during 2011-12 is ____________**
   a. 0.19%
   b. 0.22%
   c. 0.24%
   d. 0.34%

5) **The main objective of Gender budgeting is __________**
   a. Estimate the funds needed for women
   b. Address gender biased poverty issues
   c. Address gender gaps through specific interventions
   d. All of the above

UNIT B6

Budget Analysis for ADVOCACY

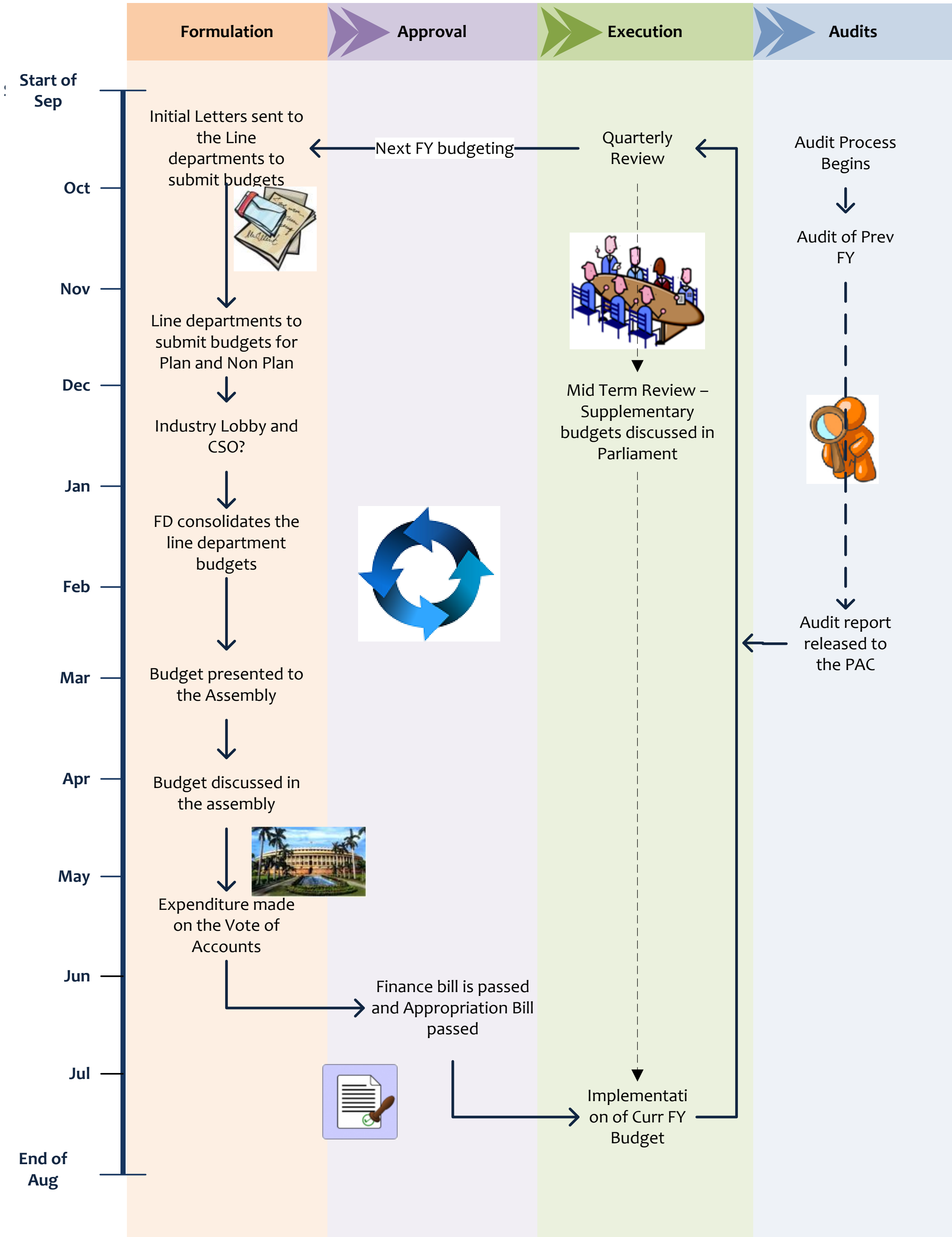
Unit B6: Budget Analysis for ADVOCACY

The Budget Cycle and the various rounds of discussions involved offer many opportunities for brain storming and fine tuning the PPS and budgeted amounts. There are four main stages in the Cycle: Formulation, Approval, Execution and Audits. At each of these stages the budget documents are discussed and analysed in detail, and consultations are held with representatives of the various stakeholders.

At the pre-budget stage for example, during budget formulation, consultations are held with groups representing minorities, gender, tribals, etc. to hear their views and provide for their needs in issues like health and education. At the budget approval stage, the budget is in the public domain and media get to analyse, approve and criticize the Budget. At the execution stage research bodies step in to study the implementation process, if money is being used as planned and allocated, and so on. Finally at the audit stage, the financials are discussed.

The audit reports bring to light financial irregulars, poor expenditure practices, leakages, procurement irregularities, etc. These reports can be used to hold the Executive accountable and to push for the required reforms that will ensure an efficient implementation. Lately Performance audit reports reflect the performance of schemes/programmes from the economy, efficiency and effectiveness lenses.

Box 14 - Budget Cycle & Control (Audit)



Annexes

Module A

Annexes - Module A

Annex A1
Budgets and Constitutional Framework

There are several constitutional provisions related to the Budget both for the Union and State. The constitutional provisions that guide the budgeting process at the State and Union are listed in the following Matrix.

Sl. No	Provision Related to	Union	State
1	Annual Financial Statement (AFS)	**Article 112** It provides that in respect of every financial year the President shall cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, referred to as the "Annual Financial Statement''.	**Article 202** It provides that the Governor shall in respect of every financial year cause to be laid before the House or Houses of the Legislature of the State a statement of the estimated receipts and expenditure of the State for that year, in this Part referred to as the "Annual Financial Statement".
2	Procedure in Parliament with respect to Estimates	**Article 113** It provides that estimates relating to expenditure charged upon the Consolidated Fund of India shall not be submitted to the vote of Parliament, even though these can be discussed in either House of Parliament. The estimates relating to the 'voted' portion shall be submitted in the form of demands for grants, and the House of the People shall have power to assent, refuse or reduce the amount specified therein. No demand for a grant shall be made except on the recommendation of the President.	**Article 203** It provides that the estimates related to expenditure charged upon the Consolidated Fund of a State shall not be submitted to the vote of the Legislative Assembly, but nothing in this clause shall be construed as preventing the discussion in the Legislature of any of those estimates. The estimates related to other expenditure shall be submitted in the form of demands for grants to the Legislative Assembly, and the Legislative Assembly shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand subject to a reduction of the amount specified therein and no demand for a grant shall be made except on the recommendation of the Governor.
3	Appropriation Bills.	**Article 114** The Appropriation Bill is introduced in the Lok Sabha only after the passing of the demands under Article 113. This Bill provides for	**Article 204** It provides that after the grants under Article 203 have been made by the Assembly, a Bill shall be introduced to provide for the appropriation out of the

