

Preface

This Report has been prepared for submission to the Governor under Article 151 of the Constitution of India.

Chapters 1 and 2 of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2009. Information has also been obtained from the Government of Punjab, wherever necessary. Chapter 3 on 'Financial Reporting' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

The Reports containing the findings of performance audit and audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing observations on Revenue Receipts are presented separately.

2.3 Review of selected grants

A review of budgetary procedure and control over receipts and expenditure in two Grants (02–Animal Husbandry and Fisheries and 23–Rural Development and Panchayats) covering five offices/departments revealed the following:-

Receipts

2.3.1 Three offices/departments sent the budget estimates for the year 2008-09, due on 1 November 2007, to the Finance Department after a delay ranging between 27 and 99 days.

2.3.2 Para 1.16 of the Manual of Instructions of the Finance Department requires the department to carry out a sound forecast of receipts. A detailed scrutiny of the budget estimates and actual receipts in respect of four departments i.e. Animal Husbandry, Dairy Development, Fisheries (Grant No.- 2) and Rural Development and Panchayats (Grant No.-23) revealed that the estimates were not framed correctly during the years 2004-09 as detailed in *Appendix 2.9*. The increase/decrease in actual receipts as compared to the budget estimates ranged from 0.12 per cent to 245 per cent and 0.38 per cent to 95.59 per cent respectively. This showed weak and ineffective control in the preparation of budget estimates.

2.3.3 A detailed scrutiny of the four departments mentioned above revealed that:

➤ In three departments (Animal Husbandry, Dairy Development and Fisheries) the shortfall of Rs 0.45 crore in receipts during 2008-09 was due to less miscellaneous receipts/registration of dealers/open public auction as per details given in the *Appendix 2.10*.

➤ In Rural Development and Panchayats department, the increase of Rs 9.88 crore was due to interest received on account of grant received for Sarva Shiksha Abhiyan, unpaid salary of Elementary Trained Teachers (who left the services) and other miscellaneous receipts as per details given in the **Table 2.9**.

Table 2.9: Increase in receipts over Budget Estimates

(Rupees in Lakh)

Sr. No	Grant No. and Head of Account	Receipts as per budget estimates	Actual receipts	Increase(+)	Percentage	Contributing reasons as stated by the Department
1.	Grant No.23 – Rural Development and Panchayats 0515 – Rural Development and Panchayats	5025.34	6013.26	(+)987.92	(+)19.66	Due to interest received on grant of Rs 4795.69 lakh received on account of Sarva Shiksha Abhiyan, unpaid salary of Elementary Trained Teachers (who left the services) by Block Development and Panchayats Officers and other miscellaneous receipts

Executive Summary

Background

In May 2003, Government of Punjab enacted the Punjab Fiscal Responsibility and Budget Management Act, 2003 to ensure long-term financial stability by achieving revenue surplus, containing fiscal deficit and prudential debt management. Subsequently, in January 2006, the Government of Punjab enacted the Punjab FRBM (Amendment) Act, 2005 and fixed the timeframe for achieving the fiscal targets set in May 2003. The Government enacted the Punjab Fiscal Responsibility and Budget Management Rule, in December 2006.

The Comptroller and Auditor General's civil Audit Reports have been commenting upon the Government's finances for five years since the Fiscal Responsibility and Budget Management legislation and five reports have already been published. Since these comments formed part of the civil Audit Report, it was felt that the audit findings on State finances remained camouflaged in the large body of audit findings on compliance and performance audits. The obvious fallout of this well intentioned but all inclusive reporting was that the financial management portion of these findings did not receive proper attention. In recognition of the need to bring the State finances to center stage once again, a stand-alone report on the State Government finances is considered an appropriate audit response. Accordingly, from the report year 2009 onwards, C&AG has decided to bring out a separate volume titled "Report on State Finances".

The report

Based on the audited accounts of the Government of Punjab for the year ended March 2009, this report provides an analytical review of the Annual Accounts of the State Government. The report is structured in three Chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of the Punjab Government's fiscal position as on 31 March 2009. It provides an insight into the trends in receipts and expenditure, committed expenditure, borrowing pattern, fiscal imbalances etc. besides a brief account of central funds transferred directly to the State implementing agencies through off-budget route.

Chapter 2 is based on the audit of Appropriation Accounts and it gives the grant wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter 3 is an inventory of the Punjab Government's compliance with various reporting requirements and financial rules. The report also has an appendage of additional data collected from several sources in support of the findings.

Audit findings and recommendations

Inadequate mobilization of revenue receipts: The revenue receipts during 2008-09 showed a growth rate of only 7.67 *per cent* over the previous year. The share of the States own tax revenue was 54 *per cent* of the total revenue receipts. The non-tax revenue accounted for 28 *per cent*. Thus, the States own sources of receipts in 2008-09 accounted for 82 *per cent* of the total revenue receipts showing decline of seven *per cent* from 89 *per cent* in 2004-05. Concerted efforts to increase the own tax revenue wherever feasible could improve the State's finances.

Funds transferred directly to the State implementing agencies: The Central Government has been transferring a sizeable quantum of funds directly to the State implementing agencies¹ for implementation of various schemes/programmes in social and economic sectors recognized as critical. During 2008-09, the Government of India directly transferred Rs 708.20 crore to the State implementing agencies. As these funds are not routed through the budget of State Government, the Annual Finance Accounts do not capture the flow of these funds and to that extent, the receipts and expenditure of the State as well as other fiscal variables/parameters derived from them are underestimated. Unless there is proper documentation and timely reporting of expenditure by the implementing agencies, it will be difficult to monitor the end use of these direct transfers. Therefore, Government need to ensure proper documentation and reporting of expenditure by the implementing agencies.

High share of revenue expenditure in total expenditure: The revenue expenditure continued to constitute the dominant share of 89 *per cent* of which 71 *per cent* was consumed by committed expenditure in 2008-09 leaving only a small portion for current operations. Action needs to be taken to compress the unproductive non-plan revenue expenditure.

Lower priority to capital expenditure: Though the capital expenditure had an increasing trend during 2004-09, yet relative to the Gross State Domestic Product (GSDP), it remained at 1.80 *per cent* during 2008-09, far below the target of three *per cent* to be achieved by the Government of Punjab. Moreover, in 2005-06, Punjab's per capita expenditure of Rs 586 on capital expenditure was lower than the national per capita expenditure of Rs 692. Similarly, in 2008-09 too Punjab's per capita expenditure of Rs 1,062 on capital expenditure was lower than the national average of Rs 1,254. The ratio of capital expenditure to the aggregate expenditure in Punjab was 7.68 *per cent* in 2005-06 and 10.40 *per cent* in 2008-09, which were lower than the national average of 14.13 and 16.87 *per cent* respectively. Thus, the Government of Punjab was giving low fiscal priority to capital expenditure. The state needs to consider enhancing the priority to capital expenditure, as the proportion of capital expenditure to aggregate expenditure is very low in Punjab as compared to the national average.

¹ Please see glossary (Appendix 4.1).

Low return on investment: As of March 2009, the Government had invested Rs 3,841 crore in the statutory corporations, Government companies etc. The return on these investments was negligible (0.02 *per cent*). On the other hand, the cost of borrowed funds was higher (8.32 *per cent*) which resulted in straining of the financial position of the Government of Punjab. It would be advisable for the State Government to ensure better value for investments, otherwise high cost borrowed funds will continue to be invested in projects with low financial returns.

Low backup of liabilities by assets: The ratio of assets to liabilities remained at an average of 44 *per cent* during 2004-09 implying that only 44 *per cent* of the liabilities were backed up by assets. Greater emphasis on capital asset creation could help in improving this position.

Higher ratio of fiscal liabilities with reference to GSDP: The fiscal liabilities stood at 39 *per cent* of the GSDP during 2008-09 against the norm of 28 *per cent* to be achieved by 2009-10 as per the FRBM Act, 2003. Borrowed funds should be used as far as possible only to fund the capital expenditure and the revenue expenditure should be met from revenue receipts.

Increase in outstanding guarantees: The guarantees outstanding as of March 2009 were 134 *per cent* of the revenue receipts of 2007-08, against the norm of 80 *per cent* prescribed in the FRBM Act, 2003. Reduction of the contingent liabilities needs to be given due priority by the State Government.

Low Debt sustainability: Debt sustainability deteriorated as the non-debt receipts of the Government of Punjab were not sufficient to meet the incremental debt, net availability of borrowed funds for deploying on items other than debt redemption decreased and the burden of interest payments was 24 *per cent* of the revenue receipts, which was far higher than the target of 15 *per cent* fixed by the Twelfth Finance Commission to be achieved by 2009-10. Government need to restrict the borrowings and increase its own tax/non-tax resources so as to avoid deterioration of debt sustainability.

Increasing deficits: The revenue deficit of the Government of Punjab was far higher than the target to wipe out the revenue deficit by 2008-09. The fiscal deficit, which represents the total borrowing of the Government and its total revenue gap, increased during 2007-09 and stood at 4.21 *per cent* of the GSDP as against the targets of three *per cent* envisaged in the FRBM Act. The Punjab Government can achieve the targets set out in the FRBM Act provided an effort is made to increase the tax mobilisation, make efforts to collect the revenue arrears and prune the unproductive expenditure.

Financial management and budgetary control: Audit of appropriation accounts for the year ended 31 March 2009 revealed that there was an overall net saving of Rs 4,158.57 crore (12 *per cent*) during the year. In 19 grants, there were overall savings by 48 *per cent* of the provision. Expenditure of Rs 810 crore was incurred without provision of funds. Excess expenditure of Rs 5,109.94 crore relating to the period 2004-05 to 2007-08 awaited regularization by the State Legislature, besides expenditure of Rs 506.13 crore incurred during 2008-09 in excess of the provision also required

regularization. During the year, the re-appropriations effected by the departments either proved unnecessary (Rs 489.90 crore) or insufficient (Rs 163.06 crore). In 17 heads, expenditure of Rs 2,584.91 crore (56 per cent) was incurred in the last quarter of the year indicating rush of expenditure.

Budgetary control needs to be strengthened in all the Government departments, particularly in the departments, where savings/excesses persisted. Issuance of re-appropriation/surrender orders and rush of expenditure at the end of the year should be avoided.

Financial Reporting: Utilisation certificates in respect of grants paid for Rs 111.85 crore upto March 2008 were outstanding as on 31 March 2009. There were significant delays in submission of accounts of the Autonomous bodies as well as in submission of their Separate Audit Reports in the Legislature. Punjab Roadways had not prepared its proforma accounts since 2000-01. The Government reported 79 cases of misappropriations, theft, losses etc. involving Rs 21.85 lakh between 2005-09 and all these cases were outstanding for want of final action by the Government. Government need to take action for expediting issue of the utilization certificates and submission of the pending accounts by the Autonomous bodies and Punjab Roadways. Departmental enquiries in cases of mis-appropriation and theft should be expedited and the control system strengthened to prevent such cases.

