KEY TO BUDGET DOCUMENTS

BUDGET 2013-2014

1. The Budget documents presented to Parliament comprise, besides the Finance Minister's Budget Speech, the following:

A. Annual Financial Statement (AFS)

B. Demands for Grants (DG)

C. Appropriation Bill

D. Finance Bill

E. Memorandum Explaining the Provisions in the Finance Bill, 2013

F. Macro-economic framework for the relevant financial year

G. Fiscal Policy Strategy Statement for the financial year

H. Medium Term Fiscal Policy Statement

I. Medium Term Expenditure Framework Statement

J. Expenditure Budget Volume-1

K. Expenditure Budget Volume-2

L. Receipts Budget

M. Budget at a glance

N. Highlights of Budget

O. Status of Implementation of Announcements made in Finance Minister's Budget Speech of the previous financial year.

The documents shown at Serial A, B, C and D are mandated by Art. 112,113, 114(3) and 110(a) of the Constitution of India respectively, while the documents at Serial F, G, H and I are presented as per the provisions of the Fiscal Responsibility and Budget Management Act, 2003. Other documents are in the nature of explanatory statements supporting the mandated documents with narrative or other content in a user friendly format suited for quick or contextual references. Hindi version of all these documents is also presented to Parliament. A web version is hosted at *http://indiabudget.nic.in*, with hyperlinks, intended to make surfing more efficient.

2.1 In addition to the above, individual Departments/Ministries also prepare and present to Parliament their Detailed Demands for Grants, Outcome Budget, and their Annual Reports. The Economic Survey which highlights the economic trends in the country and facilitates a better appreciation of the mobilization of resources and their allocation in the Budget is brought out by the Economic Division of Department of Economic Affairs, Ministry of Finance. The Economic Survey is presented to Parliament in advance of the Union Budget. The web versions of these documents are normally posted by the respective Ministries/Departments on their web sites.

2.2 To monitor the performance management of various Ministries/Departments, Result Framework Document (RFD) system has been adopted by the Government. The RFD system is being implemented in the various Ministries/Departments in phased manner. RFD was implemented to 59 Ministries/Departments for the year 2009-10, 62 Ministries/Departments prepared RFD for the year 2010-11, 74 Ministries/Departments prepared the RFD in 2011-12 and 70 Ministries/Departments prepared the RFD during 2012-13. Performance Management in the Government is a new concept which determines the performance index based upon the agreed objectives, policies, programs and projects/schemes. To ensure the success in achieving the agreed objectives and implementing agreed policies, programs and projects, the RFD also includes a commitment for required resources and necessary operational autonomy.

3.1 A brief description of the Budget documents listed in para 1 is given below.

3. (A) Annual Financial Statement (AFS), the document as provided under Article 112, shows estimated receipts and expenditure of the Government of India for 2013-14 in relation to estimates for 2012-13 as also expenditure for the year 2011-12. 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 significance of the Consolidated Fund, the Contingency Fund and the Public Account as well as the distinguishing features of Revenue and Capital Budget are given briefly below.

(i) The existence of the Consolidated Fund of India (CFI) flows from Article 266 of the Constitution. All revenues received by Government, loans raised by it, and also its receipts from recoveries of loans granted by it form the Consolidated Fund. All expenditure of Government is incurred from the Consolidated Fund of India and no amount can be drawn from the Consolidated Fund without authorisation from Parliament.

(ii) Article 267 of the Constitution authorises the Contingency Fund of India which is an imprest placed at the disposal of the President of India to facilitate Government to meet urgent unforeseen expenditure pending authorization from Parliament. Parliamentary approval for such unforeseen expenditure is obtained, post-facto, and an equivalent amount is drawn from the Consolidated Fund to recoup the Contingency Fund. The corpus of the Contingency Fund as authorized by Parliament presently stands at ₹ 500 crore.

(iii) 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. Parliamentary authorisation for such payments is, therefore, not required, except where amounts are withdrawn from the Consolidated Fund with the approval of Parliament and kept in the Public Account for expenditure on specific objects, in which case, the actual expenditure on the specific object is again submitted for vote of Parliament for drawal from the Public Account for incurring expenditure on the specific object.

(iv) 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. Revenue expenditure is for the normal running of Government departments and various services, interest payments on debt, subsidies, etc. Broadly, the expenditure which does not result in creation of assets for Government of India is treated as revenue expenditure. All grants given to State Governments/Union Territories and other parties are also treated as revenue expenditure even though some of the grants may be used for creation of assets.

(v) Capital Budget consists capital receipts and capital payments. The capital receipts are loans raised by Government from public, called 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. Capital payments consist of capital expenditure on 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.

(vi) Accounting Classification

- The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demands for Grants are shown according to the accounting classification prescribed under Article 150 of the Constitution, which enables Parliament and the public to make a meaningful analysis of allocation of resources and purposes of Government expenditure.