Sl. No	Provision Related to	Union	State
		the appropriation out of the Consolidated Fund of India to meet the requirements relating to: (*a*) the grants so made by the House of the People; and (*b*) the expenditure charged on the Consolidated Fund of India but not exceeding in any case the amount shown in the statement previously laid before Parliament. Also, No money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law passed in accordance with the provisions of this article.	Consolidated Fund of the State of all moneys required to meet— a. the grants so made by the Assembly; b. the expenditure charged on the Consolidated Fund of the State but not exceeding in any case the amount shown in the statement previously laid before the House or Houses. No money can be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this article.
4	Supplementary, Additional or Excess Grants.	**Article 115** If the amount authorized through appropriations for a particular service is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, a supplementary demands for grants proposal shall be made before parliament. However, if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, demand for such excess, as the case may be is to be laid before both the Houses of Parliament for authorizing (subject to the report of the Public Accounts Committee) the expenditure incurred in excess.	**Article 205** If the amount authorized by any law made in accordance with the provisions of article 204 to be expended for a particular service for the current financial year is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, or if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, cause to be laid before the House or the Houses of the Legislature of the State another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly of the State a demand for such excess, as the case may be.
5	Vote on account, Vote of credit and Exceptional Grant.	**Article 116** The House of the People shall have power relating to: a. **Vote on Account**- to make any grant in advance in respect of the estimated expenditure for a part of	**Article 206** Legislative Assembly of a State shall have power: a. to make any grant in advance in respect of the estimated expenditure for a part of any financial year pending the

Sl. No	Provision Related to	Union	State
		any financial year pending the completion of the parliamentary procedure. b. **Vote of Credit**- to make a grant for meeting an unexpected demand upon the resources of India when on account of the magnitude or the indefinite character of the service the demand cannot be stated with the details ordinarily given in an annual financial statement; c. **Exceptional Grant**- to make provision for an exceptional grant that does not form part of the current service of any financial year; Parliament shall have power to authorize by law the withdrawal of moneys from the Consolidated Fund of India for the above purposes.	completion of the procedure prescribed in article 203 for the voting of such grant and the passing of the law in accordance with the provisions of article 204 in relation to that expenditure; b. to make a grant for meeting an unexpected demand upon the resources of the State when on account of the magnitude or the indefinite character of the service the demand cannot be stated with the details ordinarily given in an annual financial statement; c. to make an exceptional grant which forms no part of the current service of any financial year; and the Legislature of the State shall have power to authorise by law the withdrawal of moneys from the Consolidated Fund of the State for the purposes for which the said grants are made.
Constitutional provisions related to the Union Government and those related to both Union and State			
6	Special provisions as to Financial Bills	**Article 117** A Bill or amendment making provision for any of the matters specified in sub-clauses (*a*) to (*f*) of clause (1) of article 110 shall not be introduced or moved except on the recommendation of the President and a Bill making such provision shall not be introduced in the Council of States.	
7	Taxes not to be imposed save by authority of law	**Article 265** No tax shall be levied or collected except by authority of law.	
8	Consolidated Funds and Public Accounts of India and of the States.	**Article 266** The whole or part of the net proceeds of certain taxes and duties to States, all revenues received by the Government of India, all loans raised and all moneys received by that Government in repayment of loans form one consolidated fund to be entitled "the **Consolidated Fund of India**", and all revenues received by the Government of a State, all loans raised and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the **Consolidated Fund of the State**". All other public moneys received by or on behalf of the Government of India or the Government of a State shall be credited to the public account of India or the public account of the State, as the case may be. No moneys out of the Consolidated Fund of India or the Consolidated Fund of a State can be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution.	
9	Contingency	**Article 267**	

Sl. No	Provision Related to	Union	State
	Fund	Parliament may by law establish a Contingency Fund in the nature of an imprest to be entitled "the **Contingency Fund of India**" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the President to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by Parliament Similarly, the Legislature of a State may by law establish a Contingency Fund in the nature of an imprest to be entitled "the **Contingency Fund of the State**".	
10	Grants from the Union to certain States	**Article 275** Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States. Provided, that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.	
11	Finance Commission	**Article 280** It is constituted at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission. It shall be the duty of the Commission to make recommendations to the President relating to: a. the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds; b. the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India; and the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State; c. the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State; d. any other matter referred to the Commission by the President in the interests of sound finance. The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.	
12	Recommendations of the Finance Commission	**Article 281** The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.	
13	Borrowing by the Government of India	**Article 292** The executive power of the Union extends to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving of guarantees within such	

Sl. No	Provision Related to	Union	State
		limits, if any, as may be so fixed.	
14	Form of accounts of the Union and of the States	**Article 150** The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.	
15.	Audit reports	**Article 151** The reports of the Comptroller and Auditor- General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament.	
16.	Special procedure in respect of Money Bills	**Article 109** A Money Bill shall not be introduced in the Council of States. After a Money Bill has been passed by the House of the People it shall be transmitted to the Council of States for its recommendations and the Council of States shall within a period of fourteen days from the date of its receipt of the Bill return the Bill to the House of the People with its recommendations and the House of the People may thereupon either accept or reject all or any of the recommendations of the Council of States.	
17	Definition of "Money Bills''.	**Article 110** A Bill shall be deemed to be a Money Bill if it contains only provisions dealing with all or any of the following matters, (*a*) the imposition, abolition, remission, alteration or regulation of any tax; (*b*) the regulation of the borrowing of money or the giving of any guarantee by the Government of India, or the amendment of the law with respect to any financial obligations undertaken or to be undertaken by the Government of India; (*c*) the custody of the Consolidated Fund or the Contingency Fund of India, the payment of moneys into or the withdrawal of moneys from any such Fund; (*d*) the appropriation of moneys out of the Consolidated Fund of India; (*e*) the declaring of any expenditure to be expenditure charged on the Consolidated Fund of India or the increasing of the amount of any such expenditure; (*f*) the receipt of money on account of the Consolidated Fund of India or the public account of India or the custody or issue of such money or the audit of the accounts of the Union or of a State; or (*g*) any matter incidental to any of the matters specified in sub-clauses (*a*) to (*f*).	
18	Articles related to the distribution of Revenues between the Union and the States	**Article 268**	Duties levied by the Union but collected and appropriated by the States
		Article 269	Taxes levied and collected by the Union but assigned to the States
		Article 270	Taxes levied and collected by the Union and distributed between the Union and the States
		Article 271	Surcharge on certain duties and taxes for purposes of the union
		Article 274	Prior recommendation of President required for Bills affecting taxation in which states are interested.