Total				
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			(+)987.92	
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Expenditure

2.3.4 The four offices/departments sent the budget estimates for the year 2008-09, due on 1 November 2007, to the FD after a delay ranging between 20 and 98 days.

2.3.5 In 13 cases {Animal Husbandry (7) and Rural Development and Panchayats (6)}, there were persistent savings exceeding Rs 20 lakh or 20 per cent or more of the provision during the years 2004-09 as per details given in *Appendix 2.11*. In five of the above cases, the entire provision of Rs 337.10 crore in the last five years remained unutilized as per details given in *Appendix 2.12*.

2.3.6 A detailed scrutiny of the five departments i.e. Animal Husbandry, Dairy Development, Fisheries (Grant No.- 2), Rural Development and Panchayats and Joint Development Commissioner (Integrated Rural Development Programmes) (Grant No.- 23) revealed that:

➤ In 40 cases, there were savings of Rs 684.01 crore due to non-release of funds by the FD/GOI and late receipt of Administrative Approval/ imposition of model code of conduct in the State due to general elections, vacant posts etc. as per details given in *Appendix 2.13*.

➤ In 19 cases, there were savings of Rs 78.93 crore due to non-passing of bills by the treasury. as per details given in *Appendix 2.14*.

➤ In two cases, an expenditure of Rs 5.56 crore was incurred even when there were no budget provisions in the original/supplementary estimates as per details given in **Table 2.10**.

Table 2.10: Details of expenditure incurred without budget provision

(Rupees in lakh)

Sr. No.	Grant/Head of Account/Name of the Scheme	Expenditure	Contributing reasons as stated by the Department
	Grant No. 23 - Rural Development and Panchayats		
	Revenue Non-Plan		
1.	2515 – Other Rural Development Programmes 102 – Community Development 01 – Celebration of Pravasi Bhartiya Divas and Panjabi Pravasi Divas etc.	20.00	The provision was made in the revised budget estimate for the year 2008-09 but the expenditure figures were not reconciled with the Accountant General (A&E) Punjab.
	Capital Plan State		
2.	4515 - Capital Outlay on Other Rural Development Programmes 800 - Other Expenditure 04 - National Rural Employment Guarantee Scheme.	535.61	Sanction of the Government/ Finance Department received but no provision was made in the budget/revised estimates due to oversight.
	Total	555.61	

2.3.7 As per para 12.11 of the Punjab Budget Manual, the departments were to maintain Liability Register to keep watch over the un-discharged liabilities. It was, however, noticed that the register was not maintained by the Drawing and Disbursing Officers of the four departments (Dairy Development, Fisheries, Rural Development and Panchayats and Joint Development Commissioner (IRDP)) and the Animal Husbandry department did not maintain the register properly.

Appendix-2.9
(Refers to Paragraph 2.3.2, Page 45)

Statement showing variation in actual receipts and estimated receipts

(Rupees in lakh)

Sr. No.	Year	2004-05			2005-06			2006-07			2007-08	
		B.E	AR	V (Per cent)	B.E	AR	V (Per cent)	B.E	AR	V (Per cent)	B.E	AR
	Grant No./Major Head of Account											
	Grant No.-2 –Animal Husbandry and Fisheries											
1.	0403 – Animal Husbandry	343.20	343.60	(+)0.40 (0.12)	395.00	667.49	(+)272.49 (68.98)	734.00	832.77	(+)98.77 (13.46)	559.00	473.10
2.	0404 – Dairy Development	10.00	14.60	(+)4.60 (46)	45.00	51.81	(+)6.81 (15.13)	57.00	11.59	(-)45.41 (79.67)	15.00	8.64
3.	0405 – Fisheries	119.00	118.10	(-)0.90 (0.76)	130.00	113.66	(-)16.34 (12.57)	139.00	121.45	(-)17.55 (12.63)	141.00	95.35
	Grant No.-23-Rural Development and Panchayats											
4.	0515 – Rural Development and Panchayats	450.00	1552.72	(+)1102.72 (245)	1710.00	75.35	(-)1634.65 (95.59)	1880.50	161.76	(-)1718.74 (91.40)	180.00	107.77

Note: B.E :Budget Estimate, AR : Actual Receipt, V : Variation, (+) : Increase and (-) :Shortfall

Appendix-2.10
(Refers to Paragraph 2.3.3, Page 45)

Statement showing shortfall in receipts

(Rupees in lakh)						
S. No	Grant No. and Revenue Head	Budget Estimates	Actual Receipts	Short fall (-)	Percentage	Contributing reasons as stated by the Department
	Grant No 2 - Animal Husbandry and Fisheries					
1.	0403 – Animal Husbandry	603.00	600.73	(-)2.27	(-)0.38	Due to less miscellaneous receipts
2.	0404 – Dairy Development	15.00	9.37	(-)5.63	(-)37.53	Due to less registration of dealers under the Punjab Registration of Compounded Cattle Feed Concentrate and Mineral Mixture Order - 1988
3.	0405 – Fisheries	145.00	107.93	(-)37.07	(-)25.57	Due to open public auction of Fishing Rights
	Total			(-)44.97		

Say Rs 0.45 Crore

Appendix-2.11
(Refers to Paragraph 2.3.5, Page 46)

Statement showing persistent savings in the reviewed grants/appropriation

(Rupees in lakh)

Sr. No.	Grant/Head of the Accounts/Name of the Scheme	Total Grant/Amount of Savings (Percentage)				
		2004-05	2005-06	2006-07	2007-08	2008-09
	Grant No. 2 – Animal Husbandry and Fisheries					
	Revenue Plan CSS					
1.	2403 – Animal Husbandry 101 – Veterinary Services and Animal Health 15- Animal Disease Management Regulatory Medicines Establishment of Regional Referral Disease Diagnostic	<u>27.50</u> 21.18 (77.01)	<u>93.00</u> 58.74 (63.16)	<u>70.00</u> 58.01 (82.87)	<u>70.00</u> 48.20 (68.86)	<u>70.00</u> 69.70 (99.57)
2.	18- Foot and Mouth Disease Control Programme	<u>400.00</u> 330.79 (82.70)	<u>400.00</u> 175.62 (43.91)	<u>450.00</u> 289.48 (64.33)	<u>450.00</u> 427.67 (95.04)	<u>200.00</u> 168.48 (84.24)
3.	106 - Other Live Stock Development 22 - Conservation of Threatened Breeds of Small Ruminan Pigs, Pack, Animals and Equines	<u>90.-00</u> 90.00 (100)	<u>90.00</u> 90.00 (100)	<u>90.00</u> 70.30 (78.11)	<u>85.50</u> 85.50 (100)	<u>80.00</u> 80.00 (100)
4.	113 – Administrative Investigation and Statistics 03-Live Stock Census	<u>164.00</u> 164.00 (100)	<u>235.00</u> 101.10 (43.02)	<u>247.00</u> 135.39 (54.81)	<u>253.00</u> 24.36 (9.63)	<u>400.00</u> 218.86 (54.72)
5.	789 – Special Component Plan for Scheduled Castes 18-Establishment of Backyard Poultry Units	<u>12.70</u> 12.70 (100)	<u>12.70</u> 12.70 (100)	<u>12.70</u> 12.70 (100)	<u>12.70</u> 12.70 (100)	<u>12.70</u> 12.70 (100)
	Revenue Plan State					
6.	2403 – Animal Husbandry 113 – Administrative Investigation and Statistics 06-Integrated Sample Survey Cost Production of Milk and Egg	<u>30.80</u> 30.80 (100)	<u>39.80</u> 39.80 (100)	<u>1.00</u> 1.00 (100)	<u>45.00</u> 29.39 (65.31)	<u>1.98</u> 1.98 (100)
	Capital Plan CSS					
7.	4403 – Capital Outlay on Animal Husbandry 101 – Veterinary Services and Animal Health 04 – National Project on Rinderpest Eradication Programme in Punjab	<u>20.00</u> 20.00 (100)	<u>15.00</u> 3.00 (20)	<u>15.00</u> 15.00 (100)	<u>15.00</u> 15.00 (100)	<u>15.00</u> 12.75 (85)
	Grant No. 23 - Rural Development and Panchayats.					
	Revenue Non-Plan State					
8.	2515 – Other Rural Development Programmes 001 – Direction and Administration 01 – Administration	<u>4237.00</u> 321.26 (7.58)	<u>4505.47</u> 266.28 (5.91)	<u>6099.93</u> 634.51 (10.40)	<u>7117.25</u> 1058.48 (14.87)	<u>7698.98</u> 1024.63 (13.31)

	Revenue Plan CSS					
9.	2515 – Other Rural Development Programmes	<u>18.00</u>	<u>18.00</u>	<u>18.00</u>	<u>18.00</u>	<u>18.00</u>
	800 – Other Expenditure	<u>18.00</u>	<u>18.00</u>	<u>18.00</u>	<u>18.00</u>	<u>18.00</u>
	12 – Extension of Training Centres	(100)	(100)	(100)	(100)	(100)
10.	14 – Integrated Waste Land Development Project	<u>660.00</u>	<u>660.00</u>	<u>475.31</u>	<u>440.00</u>	<u>440.00</u>
		660.00	660.00	475.31	440.00	440.00
		(100)	(100)	(100)	(100)	(100)
	Revenue Plan State					
11.	2515 – Other Rural Development Programmes					
	800 – Other Expenditure	<u>169.24</u>	<u>227.79</u>	<u>75.00</u>	<u>30.00</u>	<u>30.00</u>
	05 – Taining of Panches and Sarpanches in the State	169.24	192.41	75.00	30.00	30.00
		(100)	(84.47)	(100)	(100)	(100)
	Capital Plan CSS					
12.	4515 – Capital Outlay on Other Rural Development Programmes					
	103 -Rural Development	<u>1320.00</u>	<u>1320.00</u>	<u>2500.00</u>	<u>3900.00</u>	<u>3900.00</u>
	04 – Indira Awas Yojna	1320.00	1320.00	2500.00	3900.00	3900.00
		(100)	(100)	(100)	(100)	(100)
13.	06 – Sampuran Gramin Rozgar Yojna	<u>2850.00</u>	<u>5100.00</u>	<u>4891.53</u>	<u>4950.00</u>	<u>150.00</u>
		2850.00	5100.00	4891.53	4950.00	150.00
		(100)	(100)	(100)	(100)	(100)

Appendix-2.12
(Refers to Paragraph 2.3.5, Page 46)

Statement showing the cases where entire provision remained unutilized

(Rupees in lakh)

Sr. No	Sr. No. of Appendix 2.13	Total Grant/Savings					Total
		2004-05	2005-06	2006-07	2007-08	2008-09	
1.	5	12.70	12.70	12.70	12.70	12.70	63.50
2.	9	18.00	18.00	18.00	18.00	18.00	90.00
3.	10	660.00	660.00	475.31	440.00	440.00	2675.31
4.	12	1320.00	1320.00	2500.00	3900.00	3900.00	12940.00
5.	13	2850.00	5100.00	4891.53	4950.00	150.00	17941.53
	Total	4860.70	7110.70	7897.54	9320.70	4520.70	33710.34