- The Annual Financial Statement shows separately, certain disbursements as charged on the Consolidated Fund of India, where the Constitution mandates such items of expenditure, like emoluments of the President, 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, Comptroller and Auditor-General of India and the Central Vigilance Commission, interest on and repayment of loans raised by Government and payments made to satisfy decrees of courts etc. These items of expenditure are charged on the Consolidated Fund of India and are not required to be voted by the Lok Sabha.

3. (B) Demands for Grants

(i) Article 113 of the Constitution mandates that the estimates of expenditure from the Consolidated Fund of India included in the Annual Financial Statement and required to be voted by the Lok Sabha are submitted in the form of Demands for Grants. The Demands for Grants are presented to the Lok Sabha along with the Annual Financial Statement. Generally, one Demand for Grant is presented in respect of each Ministry or Department. However, more than one Demand may be presented for a Ministry or Department depending on the nature of expenditure. In regard to Union Territories without Legislature, a separate Demand is presented for each of the Union Territories. In budget 2013-14 there are 106 Demands for Grants. 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.

(ii) Each Demand normally includes the total provisions required for a service, that is, provisions on account of revenue expenditure, capital expenditure, grants to State and Union Territory Governments and also loans and advances relating to the service. Where the provision for a service is entirely for expenditure charged on the Consolidated Fund of India, for example, interest payments (Demand for Grant No. 35), a separate Appropriation, as distinct from a Demand, is presented for that expenditure and it is not required to be voted by Lok Sabha. Where, however, expenditure on a service includes both ‘voted’ and ‘charged’ items of expenditure, the latter are also included in the Demand presented for that service but the ‘voted’ and ‘charged’ provisions are shown separately in that Demand.

3. (C) 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 Parliament. After the Demands for Grants are voted by the Lok Sabha, Parliament’s approval to the withdrawal 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.

The whole process beginning with the presentation of the Budget and ending with discussions and voting on the Demands for Grants requires sufficiently long time. 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. 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.

3. (D) Finance Bill

At the time of presentation of the Annual Financial Statement before Parliament, a Finance Bill is also presented 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 as defined in Article 110 of the Constitution. It is accompanied by a Memorandum explaining the provisions included in it.

3. (E) Memorandum Explaining the Provisions in the Finance Bill

To facilitate understanding of the taxation proposals contained in the Finance Bill, the provisions and their implications are explained in the document titled Memorandum Explaining the Provisions of the Finance Bill.

3. (F) Macro-economic Framework Statement

The Macro-economic Framework Statement, presented to Parliament under Section 3(5) of the Fiscal Responsibility and Budget Management Act, 2003 and the rules made thereunder 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.

3. (G) Fiscal Policy Strategy Statement

The Fiscal Policy Strategy Statement, presented to Parliament under Section 3(4) of the Fiscal Responsibility and Budget Management Act, 2003, 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.

3. (H) Medium-term Fiscal Policy Statement

The Medium-term Fiscal Policy Statement, presented to Parliament under Section 3(2) of the Fiscal Responsibility and Budget Management Act, 2003, 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.

3. (I) Medium-term Expenditure Framework Statement

The Medium-term Expenditure Framework Statement, presented to Parliament under Section 3 of the Fiscal Responsibility and Budget Management Act, 2003 sets forth a three-year rolling target for the expenditure indicators with specification of underlying assumptions and risks involved. The objective of the MTEF is to provide a closer integration between budget and the FRBM Statements.

This Statement is presented separately in the session next to the session in which Budget is presented, i.e. normally in the Monsoon Session.

3.2 To facilitate a more comprehensive understanding of the major features of the Budget, certain other explanatory documents are presented. These are briefly summarized below.

3. (J) Expenditure Budget Volume-1

(i) This document deals with revenue and capital disbursements of various Ministries/Departments and gives the estimates in respect of each under ‘Plan’ and ‘Non-Plan’. It also gives analysis of various types of expenditure and broad reasons for the variations in estimates.

(ii) Under the present accounting and budgetary procedures, certain classes of receipts, like payments made by one department to another and receipts of capital projects or schemes, are taken in reduction of the expenditure of the receiving department. 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. The document, Expenditure Budget, makes certain other refinements like netting expenditure of related receipts so that inflation of receipts and expenditure figures is avoided and there can be better appreciation of the magnitudes of various expenditure. Contributions to International bodies and estimated strength of establishment of various Government Departments and provision therefor are shown in separate annexes. A statement each, showing (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.

(iii) Plan Outlay

Plan expenditure forms a sizeable proportion of the total expenditure of the Central Government. The Demands for Grants of the various Ministries show the Plan expenditure under each head separately from the Non-Plan expenditure. The Expenditure Budget Vol. 1 also gives the total Plan provisions for each of the Ministries arranged under the various heads of development and highlights the budget provisions for the more important Plan programmes and schemes. Statements showing Externally Aided projects under State and Central Plan are also included in the document. A description of important schemes included in the Plan along with the objectives, targets and achievements is given in the Outcome Budget of the respective Ministry. Variations in the estimates of Plan expenditure are also explained.

(iv) 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 in 2012-2013 and 2013-2014 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.