Sl. No	Provision Related to	Union		State
		Article 275	Grants from the Union to certain States	
		Article 280	Finance Commission	
		Article 281	Recommendations of the Finance Commission	
		Article 282 (Miscellaneous Financial Provisions)	Expenditure defrayable by the Union or a State out of its revenues	

Annex A2
Classification of Expenditure by Functions

A. GENERAL SERVICES

(a) Organs of State

(b) Fiscal Services

(c) Interest Payment and Servicing of Debt

(d) Administrative Services

(e) Pensions and Miscellaneous General Services

(f) Defence Services

B. SOCIAL SERVICES

(a) Education, Sports, Arts and Culture

(b) Health and Family Welfare

(c) Water Supply, Sanitation, Housing and Urban Development

(d) Information and Broadcasting

(e) Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes

(f) Labour and Employment

(g) Social Security and Nutrition

(h) Others

C. ECONOMIC SERVICES

(a) Agriculture and Allied Activities

(b) Rural Development

(c) Special Areas Programmes

(d) Irrigation and Flood Control

(e) Energy

(f) Industry and Minerals

(g) Transport

(h) Communications

(i) Science, Technology and Environment

(j) General Economic Services

D. GRANTS-IN-AID AND CONTRIBUTIONS

Annex A3
Budget Documents: Karnataka

In Karnataka, the Budget Document besides Finance Ministers Speech are as listed:

1. The Annual Financial Statement (Budget)
2. Summary of Demand for Grants and Charged Appropriations- Part I&II
3. Vote on Account for Expenditure
4. Medium Term Fiscal Plan
5. Detailed Estimates of Expenditure (Volume- I to VIII)
6. Detailed Estimates of Public Work
7. Detailed Estimates Irrigation
8. Detailed Estimates of Revenue and other Receipts
9. Overview of Budget
10. Budget Highlights
11. Action Taken Report
12. Details of Provisions for Plan Schemes
13. Budget Memorandum (Details of Guarantees, Shares, Securities etc.)
14. Gender Budget (Category A & Category B)
15. Appendix - B of Budget estimates.
16. Details of provision for salary of Zilla Panchayats (Appendix B Staff)
17. Details of provision for Plan Schemes, Special Development Plan, Special Component plan and tribal sub-plan.
18. Budget Allotment for Zilla Panchayat Plan and Non-Plan. (Zilla, Taluk, Gram Panchayat scheme wise) Vol, I to IV.

Documents 1, 2 and 3 are mandated by the constitution of India, under article 202, 203, 206 respectively. The Budget document listed at number 4 (Medium Term Fiscal Plan) is presented in compliance of section 3 of the Karnataka Fiscal Responsibility Act (KFRA 2002). The other documents (5 to 18) are presented as explanatory statements supporting the mandated documents.

Annexes

Module B

Annexes - Module B

Annex B1

Education Sector: Description of funding sources

Level of Government funding the education sector	Departments funding the education sector in Karnataka
National Level(GOI) and Government of Karnataka	Department of Public Instruction Department of Primary &Secondary Education Department of Pre University Education Department of University &Higher Education Directorate of Technical Education Department of Health and Family Welfare Department of Agriculture Research & Education Department of Social Security and Welfare (Scheduled Castes, Scheduled Tribes and Other Backward Classes) Department of Women and Child Development State share of Sarva Shiksha Abhiyan Society(SSA) State component for Mid Day Meal Scheme(MDM) State share for Rashtriya Madhyamik Shiksha Abhiyaan (RMSA)

Schemes implemented by Department of School Education & Literacy, MHRD, GOI

Schemes in Elementary education sector	Schemes in secondary education sector
Sarva Shiksha Abhiyaan Mid Day Meal	Rashtriya Madhyamik Shiksha Abhiyan (RMSA) ICT @ School Girls Hostel Model School Inclusive Education for Disabled at Secondary Stage Incentive to Girls for Secondary Education National Merit cum Means Scholarship Financial Assistance for Appointment of language Teachers Adolescence Education Programme Vocationalisation of Secondary Education
Schemes in Teacher education (part of SSA)	
Schemes in Vocational education Centrally Sponsored Scheme of Vocationalisation of Secondary Education Central Board of Secondary Education (CBSE). National Institute of Open Schooling (NIOS) Sub-Mission on Polytechnics Establishment of New Polytechnics Strengthening of Existing Polytechnics Construction of Women's Hostel in Polytechnics Community Polytechnics Jan Shikshan Sansthan (JSS). Craftsmen training in ITIs	
Schemes in Adult education sector National Literacy Mission Authority Directorate of Adult Education Saakshar Bharat Scheme of Support to Voluntary Agencies for Adult Education & Skill Development State Resource Centre Jan Shikshan Sansthan Assistance to Voluntary Agencies	

Annex B2

Major, Sub Major and Minor heads related to the Education Sector

Major Head		Sub Major Head	Minor head
2202	**General Education**	*01. Elementary Education* *02. Secondary Education* *03. University and Higher Education* *04. Adult Education* *05. Language Development* *80. General*	
2203	**Technical Education**		
	Other Major Heads		
2210	**Medical and Public Health**	*05. Medical Education, Training and Research*	
2225	**Welfare of Scheduled Castes, Scheduled Tribes and other Backward classes**	*01. Welfare of Scheduled Castes* *02. Welfare of Scheduled Tribes* *03. Welfare of Backward Classes*	277 Education
2235	**Social Security and Welfare**	*02. Social Welfare*	109 Pre-vocational Training
2415	**Agricultural Research and Education**		277 Education

Annex B3

List of Object Heads classified as Wage expenditure

Object Head	Description	Wage/ non-wage/ block grant
1	Consolidated Salaries	Wage
2	Pay-Officers	Wage
3	Pay-Staff	Wage
4	Interim Relief	Wage
5	Salaries of Trainees	Wage
11	Dearness Allowance	Wage
14	Other Allowance	Wage
20	Medical Allowance	Wage
31	Wages	Wage
126	Terminal Leave Benefits	Wage
251	Pension & Retirement Benefits	Wage
252	Commuted Value of Pensions	Wage
254	DCRG or Death Cum Retirement Gratuity	Wage

Annex B4

Sources of information for websites

Source	Website address
Controller General of Accounts, GOI	http://cga.nic.in/forms/Publication.aspx
Sarva Shiksha Abhiyan	http://www.ssa.nic.in
Rashtriya Madhyamik Shiksha Abhiyaan	www.mhrd.gov.in/rashtriya_madhyamik_shiksha_abhiyan
Ministry of Human Resource and Development, GOI	http://mhrd.gov.in/
Department of Finance, Government of Karnataka	http://www.finance.kar.nic.in/
Report of the Committee Constituted to Review the List of Major and Minor Heads of Accounts (LMMHA) of Union and States	http://cga.nic.in/writereaddata/Part1MainReport.pdf
List of Major & Minor Heads of Account of Union and States(LMMH)	http://cga.nic.in/writereaddata/major_minor.pdf
Economic Survey of Karnataka 2005-06 and 2010-11	http://www.finance.kar.nic.in/index.html

Annex B5
Major, Sub Major and Minor heads related to the Health Sector

Major Head	Sub Major Head	Minor head
2210 Medical and Public Health	*01 Urban Health Services - Allopathy* *02 Urban Health Services - Other systems of medicine* *03 Rural Health Services - Allopathy* *04 Rural Health Services- Other Systems of medicine* *05 Medical Education, Training and Research* *06 Public Health* *80 General*	
2211 Family Welfare		001 Direction and Administration 003 Training 004 Research and Evaluation 101 Rural Family Welfare Services 102 Urban Family Welfare Services 103 Maternity and Child Health 104 Transport 105 Compensation 106 Mass Education 108 Selected area Programmes (including India population project) 109 Reproductive and Child Health Programme 190 Assistance to Public sector and other undertakings 200 Other Services and Supplies 798 International Co-operation 800 Other expenditure
Other Major Heads		
2225 Welfare of Scheduled Castes, Scheduled Tribes and other Backward classes	*01 Welfare of Scheduled Castes* *02 Welfare of Scheduled Tribes* *03 Welfare of Backward Classes*	282 Health
2230 Labour and Employment	*01 Labour*	103 General Labour Welfare *01 Janashri Bima Yojana to Unorganised Workers* *07 Rashtriya Swasthya Bima Yojana*
2235 Social Security and Welfare	*02-Social Welfare* *60 Other Social Security and Welfare programmes*	102 Child Welfare *CSS(100%) of Integrated Child Development Service* 103 Women's Welfare 101 Personal Accident Insurance Scheme for poor Families (Each special Insurance