Say Rs 337.10 Crore

Appendix-2.13
(Refers to Paragraph 2.3.6, Page 46)

**Statement showing savings due to non-release of funds by Finance
Department/Government of India/late receipt of administrative approval/imposition
of model code of conduct in the State due to general election/due to vacant posts etc.**

(Rupees in lakh)

Sr. No.	Grant No./Head of Account/ Name of the Scheme	Final Savings	Contributing reasons as stated by the Department
	Grant No. 2 - Animal Husbandry and Fisheries		
	Revenue Plan CSS		
1.	2403 – Animal Husbandry 101 – Veterinary Services and Animal Health 02 – Scheme for National Project on Rinderpest Eradication Programme in Punjab	29.40	Due to non release of funds by the Finance Department
2.	15 – Animal Disease Management Regulatory Medicines Establishment of Regional Referral Disease Diagnos	69.70	Due to non release of funds by the Finance Department
3.	18 – Foot and Mouth Disease Control Programme	168.48	Due to non release of funds by the Finance Department
4.	103 – Poultry Development 03 – Assistance to State Poultry Farms – Strengthening of Government Poultry Farms	2.50	Due to imposition of code of conduct in the state
5.	106 – Other Live Stock Development 22 – Conservation of Threatened Breeds of Small Ruminan Pigs, Pack, Animal and Equines	80.00	Due to non release of funds by the Finance Department
6.	26 – Construction of Animal Shelter (Gaushala)	100.00	Due to non release of funds by the Finance Department
7.	113 – Administrative Investigation and Statistics 03 – Live Stock Census	218.86	Due to imposition of code of conduct in the state
8.	789 – Special Component Plan for Scheduled Castes 17 – Scheme of Female Buffalo Calf Rearing	9.26	Due to imposition of code of conduct in the state
9.	18 – Establishment of Backyard Poultry Units	12.70	Due to imposition of code of conduct in the state
	Revenue Plan Share		
10.	2403 – Animal Husbandry 101 – Veterinary Services and Animal Health. 23. – Scheme for Birth Control and Immunization of Stray Dogs.	50.00	Due to non release of funds by the Finance Department
11.	113 – Administrative Investigation and Statistics 06 – Integrated Sample Survey and Cost of Production of Milk and Egg.	1.98	Due to late receipt of Administrative approval
	Revenue Plan State		
12.	2403 – Animal Husbandry 101 – Veterinary Services and Animal Health 30 – Setting up of New Polyclinics and Strengthening of Veterinary Institutions in the State under RDIF X	298.61	Late receipt of Administrative approval

13.	105 – Piggery Development 04 – Scheme for Development of Piggery Sector in the State.	52.61	Due to ban on disbursement of subsidy during code of conduct
14.	113 – Administrative Investigation and Statistics 06 – Integrated Sample Survey and Cost of Production of Milk and Egg.	1.98	Due to late receipt of Administrative approval

	Revenue Non Plan State		
15.	2404 – Dairy Development 001 – Direction and Administration 01 – Direction and Administration	29.44	Due to voluntary retirement/death of officers/officials
	Revenue Plan Share		
16.	2404 – Dairy Development 109 – Extension and Training 04 – Strengthening of Infrastructure for Quality and Clean Milk Production	261.15	Due to non release of funds by the Government of India
	Revenue Plan State		
17.	2404 – Dairy Development 109 – Extension and Training 04 – Strengthening of Infrastructure for Quality and Clean Milk Production	39.07	Due to non sanction of funds by the Finance Department
	Revenue Plan – CSS		
18.	2405 – Fisheries 101 – Inland Fisheries 17 – Strengthening of Database and Information Networking and Fisheries Sector	10.00	Non release of funds by the Government of India
	Revenue Plan Share		
19.	2405 – Fisheries 101 – Inland Fisheries 10 – Assistance to Fish Farmers Development Agencies in the State	466.66	Due to non acceptance of cheque by the State Bank of India, Sector-7, Chandigarh
20.	109 – Extension and Training 07 – Scheme for Fisheries Extension and Training	16.00	Funds not allocated in the revised estimate by the Planning Department
	Revenue Plan State		
21.	2405 – Fisheries 101 – Inland Fisheries 10 – Assistance to Fish Farmers Development Agencies in the State	200.00	Funds not released by the Finance Department
22.	13 – Development of Fisheries in Saline/Brakish Waters	13.00	Funds not cleared by the Finance Department
23.	16 – Scheme for Setting up of Hightech Laboratories in Mobile Units in the State	20.00	Funds not cleared by the Finance Department
24.	109 – Extension 07 – Scheme for Fisheries Extension and Training	4.00	Funds not allocated in the revised estimate by the Planning Department
	Capital Plan CSS		
25.	4403 – Capital Outlay on Animal Husbandry 101 – Veterinary Services and Animal Health 02 - Animal Disease Management Regulatory Medicines – Establishment of Regional Referral Disease Diagnos.	30.00	Funds not released by the Finance Department.
	Grant No. 23 - Rural Development and Panchayats		
	Revenue Non-Plan State		
26.	2202 – General Education		Due to dying cadre, post

	04 – Adult Education 200 – Other Adult Education Programme 01 – Assistance to Panchayat Samities for Social Education by Development Department	65.11	remained vacant
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	Revenue Non-Plan State		
27.	2415 – Agricultural Research and Education 001 – Crop Husbandry 277 – Education 01 – Home Economic Wing of Gram Sewak Training Centre at Nabha	12.85	Due to non receipt of bills from employees
	Revenue Plan Share		
28.	2501 – Special Programmes for Rural Development 01 – Integrated Rural Development Programme 001 – Direction and Administration 03 – Strengthening/Administration of DRDA's in the State.	1486.27	Due to non release of Rs 712.26 lakh by the Government of India and late receipt of balance amount by the Government of India
	Revenue Plan State		
29.	2501 – Special Programmes for Rural Development 01 – Integrated Rural Development Programme 001 – Direction and Administration 03 – Strengthening/Administration of DRDA's in the State	276.03	Due to vacant posts of DRDA
	Revenue plan CSS		
30.	2515 – Other Rural Development Programme 800 – Other Expenditure 12 – Extension of Training Centres	18.00	Non receipt of Approval of the Finance Department
31.	14 – Integrated Waste Land Development Project	440.00	Due to imposition of model code of conduct in the State
32.	20 – Swaranjayanti Gram Swarojgar Yojna.	1200.00	Due to imposition of model code of conduct in the State
33.	28 – Sampuran Gramin Rojgar Yojna	150.00	Due to imposition of model code of conduct in the State
	Revenue Plan Share		
34.	2515 – Other Rural Development Programme 800 – Other Expenditure 29 – National Rural Employment Guarantee Scheme.	27000.00	Due to imposition of model code of conduct in the State.
	Revenue Plan State		
35.	2515 – Other Rural Development Programmes 800 – Other Expenditure 29 – National Rural Employment Guarantee Scheme	3000.00	Due to imposition of model code of conduct in the State
	Revenue Non-Plan State		
36.	3604 – Compensation and Assignments to Local Bodies and Panchayati Raj Institutions 200 – Other Miscellaneous Compensation and Assignments 09 – Grant for Service Provider Doctor in Rural Dispensaries.	442.49	Non receipt of demand for purchase of medicines from the Punjab Health System Corporation
37.	18 – Grant on the Recommendation of Third State Financial Commission to Panchayati Raj Institutions	27707.00	Funds not provided by the State Government
38.	19 – Grant-In-Aid for Service Provides to Veterinary Doctors Veterinary Pharmacists in	457.74	Due to non purchase of medicines by the Zila

	Rural Vet Hospitals and Dispensaries		Parishad
	Capital Plan CSS		
39.	4515 – Capital Outlay on Other Rural Development Programmes 103 – Rural Development 04 – Indira Awas Yojna	3900.00	Due to imposition of model code of conduct in the State

	Capital State Plan		
40.	4515 – Capital Outlay on Other Rural Development Programme 103 – Rural Development 13 – Grant for Strengthening of Infrastructure and Institutional Works	60.53	Due to imposition of model code of conduct in the State
	Total	68401.42	

Say Rs 684.01 Crore

Appendix-2.14
(Refers to Paragraph 2.3.6, Page 46)

Statement showing saving due to non-passing of bills by the treasuries

(Rupees in lakh)

Sr. No.	Grant No./Head of Account/Name of Scheme	Final Saving	Contributing reasons as stated by the Department
	Grant No. 2 – Animal Husbandry and Fisheries		
	Revenue Non-Plan State		
1.	2403 – Animal Husbandry 001 – Direction and Administration 01 – Direction and Administration	785.64	Due to non clearance of bills by the Treasury and the employees who left the job without any notice.
	Revenue Plan Share		
2.	2403 – Animal Husbandry 101 – Veterinary Services and Animal Health 13 – Assistance to States for Control of Animal Diseases – Creation of Disease Free Zone	13.66	Non-clearance of bills by the treasury
	Revenue Plan State		
3.	2403 – Animal Health 101 – Veterinary Services and Animal Health 26 – Animal Husbandry Extension and Training Programme	0.73	Non-clearance of bills by the treasury
	Revenue Non-Plan State		
4.	2405 – Fisheries 001 – Direction and Administration 001 – Direction and Administration	51.96	Non clearance of bill by the treasury
	Revenue Plan State		
5.	2405 – Fisheries 101 – Inland Fisheries 12 – Development of Fisheries in Lakes/Reservoirs	5.00	Non clearance of bill by the treasury
6.	14 – Value Addition Fish for Better Return to Fish Farmers	3.00	Non clearance of bill by the treasury
7.	15 – Strengthening of Government Fish Seed Farm for Increasing Fish Seed	15.00	Non clearance of bill by the treasury
	Capital Plan CSS		
8.	4403 – Capital Outlay on Animal Husbandry 101 – Veterinary Services and Animal Health 04 – National Project on Rinderpest Eradication Programme in Punjab	12.75	Non-clearance of bills by the treasury
	Capital Plan State		
9.	4403 – Capital Outlay on Animal Husbandry 101 – Veterinary Services and Animal Health 03 – Assistance to States for Control of Animal Diseases – Creation of Disease Free Zone	10.00	Non-clearance of bills by the treasury
10.	12 – Setting up of New Polyclinics and Strengthening of Veterinary Institutions in the State under RIDF X	94.33	Non-clearance of bills by the treasury
	Grant No. 23 – Rural Development and Panchayats		
	Revenue Non-Plan State		

11.	2515 – Other Development Programmes 001 – Direction and Administration 01- Administration	1024.63	Non-clearance of bills by the treasury
	Revenue Plan Share		
12.	2515 – Other Development Programmes 800 – Other Expenditure 05 – Training to Panches and Sarpanches in the State	30.00	Non-clearance of bills by the treasury