(v) Commercial Departments

Railways is the principal departmentally-run commercial undertaking of Government. The Budget of the Ministry of Railways and the Demands for Grants relating to Railway expenditure are presented to Parliament separately. The total receipts and expenditure of the Railways are, however, incorporated in the Annual Financial Statement of the Government of India. To portray the actual working and not inflate either receipts or expenditure, the expenditure as reflected in the Receipts Budget & Expenditure Budget Vol. 1 and Vol. 2 has been taken net of receipts of the departmental commercial undertakings.

(vi) The receipts and expenditure of the Defence Demands shown in the Annual Financial Statement, are explained in greater detail in the document Defence Services Estimates presented along with the Detailed Demands for Grants of the Ministry of Defence.

(vii) The details of grants given to bodies other than State and Union Territory Governments are given in the statements of Grants-in-aid paid to non-Government bodies appended to Detailed Demands for Grants of the various Ministries. Annexure 5 to Expenditure Budget Vol.1 shows details of grants-in-aid exceeding ₹ 5 lakhs (recurring) or ₹ 10 lakhs (non-recurring) to private institutions, organizations and individuals sanctioned during the year 2011-12.

3. (K) Expenditure Budget Volume-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. In the Expenditure Budget Vol. 2, the estimates made for a scheme/programme are brought together and 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.

3. (L) Receipts Budget

Estimates of receipts included in the Annual Financial Statement are further analysed in the document “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.

3. (M) Budget at a Glance

(i) This document shows in brief, receipts and disbursements along with broad details of tax revenues and other receipts. This document also exhibits broad break-up of expenditure - Plan and Non-Plan, 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 excess of Government’s revenue expenditure over revenue receipts constitutes revenue deficit of Government. 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. This document also shows liabilities of the Government on account of securities (bonds) issued in lieu of oil and fertilizer subsidies.

(ii) 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. 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.

3. (N) Highlights of Budget

This document explains the key features of the Budget 2013-2014, inter alia, indicating the prominent achievements in various sectors of the economy. It also explains, in brief, the budget proposals for allocation of funds to be made in important areas. The summary of tax proposals is also reflected in the document.

3. (O) Detailed Demands for Grants

The Detailed Demands for Grants are laid on the table of the Lok Sabha sometime after the presentation of the Budget, but before the discussion on Demands for Grants commences. Detailed Demands for Grants further elaborate the provisions included in the Demands for Grants as also actual expenditure during the previous year. A break-up of the estimates relating to each programme/organisation, wherever the amount involved is not less than ₹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.

3. (P) Outcome Budget

(i) With effect from Financial Year 2007-08, the Performance Budget and the Outcome Budget hitherto presented to Parliament separately by Ministries/Departments, are merged and presented as a single document titled “Outcome Budget” by each Ministry/Department in respect of all Demands/ Appropriations controlled by them, except those exempted from this requirement. Outcome Budget broadly indicates physical dimensions of the financial budget of a Ministry/Department, indicating actual physical performance in the preceding year (2011-2012), performance in the first nine months (up to December) of the current year (2012-2013) and the targeted performance during the ensuing year (2013-2014).

(ii) Outcome Budget contains a brief introductory note on the organization and function of the Ministry/ Department, list of major programmes/schemes implemented by the Ministry/Department, its mandate, goal and policy framework, budget estimates, scheme-wise analysis of physical performance and linkage between financial outlays and outcome, review covering overall trends in expenditure vis-a-vis budget estimates in recent years, review of performance of statutory and autonomous bodies under the administrative control of the Ministry/Department, reform measures, targets and achievements and plan for future refinements.

(iii) As far as feasible, coverage of women and SC/ST beneficiaries under various developmental schemes and schemes for the benefit of North Eastern Region are also separately indicated.

3. (Q) Annual Reports

A descriptive account of the activities of each Ministry/Department during the year 2012-2013 is given in the document Annual Report which is brought out separately by each Ministry/Department and circulated to Members of Parliament at the time of discussion on the Demands for Grants.

3. (R) Economic Survey

The Economic Survey brings out the economic trends in the country which facilitates a better appreciation of the mobilisation of resources and their allocation in the Budget. The Survey analyses the trends in agricultural and industrial production, infrastructure, employment, money supply, prices, imports, exports, foreign exchange reserves and other relevant economic factors which have a bearing on the Budget, and is presented to the Parliament ahead of the Budget for the ensuing year.

The Budget of the Central Government is not merely a statement of receipts and expenditure. Since Independence, with the launching of Five Year Plans, it has also become a significant statement of government policy. The Budget reflects and shapes, and is, in turn, shaped by the country's economy. For a better appreciation of the impact of government receipts and expenditure on the other sectors of the economy, it is necessary to group them in terms of economic magnitudes, for example, how much is set aside for capital formation, how much is spent directly by the Government and how much is transferred by Government to other sectors of the economy by way of grants, loans, etc. This analysis is contained in the Economic and Functional Classification of the Central Government Budget which is brought out by the Ministry of Finance separately.

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