Major Head	Sub Major Head	Minor head
		Scheme will be a minor head)
4210 Capital Outlay on Medical and Public Health	*01 Urban Health Services* *02 Rural Health Services* *03 Medical Education* *04 Public Health* *80 General*	102 Employees State Insurance Scheme 103 Central Govt. Health Scheme 104 Medical Stores Depot 108 Departmental Drug Manufacture 109 School Health Scheme 110 Hospital and Dispensaries 200 Other Health Schemes 800 Other expenditure
4210 Capital Outlay on Family Welfare		101 Rural Family Welfare Service 102 Urban Family Welfare Services 103 Maternity and Child Health 106 Services and supplies 108 Selected Area Programmes 190 Investments in Public sector and other Undertakings 800 Other expenditure

Annex B6

Assumptions used for classification of health related expenditure data (CBPS Study)

a. Assumptions made for Revenue/Capital: After carefully scrutinizing each of the budget line items, the expenditures were classified based on the description available after the minor head. The expenditures were classified based on the definitions given below:

Revenue	As per the economic definition of revenue expenditure, any expenditure needed to maintain assets is taken under this head. This could be maintenance of human resources in terms of the salary required to be paid to the government employees or any expenditure which is required to maintain a capital asset, like repairs of buildings etc. All object heads under major head 2210 and 2211 were considered as recurrent expenditure
Capital	As per the economic definition of capital expenditure, any expenditure incurred due to the addition of a new asset falls under this head. This could include purchase of ambulance, purchase of CT Scan, or construction of new buildings etc. All Object Heads under Major Head 4210 and 4211 were considered under Capital expenditure

The definition differs slightly from that of the government as they use an accounting definition rather than an economic one. A common problem with the government definition is that some capital expenditures that are transferred from the state to the PRIs are considered in account terms as revenue expenditure, when they might in fact create a capital asset at the local level. To avoid this, our analysis considers all budget heads in which there are capital expenditures, as capital expenses.

b. Assumptions made for Wages/Non-Wages: After careful examination of the Object Head descriptions, the budget items were classified based on the definition given below. This kind of classification would help us assess the actual amount of expenditure made towards programme development costs.

Expenditure on Human Resources	Any component as per the accounting definition of 'Salary' of the employee, the overhead costs like travel expenses, concessions, etc. and administration expenditure form this expenditure. Also, any kind of payment related to remuneration, commission etc., was classified under this head.
Development Expenditure	Any expenditure solely relating to spending on the development of the schemes or any programme expenditure falls under this head

Annex B7
Classification of line items: Health expenditure

Administration	All expenditures relating to allowances, salaries, honorariums, office expenses and other administrative expenses related to health care are classified under this head.
Primary Care	Keeping in mind the Alma-Ata declaration on Primary Health Care, all expenditures directed at preventive measures like immunization, national disease control, and disease surveillance units would fall under this category. Also health centres which mainly provide primary care, training for health workers, etc., fall under this category. This category differs from the above mentioned definition, in the way that it considers all interventions of the health department, while the previous definition considers interventions from allied departments.
Secondary Care	All expenditures related to mild hospitalization, insurance for mild hospital expenses are included under this head. Secondary care is the service provided by medical specialists who generally do not have first contact with patients, for example, cardiologists, urologists and dermatologists.
Tertiary Care	All expenditures related to super specialty care such as cancer treatment, organ transplants etc., insurance schemes for super specialty care and super specialty hospitals fall under this category.
Others	All other expenditure like administrative expenditure, research related to medical care, publicity and awareness and miscellaneous expenditure fall under this head

Annex B8

Source of information for health sector budget analysis

Source	Website address
Controller General of Accounts, GOI	http://cga.nic.in/forms/Publication.aspx
Department of Finance, Government of Karnataka	http://www.finance.kar.nic.in/
Report of the Committee Constituted to Review the List of Major and Minor Heads of Accounts (LMMHA) of Union and States	http://cga.nic.in/writereaddata/Part1MainReport.pdf
List of Major & Minor Heads of Account of Union and States(LMMH)	http://cga.nic.in/writereaddata/major_minor.pdf
Economic Survey of Karnataka 2005-06 and 2010-11	http://www.finance.kar.nic.in/index.html
Ministry of Health and Family Welfare, GOI	http://mohfw.nic.in/index.php?lang=1
National Rural Health Mission	http://www.nrhm.gov.in/
Rashtriya Swasthya Bima Yojana	http://www.rsby.gov.in/

Annex B9

Major, Sub Major and Minor heads related to the Water Sector

Major Head	Sub Major Head	Minor head
2215 Water Supply and Sanitation	*01 Water Supply*	001 Direction and Administration 003 Training 004 Research 005 Survey and Investigation 052 Machinery and Equipment 101 Urban water Supply Programmes (1) 102 Rural water supply Programmes (2) 190 Assistance to Public Sector and other Undertakings 191 Assistance to Local Bodies, Municipalities etc. 799 Suspense 800 Other expenditure
2217 Urban Development		191 Assistance to Local bodies Corporations, Urban Development Authorities/Town Improvement Boards etc.
4215 Capital Outlay on Water Supply and Sanitation	*01 Water Supply*	101 Urban Water Supply 102 Rural Water Supply 190 Investments in Public Sector and other Undertakings 800 Other expenditure
6215 Loans for Water Supply and Sanitation	*01 Water Supply*	101 Urban Water Supply Programmes 102 Rural Water Supply Programmes (1) 190 Loans to Public Sector and other undertakings 800 Other Loans

Note*: (01) Each major scheme or group of small schemes will be recorded under distinct sub Heads with suitable detailed heads.*

(2) This Minor Head will be sub-divided into the following sub-Heads:

(a) Accelerated Rural Water Supply Programme (ARWSP)

(b) Rural Piped Water Supply Programme

(c) Other Rural Water Supply Programme

Annex B10
Classification of expenditure on RWS and UWS used in the PER by CBPS

Account heads	Classification of expenditure – made on rural water supply or urban water supply or others
2215-01-001-1-01	RWS
2215-01-001-1-02	RWS
2215-01-001-2-01	RWS
2215-01-001-3-01	RWS
2215-01-003-0-01	RWS
2215-01-005-1-01	RWS
2215-01-052-1-00	RWS
2215-01-052-2-00	RWS
2215-01-052-3-00	RWS
2215-01-102-7-03	RWS
2215-01-102-7-80	RWS
2215-01-102-7-81	RWS
2215-01-102-7-82	RWS
2215-01-102-7-83	RWS
2215-01-102-7-84	RWS
2215-01-102-7-85	RWS
2215-01-102-7-86	RWS
2215-01-102-8-01	RWS
2215-01-102-8-02	RWS
2215-01-102-8-03	RWS
2215-01-102-9-04	RWS
2215-01-102-9-05	RWS
2215-01-102-9-07	RWS
2215-01-191-1-01	UWS
2215-01-191-1-02	UWS
2215-01-191-1-03	UWS
2215-01-191-2-01	UWS
2215-01-191-2-02	RWS
2215-01-191-3-80	UWS
2215-01-191-3-81	UWS
2215-01-191-3-82	UWS
2215-01-191-3-83	UWS
2215-01-191-3-84	UWS
2215-01-196-2-01	RWS
2215-01-196-2-02	RWS
2215-01-197-2-01	RWS
2215-01-198-2-02	RWS
2215-01-198-7-02	RWS
2215-01-799-1-00	RWS
2215-01-799-2-00	RWS
2215-01-911-0-00	RWS
2217-05-191-1-82	UWS