	Revenue Plan State		
13.	2515 – Other Development Programmes 800 – Other Expenditure 05 – Training to Panches and Sarpanches in the State	10.00	Non-clearance of the bills by the treasury
	Revenue Non-Plan State		
14.	3604 – Compensation and Assignments to Local Bodies and Panchayati Raj Institutions 200 – Other Miscellaneous Compensation and Assignments 05 – Grants to Zila Parishads for Loss on Account of Abolition of Profession Tax.	16.51	Due to non passing of bills by the treasury
15.	07 – Compensation to the Districts Boards for Loss of Income from Ferries under the Northern Indian Ferrie.	2.70	Due to non passing of bills by the treasury
16.	10 – Grant for Service Providers to E.T.T. Teachers on Regular Services to their Pay Scales in Rural Areas	435.39	Due to non passing of bills by the treasury
	Capital Plan State		
17.	4515 – Capital Outlay on Other Rural Development Programmes 103 – Rural Development 14 – Grant Recommended by the 12 th Finance Commission to Panchayati Raj Institutions	4923.70	Due to non passing of bill by the treasury
18.	789 – Special Component Plan for Scheduled Castes 02 – Environment Improvement of SC Basties/Villages with Stress on Sanitation (ACA)	358.00	Due to non clearance of bills by the treasury
19.	800 – Other Expenditure 06 – Incomplete Sewerage System in Villages	100.00	Due to non clearance of bills by the treasury
	Total	7893.00	

Say Rs 78.93 Crore

(Page 34)1.9.5 Targets and achievements of key fiscal indicators

The Twelfth Finance Commission recommended norms/ceiling for some fiscal aggregates and also made normative projection for others. Under the FRBM Act, the Government framed fiscal indicator and targets to be achieved. The Government developed its own fiscal correction path (FCP) indicating milestones of outcome indicators with target dates of implementation. The **Table 1.23** gives a comparative statement of actual achievements against the targets set under TFC, FCP and budget estimates, in respect of some of the fiscal indicators.

Table 1.23: Comparative position of targets and achievements

(Rupees in crore)

Sr. No	Fiscal indicators	2008-09			
		FCP	TFC	BE	Actuals
1	Tax revenue	12500	12372	11247	11150
	Non-tax revenue	1765*	2318	5391	5784
2	Non-Plan revenue expenditure	17016	16198	#	23147
	Salaries & wages	7006	-	7323	6835
	Interest payment	4582	4602	4818	4902
	Expenditure on Pension	1953	2033	2112	2830
	Subsidies	1674	-	3077	2806
3	Capital expenditure	4000	-	3483	2858
4	Revenue deficit/ surplus	+1.97	-	-1000	-3856
	Fiscal deficit	-3920	-	-4365	-6690

* = Figure is net of lotteries;

= Separate figures for NPRE not mentioned in the BE.

It may be noted from the above that except in the case of non-tax revenue and salaries and wages, the targets have not been achieved in respect of all other fiscal parameters.

(page-30) comprising of market loans (Rs 5,061 crore), securities issued to National Small Savings Fund (Rs 190 crore), Ways and Means Advances from RBI (Rs 454 crore) and NABARD (Rs 450 crore). Against these receipts, Government of Punjab discharged the past debt obligations (principal + interest) amounting to Rs 5,807 crore resulting in net fund availability of Rs 348 crore under the internal debt account. The Government of Punjab repaid GOI loans including interests amounting to Rs 428 crore against the receipts of Rs 278 crore leaving deficit of Rs 150 crore. The Government of Punjab discharged other obligations such as small savings, provident fund, deposits etc. for Rs 5,758 crore along with interest against the corresponding receipts of Rs 6,531 crore leaving fund availability of Rs 773 crore.

(vii page) The State Government had drawn its Fiscal Correction Path (FCP) to improve the fiscal health of the State by eliminating the revenue deficit by 2008-09. But keeping in view the slow down in economy, the Government of India has since relaxed the revenue deficit to be eliminated by 2009-10. The State has planned to reduce the

fiscal deficit to three per cent of the GSDP and raise the Capital expenditure to about three per cent of the GSDP by 2008-09. The Government of India has now allowed the States to reduce the fiscal deficit to 3.5 per cent of the GSDP by 2009-10.

(10 page)- The steep increase in revenue buoyancy with reference to State's own taxes (68.45) in 2006-07 was due to the fact that the growth rate of State's own taxes was only 0.31 *per cent* whereas the growth rate of revenue receipts was 21.22 *per cent*. The reason/factor contributing to the growth rate of revenue receipts during the year 2006-07 was inclusion of a credit entry of Rs 3,772 crore (principal amount) due to one time waiver of special term loan granted by GOI.

Excutive summary

In May 2003, the Government of Punjab responded to the Twelfth Finance Commission's recommendation by legislating its "Fiscal Responsibilities and Budget Management Act (FRBM)" (amended from time to time and the last amendment was in January 2008). It sets out a reform agenda through fiscal correction path in the medium term with the long-term goal of securing growth stability for its economy. While the benefits contained in the FRBM legislation have been realized by the State Government to the extent of implementation of VAT, introduction of New Pension Scheme, improving tax revenue and capital expenditure, etc. will go a long way in building up the much needed 'fiscal space' for improving the quality of public expenditure and to promote fiscal stability.

Page 1.3 Sales tax, State Excise and Stamps and Registration Fee together accounted for around 89 *per cent* of the total tax revenue during 2008-09. The growth rate of these taxes and that of taxes on vehicles during the period 2004-09 is depicted in the following chart.

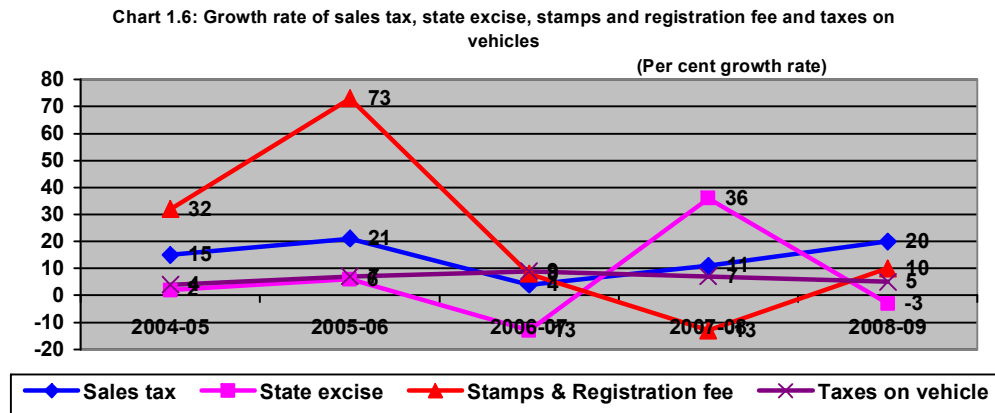


Chart 1.6 shows that the growth rate of stamps and registration fee ranged between (-) 13 to 73 *per cent*, sales taxes between four to 21 *per cent* and State excise between (-) 13 to 36 *per cent* whereas taxes on vehicles remained between four to nine *per cent* during 2004-05 to 2008-09.

1.3.1 Cost of collection of receipts

The expenditure incurred on collection of major taxes and percentage of such expenditure to gross collection during the years 2006-07 to 2008-09 vis-a-vis the respective all India average for the year 2007-08 are given in **Table 1.4**.

Table 1.4: Expenditure on collection of major taxes

Sr. No.	Revenue head	Year	Collection (Rupees in crore)	Expenditure on collection (Rupees in crore)	Percentage of expenditure to gross collection	All India average percentage of expenditure to collection for the year 2007-08
1	Taxes on sales, trade etc/VAT	2006-07	4829.02	41.78	0.87	0.83
		2007-08	5342.49	45.81	0.86	
		2008-09	6435.63	48.53	0.75	
2	Taxes on vehicles	2006-07	468.05	7.33	1.57	2.58
		2007-08	499.45	7.66	1.53	
		2008-09	524.09	9.20	1.76	
3	Stamp duty and registration fees	2006-07	1803.93	30.21	1.67	2.09
		2007-08	1567.84	18.22	1.16	
		2008-09	1730.29	23.69	1.37	
4	State excise	2006-07	1367.79	12.26	0.90	3.27
		2007-08	1861.52	13.27	0.71	
		2008-09	1809.95	14.57	0.80	

During 2008-09, the percentage of cost of collection to total collection of the respective taxes in the State was lower than the average cost at All India level.

Appendix-2.3
(Refers to Paragraph 2.2.3; Page 41)

Statement of grants/appropriations where expenditure in each case exceeded more than Rs 10 crore or more than 20 per cent of the provision

(Rupees in crore)

Sr. No.	Grant No	Name of the grant/appropriation	Total Grant/ appropriation	Expenditure	Excess expenditure (Percentage)
(1)	(2)	(3)	(4)	(5)	(6)
1	3	Co-operation (Capital-Voted)	10.55	24.41	13.86(131.37)
2	8	Finance (Revenue-Voted)	6241.22	6400.22	159.00(2.55)
3	8	Finance (Revenue-Charged)	4856.10	4901.68	45.58(0.94)
4	21	Public Works (Revenue-Voted)	772.49	1056.13	283.64(36.72)
		Total	11880.36	12382.44	502.08(4.23)

Appendix 2.6
(Refers to Paragraph 2.2.8; Page 44)

Statement showing insufficient re-appropriation of funds

(Rupees in crore)

Sr. No.	Grant No.	Description	Head of Account	Re-appropriation	Final Excess(+)
1	2	Animal Husbandry and Fisheries	2403-Animal Husbandry, Veterinary services and Animal Health, Setting up of new and strengthening of existing Veterinary Polyclinics (Plan)	0.19	+2.79
2	5	Education	2202-General Education, University and Higher Education, Government Colleges and Institutes, Government Arts Colleges	8.36	+152.91
3	17	Local Government, Housing and Urban Development	4217-Capital Outlay on Urban Development, Other Urban Development Schemes, Other Expenditure, Municipal Development Fund (Plan)	41.30	+4.00
4	21	Public Works	5054-Capital Outlay on Roads and Bridges, State Highways, Other Expenditure, Central Road Fund (Plan)	2.49	+3.36
				Total	163.06

Para 1.10(conclusion)2-**Share of State's own tax revenue in total receipts:** The revenue receipts during 2008-09 showed a growth rate of 7.67 *per cent* over the previous year. The share of the States own tax revenue was 54 *per cent* of the total revenue receipts. The share of non-tax revenue in the revenue receipts during the current year decreased to 28 *per cent* from 39 *per cent* in 2004-05. Thus, the State's own sources of revenue accounted for 82 *per cent* of the total revenue receipts in 2008-09, showing decline of seven *per cent* from 89 *per cent* in 2004-05. Concerted efforts to increase own tax revenue where feasible could improve the state's finances considerably.

CHAPTER 1

Finances of the State Government

This chapter provides a broad perspective of the finances of the Government of Punjab during the current year (2008-09) and analyses critical changes in the major fiscal aggregates as compared to the previous year (2007-08), keeping in view the overall trends during the last five years. The analysis has been made based on State's Finance Accounts and the information obtained from the State Government. The structure of Government Accounts and the lay out of Finance Accounts are shown in **Box 1.1** (Page 2).