Account heads	Classification of expenditure – made on rural water supply or urban water supply or others
2217-05-191-1-85	UWS
2217-80-800-0-26	UWS
4215-01-102-1-01	RWS
4215-01-102-1-80	RWS
4215-01-102-1-81	RWS
4215-01-102-1-82	RWS
4215-01-102-1-83	RWS
4215-01-102-1-84	RWS
4215-01-102-1-85	RWS
4215-01-102-9-01	RWS
4215-01-102-9-02	RWS
4215-01-102-9-03	RWS
4215-01-102-9-04	RWS
4215-01-102-9-05	RWS
4215-01-102-9-06	RWS
6215-01-190-2-09	UWS
6215-01-190-2-10	UWS
6215-01-190-2-11	UWS
6215-01-190-2-12	UWS
6215-01-190-2-13	UWS
6215-01-190-2-80	UWS
6215-01-190-2-81	UWS
6215-01-190-2-82	UWS
6215-01-190-2-86	UWS
6215-01-190-2-87	UWS
6215-01-190-2-88	UWS
6215-01-190-2-14	UWS
6215-01-190-2-15	UWS
6215-01-190-2-01	UWS

Glossary

1. Accounts or Actual of a year (AE):

The amounts of receipts and disbursements for the financial year beginning on April 1st and ending on March 31st following, as finally recorded in the Accounting authority's books (as audited by C&AG).

2. Accrual Accounting:

It is a system of accounting in which transaction are entered in the books of accounts, when they become due. The transactions are recognized as soon as a right to receive revenue and/or an obligation to pay a liability is created. The expenses are recognized when the resources are consumed and incomes are booked when they are earned. Therefore, the focus is on the recording of flow of resources i.e., labour, goods, services and capital., the related cash flow may take place after some time (of event) or it may or may not take place in the same accounting period.

3. Administrative approval of a scheme, proposal or work:

It is the formal acceptance thereof by the competent authority for the purpose of incurring expenditure.

4. Annual financial statement (AFS):

Also referred to as 'Budget, the AFS is the statement of estimated receipts and expenditure of the Central Government for each financial year (which runs from 1st April to 31st March), laid before the Parliament. The document as provided under Article 112, depicts information relating to receipts and expenditure for three years, through Budget Estimates (BE) of receipts and expenditure in respect of Budget year (i.e. current financial year); the year preceding the Budget year (current year) through Revised Estimates (RE); and Actuals of the second year proceeding the Budget year. The receipts and disbursements are shown under the three parts, in which Government Accounts are kept viz., (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account. Under the Constitution, Annual Financial Statement distinguishes expenditure on revenue account from other expenditure. Government Budget, therefore, comprises Revenue Budget and Capital Budget. The estimates of receipts and expenditure included in the Annual Financial Statement are for the expenditure net of refunds and recoveries, as will be reflected in the accounts. The Annual Financial Statement is therefore the main Budget document and is commonly referred to as the Budget Statement.

5. Annual Reports:

Annual reports present a descriptive account of the activities and achievements of each Ministry/Department during a given year. This report is brought out separately by each Ministry/Department and is also circulated to the Members of Parliament at the time of discussion on the Demands for Grants.

6. Appropriation:

The amount authorized by the Parliament for expenditure under different primary unit of appropriation or part thereof placed at the disposal of a disbursing officer.

7. Appropriation Accounts:

The accounts prepared by the Controller General of Accounts (Accountant general in case of States) for each grant or appropriation in which is indicated the amount of the grant/appropriation sanctioned and the amount spent under the grant/appropriation as a whole. Important variations in the expenditure and allotments, whether voted or charged, are briefly explained therein with the comments of audit.

8. Appropriation Bill:

Under Article 114(3) of the Constitution, no amount can be withdrawn from the Consolidated Fund without the enactment of such a law by legislature. After the Demands for Grants are voted by the Lok Sabha (State Legislative Assembly in case of a state), legislature's approval to withdraw from the Consolidated Fund of the amounts so voted and of the amount required to meet the expenditure charged on the Consolidated Fund is sought through the Appropriation Bill.

9. Appropriation (Charged):

It is the sums required to meet charged expenditure as specified in the Constitution during the financial year concerned, on the services and purposes covered by 'Charged Appropriation.' It does not include provisions for voted expenditure.

10. Budget:

It is the statement of estimated receipts and expenditure of the Government as per its policy for each financial year and placed before the legislature.

11. Budget at a Glance:

This document presents in brief, receipts and disbursements along with broad details of tax/non-tax revenues and other receipts and Plan and Non-Plan expenditure. It also includes allocation of Plan outlays by sectors as well as by Ministries/Departments and details of resources transferred by the Central Government to State and Union Territory Governments. This document also shows the revenue deficit, the gross primary deficit and the gross fiscal deficit of the Central Government. The document also includes a statement indicating the quantum and nature (share in Central Taxes, grants/loan) of the total Resources transferred to States and Union Territory Governments. Details of these transfers by way of share of taxes, grants-in-aid and loans are given in Expenditure Budget Volume 1 and the bulk of grants and loans are disbursed by the Ministry of Finance and are included in the Demand 'Transfers to State and Union Territory Governments'. The grants and loans released to States and Union Territories by other Ministries/Departments are provided for in their respective Demands. A similar document is prepared by the states providing the highlights of the budget.

12. Budget Deficit:

When the government expenditure exceeds revenues, the government is said to be facing a budget deficit. Budget deficit is the excess of government expenditures over government receipts (income). It means that when the government is running a deficit, it is spending more than its receipts. Such a situation is said to be a 'Budget Deficit'. Budget Surplus is the opposite of a budget deficit and when inflows are equal to outflows, the budget is said to be balanced.

13. Budget Division:

The Budget Division in the Department of Economic Affairs of the Ministry of Finance in the Central Government is primarily responsible for the preparation and submission to Parliament of the Central Government's Budget other than Railways, as well as the supplementary Demands for Grants and Demands for Excess Grants. The Budget and Supplementary and Excess Demands of State and Union Territories under the President's Rule are also dealt with in this Division. Besides, this Division is responsible for dealing with all issues relating to Public Debt, market loans of the Central Government and the fixation of terms & conditions of lending by the Central Government, fixing the administered interest rates and keeping a watch on the Ways and Means position of the Central Government The Division also deals with the matters relating to National Savings Organization and Small Savings Schemes, Duties, Powers and Condition of Service of the Comptroller and Auditor General of India, Accounting procedures and Classification, dealing with issues relating to National Defence Fund, Railways Convention Committee and Central Road Fund.

14. Budget Estimates (BE):

These are assessment of expenditure by the government for a year, and contain a detailed estimate of receipts and expenditure of a financial year. These also include the estimate of Revenue Deficit and Fiscal Deficit for the year.

15. Capital Budget:

Capital budget includes **capital receipts** and **capital payments** by the government. The **capital receipts** are loans raised by Government from public (market loans), borrowings by Government from Reserve Bank and other parties through sale of Treasury Bills, loans received from foreign Governments and bodies, disinvestment receipts and recoveries of loans from State and Union Territory Governments and other parties. Whereas, **capital payments** consist of capital expenditure on acquisition of assets like land, buildings, machinery, equipment, investments in shares, etc., and loans and advances granted by Central Government to State and Union Territory Governments, Government companies, Corporations and other parties.

16. Capital Expenditure:

This refers to the total expenditure by the government on acquiring any asset that may include investment in shares, machinery, building or land. The scope of capital expenditure extends to payments, advancements or loans that are approved or sanctioned to the State governments, union territories, or public sector undertakings by the Central government.

17. Cash Accounting:

In this system of accounting transactions are recorded when there is actual flow of cash. Revenue is recognized only when it is actually received. Expenditure is recognized only on the outflow of cash. No consideration is given to the "due" fact of the transaction. This system of accounting is simple to understand and as such needs less skill on the part of the accountant. Its whole focus is on cash management. The recognition trigger is simply the flow of cash. Budgetary and Legislative compliance is easier under this system.

18. Charged expenditure:

Under the Constitution, there are certain items of expenditure charged on the Consolidated Fund and are not required to be voted by the legislature. The Legislature does not have any say over the Charged Expenditures in the Budget. These include, emoluments of the President/Governor, Salaries and allowances of the Chairman and the Deputy Chairman of the Rajya Sabha and the Speaker and the Deputy Speaker of the Lok Sabha, Salaries, allowances and pensions of Judges of the Supreme Court/High Court, Comptroller and Auditor General of India and the Central Vigilance Commission etc. The 'Annual Financial Statement' shows the expenditure charged on the Consolidated Fund separately.

19. Chief Controller/Controller of Accounts:

It means the Head of the Accounting Organizations in the Ministries/Departments of the Central Government, set up under the scheme of departmentalization of accounts.

20. Comptroller & Auditor General (C&AG):

The Comptroller & Auditor General of India is an authority, established by the Constitution of India. The CAG audits all receipts and expenditure of the Government of India and the State Governments, including those of bodies and authorities substantially financed by the government. The CAG is also the external auditor of government-owned companies. The reports of the CAG are taken into consideration by the Public Accounts Committees, which are special committees in the Parliament of India and the State Legislatures. The CAG is also the head of the Indian Audit and Accounts Department.

21. Consolidated Fund of India:

Under Article 266(1) of the Constitution of India, all revenues received by the Government of India, all loans raised by the Government by issue of treasury bills, loans or Ways and Means advances and all moneys received by the Government in repayment of loans shall form one consolidated fund to be titled the " Consolidated Fund of India". This contains, Revenue Accounts (Receipt and Disbursements) and Capital Accounts (Receipt and Disbursements).

22. Contingency Fund:

Under Article 267 of the Constitution of India, a 'Contingency Fund' may be established, by law, by Parliament State Assembly into which shall be paid from time to time such sums as may be determined by such law, and the said fund shall be placed at the disposal of the President, to enable advances to be made by him out of such fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by Parliament. Contingency Fund is in the nature of an imprest. The corpus of the Contingency Fund of India has been enhanced to Rs. 500 crore from the financial year 2005-06 onwards.

23. Controller General of Accounts:

CGA is the principal Accounts Advisor to the Government of India and is responsible for establishing and maintaining a technically sound management accounting system. He prepares a critical analysis of expenditures, revenues, borrowings and the deficit for the Finance Minister every month. He also prepares Annual Appropriation Accounts and Union Finance Accounts for presentation to the Parliament after audit by the C&AG

24. Controlling Officer (Budget):

He/She is an officer entrusted by a Department of the Government with the responsibility of controlling the incurring of expenditure and/or the collection of revenue. The term includes the Heads of Department and also the Administrators.

25. Demand for Grants:

The estimates of expenditure from the Consolidated Fund included in the Budget Statements and required to be voted by the legislature are submitted in the form of Demands for Grants. Normally a separate demand is required to be presented for each of the major services under the control of a Ministry/Department. Each demand normally includes the total provisions required for a service, that is, provisions on account of revenue expenditure, capital expenditure, grants to States and Union Territories and also loans and advances relating to that service. Estimates of expenditure included in the Demands for grants are for gross amounts. Each Demand first gives the totals of 'voted' and 'charged' expenditure as also the 'revenue' and 'capital' expenditure included in the Demand separately, and also the grand total of the amount of expenditure for which the Demand is presented. This is followed by the estimates of expenditure under different major heads of account. The breakup of the expenditure under each major head between 'Plan' and 'Non-Plan' is also given. The amounts of recoveries taken in reduction of expenditure in the accounts are also shown. A summary of Demands for Grants is given at the beginning of this document, while details of 'New Service' or 'New Instrument of Service' such as, formation of a new company, undertaking or a new scheme, etc., if any, are indicated at the end of the document. While the estimates of expenditure included in the Demands for Grants are for the gross amounts, the estimates of expenditure included in the Annual Financial Statement are for the net expenditure, after taking into account the recoveries.

26. Departmental Estimate:

It is an estimate of income and expenditure of a department in respect of any year submitted by the head of a department or other estimating officer to the Finance Ministry/Department as the material on which to base its estimates.

27. Department of the Central Government:

A Ministry or Department of the Central Government as notified from time to time and listed in the Allocation of Business Rules. It includes the Planning Commission, the Department of Parliamentary Affairs, the President's Secretariat, the Vice-President's Secretariat, and the Cabinet Secretariat.

28. Detailed Demands for Grants:

The Detailed Demands for Grants are laid on the table of the Lok Sabha just before the discussion on Demands for Grants commences in the lower house and after the presentation of the Budget. Detailed Demands for Grants elaborate the provisions included in the Demands for Grants and also include the actual expenditure during the previous year. A break-up of the estimates relating to each programme/organization, wherever the amount involved is not less than Rs. 10 lakhs, is given under a number of object heads which indicate the categories and nature of expenditure incurred on that programme, like salaries, wages, travel expenses, machinery and equipment, grants-in-aid, etc. At the end of these Detailed Demands are shown the details of recoveries taken in reduction of expenditure in the accounts.

29. Direct Taxes:

These are taxes that are implied directly on the individuals or customers. Corporate tax and Income tax are direct taxes.

30. Disbursing Officer:

It means a Head of Office and also any other Gazetted Officer so designated by a Department of the Government, a Head of Department or an Administrator, to draw bills and make payments on behalf of the Central Government. The term shall also include a Head of Department or an Administrator where he himself discharges such function.

31. Disinvestment:

Government makes a number of investments in public sector undertakings. But when it dilutes its stake in these undertakings, it is defined as disinvestments.

32. Estimating Officer:

He/She is a departmental officer responsible for preparing the departmental estimate.

33. Economic Survey:

The Economic Survey brings out the economic trends in the country / State. This facilitates a better appreciation and understanding of mobilisation of resources and their allocation in the Budget. The Survey analyses the trends in key economic sectors such as agricultural, industrial production, infrastructure, employment, money supply, prices, imports, exports, foreign exchange reserves, etc. and other relevant economic factors which may have a bearing on the Budget. The report of the Economic Survey is presented to the legislature ahead of the Budget for the ensuing year.