1.1 Summary of the current year's fiscal transactions

Table 1.1 presents the summary of the Government of Punjab's fiscal transactions during the current year (2008-09) vis-à-vis the previous year (2007-08) and **Appendix 1.1** provides details of receipts and disbursements during 2008-09 as well as overall fiscal position of the Government of Punjab as on 31 March, 2009.

Table 1.1 Summary of the current year's fiscal operations
(Rupees in crore)

2007-08	Receipts	2008-09	2007-08	Disbursements	2008-09		
Section A: Revenue				Non-Plan	Plan	Total	
19237.62	Revenue receipts	20712.79	23060.86	Revenue expenditure	23146.55	1422.44	24568.99
9899.17	Tax revenue	11150.08	12891.90	General services	14027.72	4.41	14032.13
5253.97	Non-tax revenue	5783.91	4333.58	Social services	4427.75	1054.93	5482.68
1974.99	Share of Union taxes/ duties	2084.12	5478.59	Economic services	4381.39	363.10	4744.49
2109.49	Grants from Government of India	1694.68	356.79	Grants-in-aid and Contributions	309.69	--	309.69
Section B: Capital							
0.71	Misc. Capital Receipts	1.12	2191.60	Capital Outlay	255.25	2602.68	2857.93
1445.15	Recoveries of Loans and Advances	77.63	34.85	Loans and Advances disbursed	48.83	6.24	55.07
5662.21	Public Debt receipts*	5978.86	1719.22	Repayment of Public Debt*	1835.13	--	1835.13
0.00	Contingency Fund	0.00	0.00	Contingency Fund	0.00	0.00	0.00
19687.47	Public Account receipts	24306.23	18751.22	Public Account disbursements	22590.85	--	22590.85
825.87	Opening Cash Balance	1101.28	1101.28	Closing Cash Balance	269.94	--	269.94
46859.03	TOTAL	52177.91	46859.03	TOTAL	48146.55	4031.36	52177.91

*Excluding net transactions under ways and means advances (Rs 453.39 crore)

Box 1.1

Part A: Structure and Form of Government Accounts

Structure of Government Accounts	
<p>Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.</p> <p>Part I: Consolidated Fund : All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.</p> <p>Part II: Contingency Fund: Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p> <p>Part III: Public Account: Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature.</p>	
PART B: Layout of Finance Accounts	
Statement No.	Layout
1	Presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements etc in the Consolidated Fund, Contingency Fund and Public Account of the State.
2	Contains the summarized statement of capital outlay showing progressive expenditure to the end of 2008-09.
3	Gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.
4	Indicates the summary of debt position of the State which includes borrowing from internal debt, Government of India, other obligations and servicing of debt.
5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears etc.
6	Gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.
7	Gives the summary of cash balances and investments made out of such balances.
8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2009.
9	Shows the revenue and expenditure under different heads for the year 2008-09 as a percentage of total revenue/expenditure.
10	Indicates the distribution between the charged and voted expenditure incurred during the year.
11	Indicates the detailed account of revenue receipts by minor heads.
12	Provides accounts of revenue expenditure by minor heads under non-plan and plan separately and capital expenditure by major head wise.
13	Depicts the details of capital expenditure incurred during and to the end of 2008-09.
14	Shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc up to the end of 2008-09.
15	Depicts the capital and other expenditure to the end of 2008-09 and the principal sources from which the funds were provided for that expenditure.
16	Gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.
17	Presents detailed account of debt and other interest bearing obligations of the Government of Punjab.
18	Provides the detailed account of loans and advances given by the Government of Punjab, the amount of loan repaid during the year, the balance as on 31 March 2009.
19	Gives the details of earmarked balances of reserve funds.

1.1.1 Significant changes

Following are the significant changes during 2008-09 over the previous year:

The **revenue receipts** increased by Rs 1,475 crore (7.67 *per cent*) in 2008-09 over the previous year mainly on account of increase in tax revenue (Rs 1,251 crore: 12.64 *per cent*) and non-tax revenue (Rs 530 crore: 10.09 *per cent*). The revenue receipts were more than what was targeted in the Fiscal Correction Path (FCP) by Rs 1,712 crore (nine *per cent*). **Grants-in-aid** from the Government of India (GOI) decreased by Rs 415 crore (19.67 *per cent*) during the current year over the previous year and when compared with the FCP, it was less by Rs 302 crore (15.12 *per cent*).

The **total expenditure** of the Government of Punjab increased by Rs 2,195 crore (8.68 *per cent*) during 2008-09 over the previous year, of which increase in revenue expenditure was Rs 1,508 crore (6.54 *per cent*) and capital expenditure was Rs 666 crore (30.40 *per cent*). The total expenditure increased by Rs 4,383 crore (18.97 *per cent*) when compared with the FCP. The main items of increase in total expenditure were Social Security and Welfare (Rs 512 crore: 23.33 *per cent*), Pension and Other Retirement benefits (Rs 397 crore: 18.09 *per cent*), Interest Payments (Rs 375 crore: 17.08 *per cent*), General Education (Rs 324 crore: 14.76 *per cent*) and Police (Rs 189 crore: 8.61 *per cent*).

The **recovery of loans and advances** exhibited a sharp decrease of Rs 1,368 crore (94.63 *per cent*) during the current year when compared with the previous year. The reason for huge recovery of loans and advances in the year 2007-08 was mainly on account of adjustment of Rs 1,362 crore towards repayment of loans and advances out of the subsidy of Rs 2,848 crore given to Power sector during the previous year. The recovery of loans and advances decreased by Rs 100 crore (56.41 *per cent*) when compared with the projections of FCP.

The **Public debt receipts** increased by Rs 317 crore (5.60 *per cent*) mainly on account of increase in internal debt of the Government of Punjab (Rs 534 crore: 9.50 *per cent*). Loans and advances from the GOI decreased by Rs 152 crore (35.35 *per cent*). The repayment of public debt also increased by Rs 116 crore (6.75 *per cent*) mainly on account of increase in repayment of internal debt of the Government of Punjab (Rs 366 crore: 20.93 *per cent*). Repayment of loans and advances to the GOI decreased by Rs 185 crore (51.68 *per cent*) in the current year as compared to the previous year.

The **Public Accounts receipts** increased by Rs 4,619 crore (23.46 *per cent*) during the current year over the previous year and the disbursements thereof also increased by Rs 3,840 crore (20.48 *per cent*) during the current year.

The net impact of the above fiscal transactions of the Government of Punjab was reflected in terms of a net decrease of Rs 831 crore (75.49 *per cent*) in cash balances as on 31 March 2009, which decreased from the opening balance of Rs 1,101.28 crore to the closing balance of Rs 269.94 crore.

1.1.2 Fiscal Responsibility and Budgetary Management Act

In May 2003, Government of Punjab enacted the Punjab Fiscal Responsibility and Budget Management (FRBM) Act, 2003 to ensure long-term financial stability by achieving revenue surplus, containing fiscal deficit and prudential debt management. Subsequently, in January 2006, the Government of Punjab enacted the Punjab FRBM (Amendment) Act, 2005 and fixed the timeframe for achieving the fiscal targets set in May 2003. The salient features of the FRBM Act, 2003(as amended upto January 2008) and the Rules made thereunder are in **Box 1.2**.

Box 1.2

Fiscal Responsibility and Budgetary Management (FRBM) Act, 2003 (as amended upto January, 2008)

The State Government had enacted the Punjab Fiscal Responsibility and Budget Management Act, 2003 (amended upto January 2008) to ensure prudence in fiscal management and to maintain fiscal stability in the State. To improve the fiscal position and to bring fiscal stability, the Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability. To ensure fiscal prudence, the Act also provides for greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and matters connected therewith or thereto. The Act, as amended, prescribed the following fiscal targets for the State:

- a) reduce the fiscal deficit from the financial year 2005-06 so as to bring it down to three² *per cent* of GSDP by the year 2008-09;
- b) reduce the revenue deficit from the financial year 2005-06 so as to bring it down to zero by the year 2008-09 and generate revenue surplus thereafter;
- c) attempt to bring the ratio of debt including contingent liabilities to GSDP down to 28 *per cent* within a period of five years from 2005-06 to 2009-10;
- d) cap outstanding guarantees on long term debt to 80 *per cent* of revenue receipts of the previous year. Guarantees on short term debt to be given only for working capital or food credit in which case this must be fully backed by physical stocks.

² **GOI has now allowed the States to reduce fiscal deficit to 3.5 *per cent* of GSDP by 2009-10. The FRBM Act to this effect has not yet been amended by the State Government.**

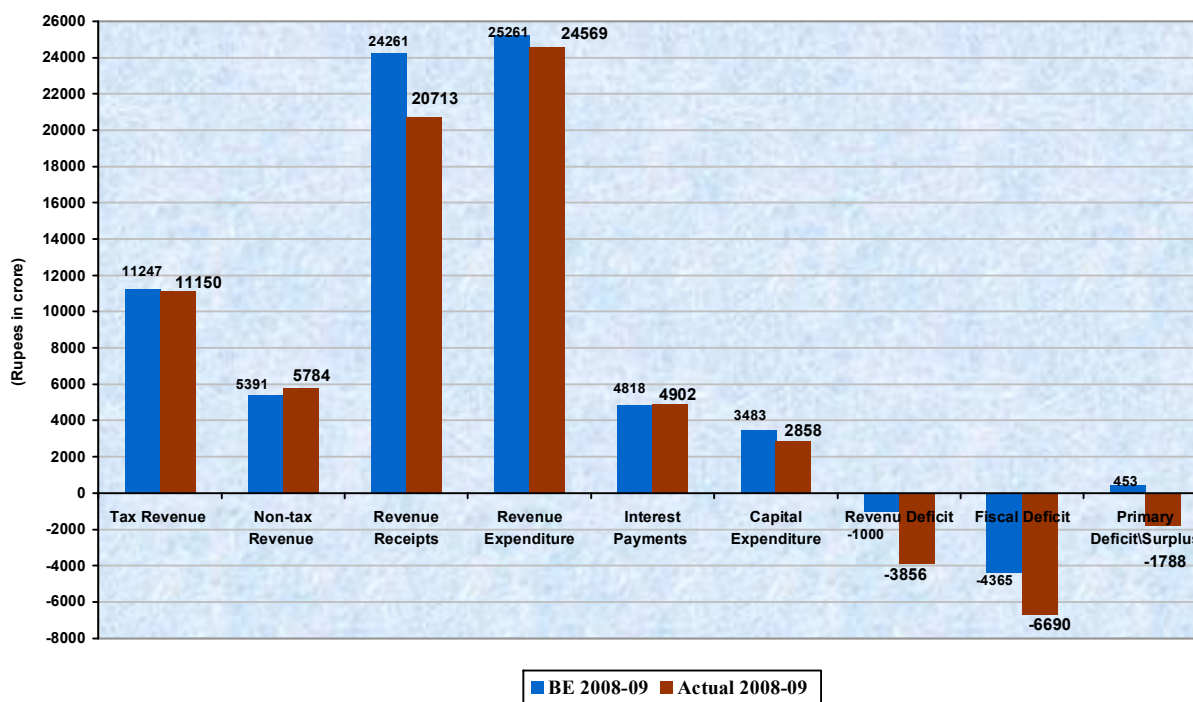
In exercise of the powers conferred by Section 7 of the Act, as amended, the State Government framed the Punjab Fiscal Responsibility and Budget Management Rules in December 2006 with a sole target to reduce the fiscal deficit from the financial year 2005-06 so as to bring it down to three *per cent* of GSDP by the year 2009-10 (amended as 2008-09 in December 2007).

The Government of Punjab has developed its own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators (*Appendix 1.2*) with target dates of implementation during the period from 2004-05 to 2009-10, keeping in view the fiscal targets laid down in the FRBM Act and/or the rules made thereunder.

1.1.3 Budget estimates and actuals

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters.

Chart 1.1: Selected Fiscal Parameters: Budget Estimates vis-à-vis Actuals



The Budget estimates (BE) for tax revenue was Rs 11,247 crore against which the actual receipts was Rs 11,150 crore. The reduction was mainly on account of receipt of Rs 140 crore (7.49 *per cent*) less in Stamps and Registration and Rs 52 crore (9.03 *per cent*) in taxes on vehicles. The BE for non-tax revenue was Rs 5,391 crore against which the actual receipt was Rs 5,784 crore. The increase was mainly on account of increase of Rs 187 crore (4.27 *per cent*) in receipts of the Miscellaneous General Services.

The actual **total revenue receipts** were Rs 20,713 crore against the BE of Rs 24,261 crore. The decrease in revenue receipts when compared with the

BE was mainly on account of decrease in grants-in-aid from the GOI and share of union taxes/duties to the tune of Rs 2,602 crore: 60.55 *per cent* (BE: Rs 4,297 crore - Actuals: Rs 1,695 crore) and Rs 241 crore: 10.37 *per cent* (BE: Rs 2,325 crore - Actuals: Rs 2,084 crore) respectively. This shows that the BE for revenue receipts (from GOI) was unrealistic.

The **capital expenditure** incurred was Rs 2,858 crore against the BE of Rs 3,483 crore. The decrease in capital expenditure was due to decrease in capital expenditure on Roads and Bridges by Rs 916 crore (73.69 *per cent*) (BE: Rs 1,243 crore - Actuals: Rs 327 crore).

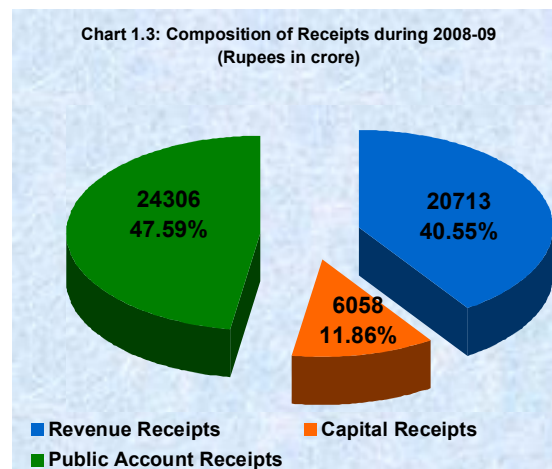
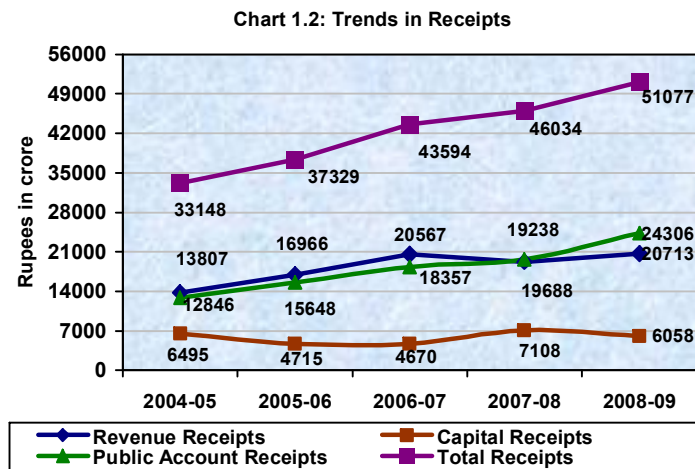
The fiscal position of the Government of Punjab during the current year deteriorated in terms of key fiscal indicators. There was a revenue deficit of Rs 3,856 crore as against the surplus of Rs 1.97 crore projected in the State's FCP and the revenue deficit was also significantly higher than the projection in the BE of Rs 1,000 crore. Similarly, the fiscal deficit (Rs 6,690 crore) was higher than that projected in the FCP (Rs 3,920 crore) and the BE (Rs 4,365 crore). There was a primary deficit of Rs 1,788 crore in 2008-09 as against the projection of surplus made in the FCP (Rs 662 crore) and in the BE (Rs 453 crore).

1.2 Resources of the Government of Punjab

1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. The revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the GOI. The capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from the GOI as well as accruals in the Public Account.

Table 1.1 presents the receipts and disbursements of the Government of Punjab during the current year as recorded in its Annual Finance Accounts, while **Chart 1.2** depicts the trends in various components of the receipts of the Government of Punjab during 2004-09. **Chart 1.3** depicts the composition of resources of the Government of Punjab during the current year.



The revenue receipts of the Government of Punjab increased from Rs 13,807 crore in 2004-05 to Rs 20,713 crore in 2008-09. The average growth in revenue receipt during the period was 10 *per cent* per annum. In fact, the revenue receipts in 2008-09 (Rs 20,713 crore) were more or less equal to the receipts in 2006-07 (Rs 20,567 crore) implying no significant growth in revenue receipts in the Government of Punjab since 2006-07. The capital receipts decreased from Rs 6,495 crore in the year 2004-05 to Rs 6,058 crore in the year 2008-09 with inter year variations. The Public Account receipts increased consistently from Rs 12,846 crore in 2004-05 to Rs 24,306 crore in 2008-09. The overall impact was increase in total receipts of the Government of Punjab from Rs 33,148 crore in 2004-05 to Rs 51,077 crore in 2008-09, an average increase of 10.82 *per cent* per year.

Chart 1.3 shows that the total receipts of the Government of Punjab in the year 2008-09 were Rs 51,077 crore. Of these, the Public Account receipts (Rs 24,306 crore) contributed 47.59 *per cent* followed by revenue receipts (Rs 20,713 crore) which contributed 40.55 *per cent* and capital receipts including the public debt receipts which contributed 11.86 *per cent* (Rs 6,058 crore) during 2008-09. Thus, the revenue receipts showed marginal growth rate and accounted for only 40.55 *per cent* of the total receipts in 2008-09.

1.2.2 Funds transferred to the State implementing agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State implementing agencies for implementation of various schemes/programmes in social and economic sectors recognized as critical. The detail of funds transferred directly to various State implementing agencies for the designated schemes are given in **Table 1.2**.

Table 1.2: Funds transferred directly to the State implementing agencies
(Rupees in crore)

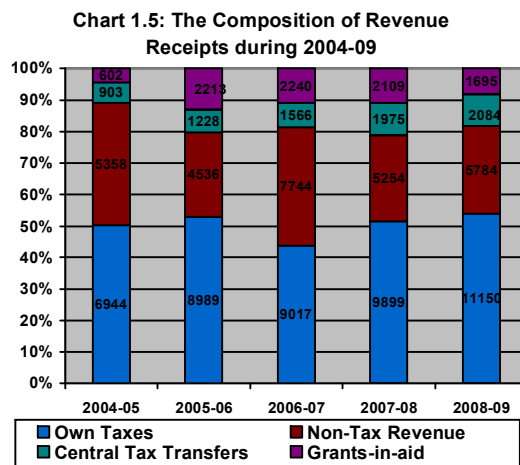
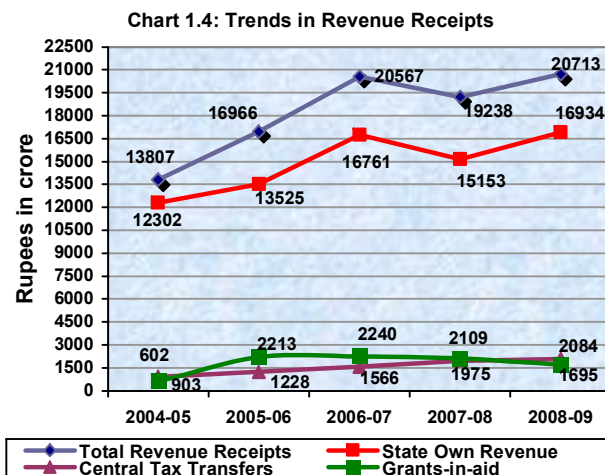
Programme/Scheme (Centre: State share)	Implementing Agency	2008-09
		Central Share
NREGA (90:10)	Joint Development Commissioner Rural Development Department	66.60
SGSY (75:25)		11.08
IAY (New Construction)		46.43
IAY (Up-gradation)		12.34
DRDA Administration (75.25)	Deputy Director Local Bodies	7.82
SJSRY (75.25)		0.50
MPLAD (100)		4.30
NRHM-RCH-II	Mission Director, NRHM	44.06
NRHM-Additionalties		22.32
National programme for control of Blindness (100)	Programme Officer, Health and Family Welfare	0.93
National Leprosy eradication programme (100)		2.42
National TB control Programme (50:50)		6.43
SSA (65:35)	Director SSA	209.93
PMGSY (100)	Director Roads and Bridges Development Board	273.04
TOTAL		708.20

Source: Information as collected from the implementing agencies

During 2008-09, the Government of India directly transferred Rs 708.20 crore to the State implementing agencies. As these funds are not routed through the budget of State Government, the Annual Finance Accounts do not capture the flow of these funds and to that extent, the receipts and expenditure of the State as well as other fiscal variables/parameters derived from them are underestimated. Unless there is proper documentation and timely reporting of expenditure by the implementing agencies, it will be difficult to monitor the end use of these direct transfers.

1.3 Revenue receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government of Punjab. The revenue receipts consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2004-09 are presented in **Appendix 1.3** and also depicted in **Chart 1.4** and **1.5**.



As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes etc., the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

Though the **revenue receipts** have shown an increasing trend over the period 2004-09, the share of its own tax revenue varied within a narrow range of 50-54 *per cent* of the revenue receipts except in 2006-07 when it dipped to 44 *per cent*. The State's own tax revenue during the current year was Rs 11,150 crore which was less by Rs 1,222 crore (9.88 *per cent*) against Rs 12,372 crore recommended by TFC and by Rs 1,350 crore (10.80 *per cent*) against Rs 12,500 crore projected in the FCP. The share of non-tax revenue marginally increased by one *per cent* (from 27 to 28 *per cent*) during the current year over the previous year. Thus, the State's own resources accounted for 82 *per cent* of the total revenue receipts in 2008-09, as compared to 89 *per cent* in 2004-05. The share of Central transfers increased from 7 to 10 *per cent* during the period 2004-09. The grants-in-aid from GOI declined from 13 *per cent* (Rs 2,213 crore) in 2005-06 to eight *per cent* (Rs 1,695 crore) in 2008-09.