34. Expenditure Budget Vol-I:

This represents the revenue and capital disbursements of various Ministries/Departments and presents the estimates in respect of each under 'Plan' and 'Non-Plan'. It also provides an analysis of various types of expenditure and explains broad reasons for the variations in estimates. It contains information in separate Statements and Annexures, providing information relating to (i) Plan grants and loans released by Ministries/Departments directly to State and district level autonomous bodies, under various Central and Centrally Sponsored Plan schemes, (ii) Gender Budgeting and (iii) Schemes for Development of Scheduled Castes and Scheduled Tribes including Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP) allocations and (iv) Schemes for Welfare of Children are also included in this document.

35. Expenditure Budget Vol 2:

The provisions made for a scheme or a programme may spread over a number of Major Heads in the Revenue and Capital sections in a Demand for Grants. This volume lists the estimates made for a scheme/programme and these are shown on a net basis at one place, by Major Heads. To understand the objectives underlying the expenditure proposed for various schemes and programmes in the Demands for Grants, suitable explanatory notes are included in this volume in which, wherever necessary, brief reasons for variations between the Budget estimates and Revised estimates for the current year and requirements for the ensuing Budget year are also given.

36. Excess Grant:

Excess grant means the amount of expenditure over and above the provision allowed through the original/supplementary grant that requires regularization by obtaining excess grant from the Parliament under Article 115 of the Constitution.

37. Finance Bill:

The Finance Bill is presented at the time of the presentation of the AFS before Parliament, in fulfillment of the requirement of Article 110(1) (a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. A Finance Bill is a Money Bill and it is accompanied by a Memorandum explaining the provisions included in it. The Finance Bill seeks approval from the Parliament.

38. Financial Adviser (FA):

FA are officers appointed by Government in a Ministry/Department to look after matters related to financial advice, budget/accounts, expenditure control/audit etc. for and on behalf of Finance Ministry.

39. Finance Ministry:

The Ministry of Finance in the Union Government concerns itself with taxation, financial legislation, financial institutions, capital markets, Centre and State finances, and the Union Budget. The Union Finance Ministry of India comprises five departments- Department of Economic Affairs, Department of Expenditure, Department of Revenue, Department of Financial Services and Department of Disinvestments.

40. Fiscal Deficit:

The sum found on calculating the difference of Revenue Receipts and Total Expenditure. Fiscal Deficit is the Government Deficit (Government Expenditures - Government Earnings i.e. Revenue receipts (excluding borrowings)) for a fiscal year.

41. Fiscal Policy Strategy Statement:

This statement outlines the strategic priorities of Government in the fiscal area for the ensuing financial year relating to taxation, expenditure, lending and investments, administered pricing, borrowings and guarantees. The Statement explains how the current policies are in conformity with sound fiscal management principles and gives the rationale for any major deviation in key fiscal measures. This statement is presented to Parliaments under Section 3(4) of the Fiscal Responsibility and Budget Management Act, 2003.

42. Gross Domestic Product (GDP):

It is the market value of all officially recognized final goods and services produced within a country in a given period of time.

43. Gross Fiscal Deficit and Gross Primary Deficit:

The difference between the total expenditure of Government by way of revenue, capital and loans net of repayments on the one hand and revenue receipts of Government and capital receipts which are not in the nature of borrowing but which finally accrue to Government on the other, constitutes gross fiscal deficit. Gross primary deficit is measured by gross fiscal deficit reduced by gross interest payments. In the Budget documents 'gross fiscal deficit' and 'gross primary deficit' have been referred to in abbreviated form 'fiscal deficit' and 'primary deficit', respectively.

44. Gross National Product (GNP):

The gross value determined of the finished goods and services that are produced in the country in a financial year and the total income of the citizens from investments that are made abroad make up the GNP. This value does not include the foreigners' income in the domestic market. Unlike Gross Domestic Product (GDP), which defines production based on the geographical location of production, GNP allocates production based on ownership.

45. Indirect Taxes:

Taxes imposed on goods that are manufactured, imported or exported, e.g., Excise Duties and Custom Duties.

46. Macro-Economic Framework Statement:

This statement contains an assessment of the growth prospects of the economy with specific underlying assumptions. It contains assessment regarding the GDP growth rate, fiscal balance of the Central Government and the external sector balance of the economy. It is presented to Parliament under Section 3(5) of the Fiscal Responsibility and Budget Management Act, 2003.

47. Medium-term Fiscal Policy Statement:

This statement sets out three-year rolling targets for four specific fiscal indicators in relation to GDP at market prices namely (i) Revenue Deficit, (ii) Fiscal Deficit, (iii) Tax to GDP ratio and (iv) Total outstanding Debt at the end of the year. The Statement includes the underlying assumptions, an assessment of sustainability relating to balance between revenue receipts and revenue expenditure and the use of capital receipts including market borrowings for generation of productive assets.

48. Memorandum Explaining the Provisions in the Finance Bill:

The purpose of this document is to facilitate understanding of the taxation proposals contained in the Finance Bill the provisions and their implications are also explained in this document titled Memorandum Explaining the Provisions of the Finance Bill.

49. National Debt:

The term National Debt is the amount borrowed by the central government. This debt is taken in order to finance the budget deficits.

50. New Service or New Instrument of Service:

As appearing in Article 115(1) (a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment or a relatively large expenditure arising out of important expansion of an existing activity.

51. Non-Plan Expenditure:

The Non-Plan expenditure includes all the operational expenditures like salaries/employee benefits, rents, etc. other than Plan expenditure and forms sizeable portion of the total budget. It includes a large portion of government expenditure on salaries, wages and other operating expenses incurred to maintain and sustain different organs of the state such as the judiciary, police, administration, etc. as also primary health services, education and so on which are committed expenditures on schemes implemented during the previous plans and continued during the budget year. It also includes some very important types of government expenditures such as Non-Plan grants to States and UTs and debt servicing.

52. Outcome Budget:

It is the document prepared and presented annually to the Parliament, reflecting the purposes and objectives for which funds were provisioned, the cost of various programmes and activities proposed for achieving these objectives and quantitative projection of the work performed and services rendered under each programme and activity.

53. Plan Expenditure:

It refers to government expenditure, which is meant for financing the programmes/ schemes framed under the ongoing Five Year Plan or the unfinished programmes/ schemes of the previous Five Year Plans. Till the time a certain PPS initiated under a specific completes its duration, all types of expenditures (expenditure on creation of assets and infrastructure or for salary of staff implementing the scheme) on that PPS is booked as Plan Expenditure. The implementation of these PPS as envisaged in the Plan documents requires financial resources and the government allocates these resources for such planned PPS every year in the budget. This kind of government expenditure is known as Plan Expenditure. However, once a PPS completes its Plan duration, the expenditure towards maintenance of the assets/ infrastructure created (if any) and salary of staffs running the assets/ infrastructure (if any) are not regarded as Plan Expenditure anymore. Plan Expenditure of the government is meant for covering the entire costs, i.e. salaries of new staff hired as well as construction of buildings and procurements, under the interventions envisaged under Five Year Plans.

54. Primary unit of appropriation:

Primary unit of appropriation is referred to in Rule 8 of the Delegation of Financial Powers Rules, 1978. It is the lowest unit of classification denoting the objects of expenditure.