The **State's non-tax revenue** during the current year was Rs 5,784 crore which was more by Rs 3,466 crore (149.53 *per cent*) against Rs 2,318 crore recommended by TFC. The non-tax revenue which constituted 27.92 *per cent* of the total revenue receipts in 2008-09 increased by Rs 530 crore (10.08 *per cent*) over the previous year. The increase in non-tax revenue was mainly due to an increase of Rs 378 crore under the Major Head 0075–Miscellaneous General Services which includes Rs 153.39 crore on account of debt relief received under Debt Consolidation and Relief Facility (DCRF). However, interest receipts decreased by Rs 166 crore (47.76 *per cent*) in the current year when compared with the previous year due to less receipts under "Interest from public sector and other undertakings".

The component wise analysis of non-tax receipts during the period 2005-09 revealed that except in 2006-07 (when a credit entry of one time waiver of special term loan was included as receipts), gross receipts from State lotteries contributed on an average of 66.33 *per cent* of the total non-tax receipts during the period 2005-09. Netting the receipts from lotteries against the expenditure incurred revealed only marginal net receipts to the State Government varying from Rs 40 crore to Rs 128 crore during 2005-09.

The trends in revenue receipts vis-à-vis Gross State Domestic Product (GSDP) are presented in **Table 1.3**.

Table 1.3: Trends in Revenue receipts

	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Receipts (RR) (Rupees in crore)	13807	16966	20567	19238	20713
Rate of growth of RR (<i>per cent</i>)	13.74	22.88	21.22	(-) 6.46	7.67
R R/GSDP (<i>per cent</i>)	14.28	15.61	16.97	13.89	13.03
Buoyancy Ratios³					
Revenue buoyancy w.r.t GSDP	1.88	1.84	1.84	(-) 0.45	0.52
State's own tax buoyancy w.r.t GSDP	1.78	2.37	0.03	0.69	0.85
Revenue buoyancy w.r.t. State's own taxes	1.05	0.77	68.45	(-) 0.66	0.61

The revenue receipts increased from Rs 13,807 crore in 2004-05 to Rs 20,713 crore in 2008-09. The revenue receipts growing at the rate of about 21 *per cent* in 2006-07 became negative in 2007-08 (-6.46 *per cent*) and the growth rate in 2008-09 was only 7.67 *per cent*. The revenue receipts to GSDP ratio during the year was 13.03 *per cent*, a decrease of 0.86 *per cent* over the previous year. The revenue buoyancy with reference to GSDP decreased from 1.88 in 2004-05 to (-) 0.45 in 2007-08 and marginally increased to 0.52 in 2008-09. It implied that the revenue receipts increased by only 0.52 *per cent* in 2008-09 for one *per cent* increase in GSDP. The State's own tax buoyancy with reference to GSDP decreased from 1.78 in 2004-05 to 0.69 in 2007-08 and rose to 0.85 in 2008-09. The revenue buoyancy with reference to State's own taxes decreased from 1.05 in 2004-05 to (-) 0.66 in 2007-08 except 68.45 in 2006-07, when Rs 3,772 crore granted by Government of India under Debt consolidation and Relief Facility scheme sharply increased the revenue receipts. It again rose marginally to 0.61 during the year 2008-09 over the previous year.

1.3.1 Loss of revenue due to evasion of taxes, write off/waivers and refunds

The number of cases of evasion of taxes/duties detected/decided and demand raised etc. and cases of write off or waiver of revenue and refunds as reported by different departments during the year 2008-09 is given in Table 1.4

Table 1.4: Evasion of taxes, write off/waivers and refunds

(Rupees in crore)

Sr. No.	Nature of tax	Evasion of taxes					Amount written off/waived (No. of cases)	Refunds allowed (No. of cases)
		Cases pending as on 31 March 2008	No. of cases detected during 2008-09	Total no. of cases	No. of cases decided during 2008-09	Total amount of cases decided during 2008-09		
1	Sales tax/VAT	3307	1725	5032	2706	17.84	14.96 (315)	373.80 (8666)
2	Taxes on vehicles	182	79	261	42	0.86	--	--
3	State excise	1	-	1	1	0.01	2.28 (126)	1.76 (31)
	TOTAL	3490	1804	5294	2749	18.71	17.24 (441)	375.56 (8697)

³ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one *per cent*.

1.3.2 Revenue arrears

The arrears of revenue in respect of eight principal heads of revenue as on 31 March 2009 was Rs 1,357.06 crore as compared to Rs 2513.14 crore as of 31 March 2008. Of the total arrears, Rs 618.97 crore (45.61 per cent) were outstanding for more than five years. The decrease in arrears of revenue during the year 2008-09 was mainly because of decrease in arrears under sales tax (Rs 1,174.52 crore). The arrears in 2008-09 pertained mainly to sales tax (Rs 860.10 crore), taxes & duties on electricity (Rs 148.43 crore), receipts from irrigation (Rs 135.87 crore), taxes on vehicles (Rs 109.20 crore) and interest receipts (Rs 77.73 crore) from two State owned corporations. Out of the total arrears of Rs 1,357.06 crore, an amount of Rs 356.20 crore (26.25 per cent) was in arrear on account of cases pending in Courts, while arrears of Rs 489.51 crore (36.07 per cent) were under different stages of departmental process of recovery. No reasons were furnished by the departments for Rs 392.93 crore.

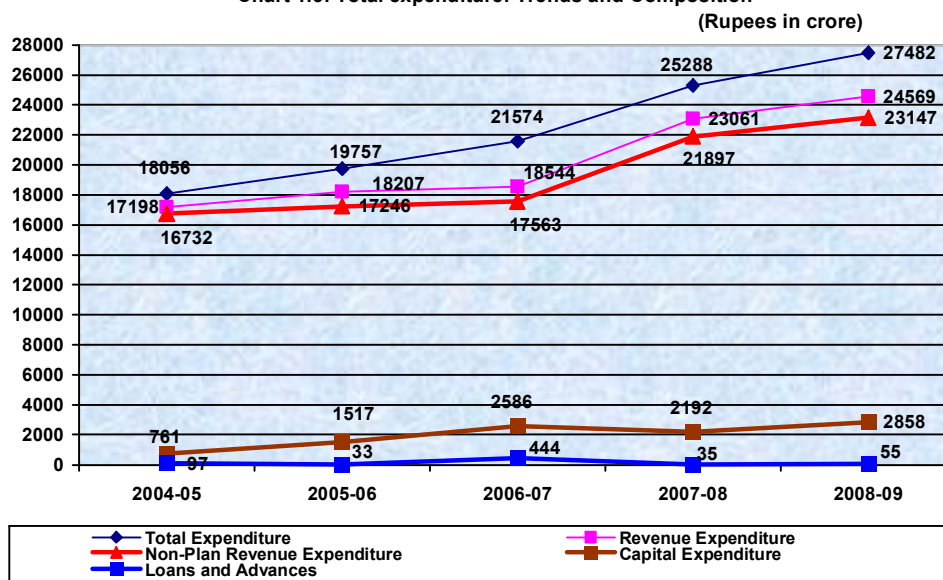
1.4 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising the public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.4.1 Growth and composition of expenditure

Chart 1.6 presents the trends in total expenditure over a period of five years (2004-09). Its composition in terms of 'economic classification' and 'expenditure by activities' are depicted in Charts 1.7 and 1.8 respectively.

Chart 1.6: Total expenditure: Trends and Composition



Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The Government raise resources to perform their sovereign functions, to maintain their existing nature of delivery in social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs 18,056 crore in 2004-05 to Rs 27,482 crore in 2008-09, showing an average increase of 10.44 *per cent* per annum.

The increase in **total expenditure** during the current year was Rs 2,195 crore (8.68 *per cent*) over the previous year. The break-up of the total expenditure under revenue and capital heads revealed that revenue expenditure and capital expenditure increased by Rs 1,508 crore (6.54 *per cent*) and Rs 666 crore (30.40 *per cent*) respectively, whereas loans and advances and non-plan revenue expenditure increased by Rs 20 crore (57.14 *per cent*) and Rs 1,250 crore (5.71 *per cent*) respectively during the current year when compared with the previous year. The buoyancy of total expenditure with reference to GSDP increased from 0.75 to 1.21 percentage points during the period 2004-08, however, it dipped to 0.59 percentage points in 2008-09. The buoyancy of total expenditure with reference to revenue receipts increased from 0.40 to 0.43 percentage points during the period 2004-07. It dipped to (-) 2.66 percentage points during 2007-08 and again rose to 1.13 percentage points in 2008-09.

Chart 1.7: Total Expenditure: Trends in share of its components

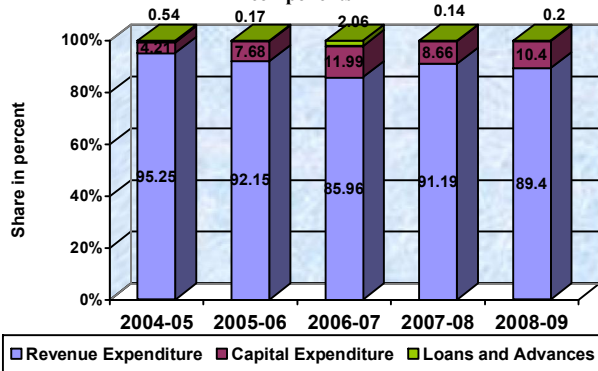
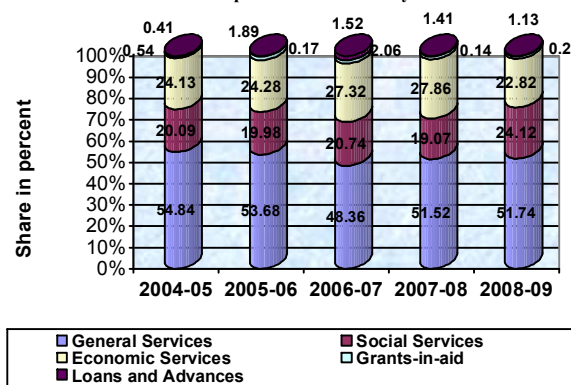


Chart 1.8: Total Expenditure: Trends by 'Activities'



The **revenue expenditure** continued to constitute a dominant proportion (86 to 95 *per cent*) of total expenditure during the period 2004-09. The capital expenditure which was 4.21 *per cent* of total expenditure in 2004-05 increased to 11.99 *per cent* in 2006-07, but remained at 8.66 *per cent* and 10.40 *per cent* in 2007-08 and 2008-09 respectively. The plan revenue expenditure contributed just three to six *per cent* of the total revenue expenditure, whereas the non-plan revenue expenditure contributed 94 to 97 *per cent* during the period 2004-09.