55. Provisional Accounts:

It refers to the unaudited accounts compiled by CGA.

56. Public Account:

Moneys held by Government in Trust as in the case of Provident Funds, Small Savings collections, income of Government set apart for expenditure on specific objects like road development, primary education, Reserve/Special Funds etc. are kept in the Public Account. Public Account funds do not belong to Government and have to be finally paid back to the persons and authorities who deposited them. The Public Account of India is referred to in Article 266(2) of the Constitution. Disbursements from the Public Account are not subject to vote by the Parliament, as they are not moneys issued out of the Consolidated Fund of India.

57. Public Accounts Committee:

This is a Committee that is constituted by the Lok Sabha for the examination of the reports of the Comptroller and Auditor General of India that relate to the Appropriation Accounts of the Central Government, the Finance Accounts of the Central Government or such other accounts or financial matters as are laid before it or which the Committee deems necessary to scrutinize.

58. Public Sector Enterprises:

A large part of the Plan expenditure incurred by the Central Government is through public sector enterprises. Budgetary support for financing outlays of these enterprises is provided by Government either through investment in share capital or through loans. Expenditure Budget Vol. 1 shows the estimates of capital and loan disbursements to public sector enterprises for Plan and Non-Plan purposes and also the extra budgetary resources available for financing their Plans. A detailed report on the working of public sector enterprises is given in the document titled 'Public Enterprises Survey' brought out separately by the Department of Public Enterprises. A report on the working of the enterprises under the control of various administrative Ministries is also given in the Annual Reports of the various

Ministries circulated to Members of Parliament separately. The Annual Reports along with the audited accounts of each of the Government companies are also separately laid before Parliament. Besides, the reports of the Comptroller and Auditor General of India on the working of various public sector enterprises are also laid before Parliament.

59. Re-appropriation:

It refers to the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation.

60. Receipts Budget:

Estimates of receipts included in the Annual Financial Statement are further explained and analyzed in the Receipts Budget. The document provides details of Tax and Non-Tax revenue receipts and capital receipts and explains the estimates. The document also provides the arrears of Tax revenues and Non-Tax revenues, as mandated under the Fiscal Responsibility and Budget Management Rules, 2004. Trend of receipts and expenditure along with deficit indicators, statement pertaining to National Small Savings Fund (NSSF), statement of revenues foregone, statement of liabilities, statement of guarantees given by the government, statements of assets and details of external assistance are also included in Receipts Budget.

61. Revenue Budget:

Revenue Budget consists of the revenue receipts of Government (tax revenues and other revenues) and the expenditure met from these revenues. Tax revenues comprise proceeds of taxes and other duties levied by the Union. The estimates of revenue receipts shown in the Annual Financial Statement take into account the effect of various taxation proposals made in the Finance Bill. Other receipts of Government mainly consist of interest and dividend on investments made by Government, fees, and other receipts for services rendered by Government.

62. Revenue Deficit:

It denotes the difference between Revenue Expenditure and Revenue Receipts. The excess of revenue expenditure over revenue receipts constitutes revenue deficit of Government.

63. Revenue Expenditure:

Revenue Expenditures are recurring expenditures such as - interest charges on loans, expenditure on subsidies, salaries of employees, procurement of medicines, maintenance of buildings, office expenses, etc. Also, government grants to the sub national government that may create assets example, school building, factory, etc., are reported as revenue expenditure and not as capital expenditure as the national government will not own these assets.

64. Revenue Receipts:

Revenue receipts are those receipts that do not change or effect the 'asset liability' position of the government, i.e. a Revenue Receipt neither reduces the assets of the government nor increases its liabilities. Revenue Receipts consist of proceeds of total Tax and Non-Tax Revenues of the government.

65. Revised Estimate (RE):

It is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and in anticipation for the remainder of the year in the light of the orders already issued.

66. Supplementary Demands for Grants:

It means the statement of supplementary demands laid before the parliament, showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorized in the Annual Financial Statement for that year. The demand for supplementary may be token, technical or substantive.

67. Voted Expenditure:

The Expenditure which under the provision of the Constitution is subject to the Vote of the Legislature is 'voted expenditure'. The legislature can vote on only those expenditures which are regarded as Voted Expenditures in the Budget. This is shown in the annual accounts separately from expenditure which is "Charged" on the Consolidated Fund of India.

68. Vote on Account:

The process of presentation of the Budget, discussion and voting on Demands for Grants is a long one. The Lok Sabha is therefore, empowered by the Constitution to make any grant in advance in respect of the estimated expenditure for a part of the financial year pending completion of procedure for the voting of the Demands. It is a grant made in advance by the Parliament, in respect of the estimated expenditure for a part of new financial year, pending the completion of the procedure relating to the voting of the demand for grants and the passing of the Appropriation Act. The purpose of the 'Vote on Account' is to keep Government functioning, pending voting of 'final supply'. The Vote on Account is obtained from Parliament through an Appropriation (Vote on Account) Bill.

Key to Check your Understanding

Unit	Question Ref	Answer
A1	I-1	b
	I-2	a
	I-3	d
	I-4	b
	II-1	a
	II-2	c
	II-3	b
	II-4	b
	II-5	c

Unit	Question Ref	Answer
A2	I-1	a
	I-2	b
	I-3	d
	I-4	d
	II-1	d
	II-2	a
	II-3	c
	II-4	d

Unit	Question Ref	Answer
A3	I-1	b
	I-2	c
	I-3	a
	I-4	d
	I-5	a
	I-6	a
	I-7	b
	II-1	b
	II-2	c
	II-3	b
	II-4	c
	II-5	c

Unit	Question Ref	Answer
A4	I-1	b
	I-2	a
	I-3	d
	I-4	c
	I-5	b
	II-1	a
	II-2	c
	II-3	a
	II-4	d
	II-5	a

Unit	Question Ref	Answer
A5	I-1	c
	I-2	b
	I-3	a
	I-4	a
	I-5	a
	II-1	d
	II-2	a
	II-3	c
	II-4	a
	II-5	c
	II-6	c

Unit	Question Ref	Answer
A6	I-1	c
	I-2	b
	I-3	d
	I-4	c
	I-5	c
	II-1	b
	II-2	c
	II-3	d
	II-4	c
	II-5	b

Unit	Question Ref	Answer
B1	I-1	d
	I-2	a
	I-3	c
	I-4	d
	I-5	b
	II-1	b
	II-2	d
	II-3	a
	II-4	b
	II-5	d

Unit	Question Ref	Answer
B2	I-1	c
	I-2	c
	I-3	a
	I-4	b
	I-5	c
	II-1	a
	II-2	c
	II-3	d
	II-4	a
	II-5	d

Unit	Question Ref	Answer
B3	I-1	c
	I-2	d
	I-3	a
	I-4	c
	I-5	d
	II-1	a
	II-2	b
	II-3	a
	II-4	b
	II-5	d

Unit	Question Ref	Answer
B4	I-1	b
	I-2	a
	I-3	d
	I-4	a
	I-5	a
	II-1	a
	II-2	d
	II-3	b
	II-4	d
	II-5	d

Unit	Question Ref	Answer
B5	I-1	d
	I-2	a
	I-3	d
	I-4	a
	I-5	b
	II-1	b
	II-2	d
	II-3	a
	II-4	c
	II-5	d

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