The **Non-plan revenue expenditure** at Rs 23,147 crore in 2008-09 was significantly higher than the normative assessment made by TFC (Rs 16,198 crore) and the projections made by the Government of Punjab in its own FCP (Rs 17,016 crore).

The **plan revenue expenditure** increased from Rs 466 crore in 2004-05 to Rs 1,422 crore in 2008-09. It increased by Rs 258 crore (22.16 *per cent*) during the current year over the previous year. The increase in plan revenue expenditure was mainly on account of increase in expenditure of Rs 481 crore (705.93 *per cent*) on Social Security and Welfare, Rs 217 crore (297.26 *per cent*) on Education, Sports, Art and Culture and Rs 107 crore on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes.

1.4.2 Activity wise expenditure

The relative share of the various components of total expenditure indicated that the share of General Services including interest payments during the period 2004-09 remained high at 48 to 55 *per cent*.

The **expenditure on Social services** (both Plan and Non-Plan) increased from 20.09 *per cent* in 2004-05 to 24.12 *per cent* in 2008-09 with inter-year variations. The expenditure on Social Services, however, increased by five *per cent* during the current year over the previous year. The increase in expenditure during the current year was mainly on account of increase in expenditure on Social Security and Welfare (Rs 512 crore), General Education (Rs 324 crore) and Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (Rs 104 crore).

The **expenditure on Economic services** which consistently increased during 2004-08 (from 24.13 to 27.86 *per cent*), however, decreased to 22.82 *per cent* during the current year. The decrease in expenditure on Economic Services was on account of substantial decrease of Rs 620 crore under 'Planning Commission-Planning Board'-Office Expenses and Rent, Rates and Taxes under the Major Head 3451-Secretariat-Economic Services and Rs 249 crore under the Major Head 2801-Power -'Other Expenditure'-Subsidy under Rural Electrification to Punjab Electricity Board.

1.4.3 Committed expenditure

The committed expenditure of the Government of Punjab on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.5** presents the trends in expenditure on these components during 2004-09.

Table 1.5: Components of committed expenditure

Sr.No	Components of Committed Expenditure	2004-05	2005-06	2006-07	2007-08	(Rupees in crore)	
						2008-09	
						BE	Actuals
1	Salaries & Wages, <i>of which</i>	5193* (38)	5389 (32)	5726 (28)	6379 (33)	7323	6835 (33)
	<i>Non-Plan Head</i>	--	5240	5574	6244	7126	6677
	<i>Plan Head**</i>	--	149	152	135	197	158
2	Interest Payments	3981 (29)	3715 (22)	4152 (20)	4527 (24)	4818	4902 (24)
3	Expenditure on Pensions	1514 (11)	1656 (10)	1905 (09)	2433 (13)	2112	2830 (14)
4	Subsidies	2183 (16)	1574 (09)	1553 (08)	3021 (16)	3077	2806 (14)
5	Other Components***	4327 (31)	5873 (35)	5208 (25)	6701 (35)	7931	7196 (35)
	TOTAL	17198	18207	18544	23061	25261	24569
	Revenue Receipts	13807	16966	20567	19238		20713

Figures in the parentheses indicate percentage to Revenue Receipts
 * Expenditure on wages for the year 2004-05 was not available.
 ** Plan Head includes Centrally sponsored schemes.
 *** Other component means Revenue Expenditure-(Expenditure on salaries and wages + interest payments + pensions + subsidies).

Table 1.5 showed an increasing trend in expenditure on salaries and wages during 2004-09. The relative ratio of expenditure on salaries and wages with revenue receipts decreased during 2004-07 from 38 per cent to 28 per cent. It was 33 per cent during 2007-08 and 2008-09.

Table 1.6: Committed expenditure vis-à-vis targets during 2008-09

Item	TFC	FCP	(Rupees in crore)	
			Budget estimates	Actual
Salary and wages	-	7006	7323	6835
<i>Non plan salary</i>	5893 ⁴	-	6984	6566
Interest payments	4602	4582	4818	4902
Pension	2033	1953	2112	2830
Subsidies <i>of which</i>	-	1674	3077	2806
<i>Power Subsidies</i>		1662	2602	2602

Tables 1.5 and 1.6 showed that although the salary and wages at Rs 6,835 crore, increased by Rs 456 crore (7.15 per cent) during 2008-09 over the previous year, it remained less than the BE (Rs 7,323 crore) and the FCP (Rs 7,006 crore). The expenditure on non-plan salaries was 39 per cent of the revenue expenditure (net of interest payments and pension) exceeding the norm of 35 per cent envisaged by TFC.

The interest payments increased by 8.28 per cent from Rs 4,527 crore in 2007-08 to Rs 4,902 crore in 2008-09. An increase of Rs 375 crore in interest payments in 2008-09 was mainly due to increase in payment of interest on market loans (Rs 297 crore: 34.94 per cent) and interest on State Provident Funds (Rs 50 crore: 8.04 per cent). It was observed that interest payments as a percentage of revenue receipts had decreased from 29 per cent in 2004-05 to

⁴ Revenue expenditure (Rs 24569 crore) – Interest payments (Rs 4902 crore) – Pensions (Rs 2830 crore) = Rs 16837 crore x 35 per cent = Rs 5892.95 crore

24 per cent in 2008-09. However, it was far beyond the medium term target of 15 per cent of the revenue receipts by 2009-10 envisaged by TFC. Further, interest payments at Rs 4,902 crore during 2008-09 were higher than the projection made by the Government in its FCP (Rs 4,582 crore) and increased marginally over its BE (Rs 4,818 crore) for the year 2008-09.

The **Pension payments** during the current year increased by Rs 397 crore (16.32 per cent) over the previous year. The increase was mainly due to more expenditure under 'Superannuation and Retirement Allowances' and 'Gratuities' as the number of pensioners increased from 234127 (2007-08) to 246083⁵ (2008-09). The expenditure on actual pension payments at Rs 2,830 crore during 2008-09 was higher than the projection made by the Government in its FCP (Rs 1,953 crore), envisaged by TFC (Rs 2,033 crore) and the BE (Rs 2,112 crore).

Though the **subsidies** are a drain on the State finances, the Government of Punjab has been extending subsidies in a big way to the Power and Energy Sector. The subsidies during the current year decreased by Rs 215 crore (7.12 per cent) over the previous year mainly due to decrease in subsidy to Power and Energy sector by Rs 246 crore (8.64 per cent). The subsidy was less by Rs 271 crore (8.81 per cent) when compared with the BE. The subsidy to Power and Energy sector at Rs 2,602 crore as well as the general subsidy (subsidies other than Power and Energy Sector) at Rs 204 crore was more than the projection of Rs 1,662 crore and Rs 12 crore respectively made in the State's own FCP. The general subsidies are inclusive of the food subsidy of Rs 70 crore against the recommended level of Rs 24.29 crore by the TFC for the year 2008-09.

1.4.4 Financial assistance by the State Government to local bodies/other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year and the previous years is presented in **Table 1.7**.

Table 1.7: Financial assistance to local bodies etc

Institutions	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	245.81	230.33	195.88	454.93	429.65	452.12
Municipal Corporations and Municipalities	--	73.77	69.99	28.75	246.38	1.93
Zilla Parishads and Other Panchayati Raj Institutions	--	--	162.15	145.11	70.30	73.34
Development Agencies	--	--	102.93	2.77	107.61	28.21
Hospitals and Other Charitable Institutions	--	--	62.91	62.19	18.00	55.00
Other Institutions	106.18	91.14	0.01	--	--	--
TOTAL	351.99	395.24	593.87	693.75	871.94	610.60
Assistance as per percentage of Revenue Expenditure	2	2	3	3	3	2.50

⁵ Source: Finance Accounts (Footnote at Page 98)

The grants extended to local bodies and other institutions decreased by Rs 83.15 crore (11.99 *per cent*) during the current year as compared to the previous year. When compared with the Budget Estimates, the grants given to the local bodies and other institutions decreased by Rs 261 crore (29.97 *per cent*).

Assistance to the educational institutions gradually decreased during 2004-07 and it showed increasing trend during 2007-09, due to increased assistance to non-government colleges, Universities and Elementary Teacher Training for teachers in rural areas etc.

Assistance to Municipal Corporations and Municipalities decreased consistently during 2005-09. The assistance declined from Rs 28.75 crore in 2007-08 to Rs 1.93 crore in 2008-09. When compared with the BE, the assistance to Municipal Corporations and Municipalities decreased by Rs 244.45 crore (99.22 *per cent*). Assistance to Zila Parishads and Panchayati Raj Institutions (PRIs) also decreased from Rs 162.15 crore in 2006-07 to Rs 145.11 crore in 2007-08 and further decreased to Rs 73.34 crore in 2008-09. Financial assistance to development agencies decreased sharply from Rs 102.93 crore in 2006-07 to Rs 2.77 crore in 2007-08 and rose to Rs 28.21 crore in the current year. Financial assistance to hospitals and other charitable institutions also decreased from Rs 62.91 crore in 2006-07 to Rs 55.00 crore in 2008-09.

Thus, the overall quantum of financial assistance to the local bodies and other institutions remained at two to three *per cent* of the revenue expenditure during 2004-09.

1.5 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure and its effectiveness.

1.5.1 Adequacy of public expenditure

The responsibilities to incur expenditure on social sector and economic infrastructure are largely assigned to the State Governments. Enhancing the levels of human development requires the States to step up their expenditure on key social services like, education and health etc. The low level of spending on any sector by a particular State may be either due to low fiscal priority attached by the State Government or on account of the low fiscal capacity of the State Government or due to both working together. The fiscal priority (ratio of expenditure on a particular category to the aggregate expenditure) to a particular sector is considered low, if it is below the respective national average. The low fiscal capacity would be reflected if the State's per capita expenditure is below the respective national average even after having a fiscal priority that is more than or equal to the national average. **Table 1.8** analyses the fiscal priority and fiscal capacity of the State

Government with regard to developmental expenditure, expenditure on social sector and capital expenditure during the current year.

Table 1.8: Fiscal Priority and Fiscal capacity of the State in 2005-06 and 2008-09

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE
All States Average* (Ratio) 2005-06	19.50	61.44	30.41	14.13
Punjab's Average (Ratio) 2005-06	17.46	44.42	19.97	7.68
All States Average* (Ratio) 2008-09	19.16	67.68	33.90	16.87
Punjab's Average (Ratio) 2008-09	17.29	47.05	24.12	10.40
Fiscal Capacity of the State	DE#	SSE	CE	
All States Average per capita expenditure 2005-06#	3010	1490	692	
Punjab's per Capita Expenditure (Amount in Rs) 2005-06	3388	1524	586	
Adjusted Per Capita** Expenditure (Amount in Rs) 2005-06	5236	2592	1204	
All States Average per capita expenditure 2008-09	5030	2520	1254	
Punjab's per Capita Expenditure (Amount in Rs) 2008-09	4806	2464	1062	
Adjusted Per Capita** Expenditure (Amount in Rs) 2008-09	7663	3839	1911	
*As per cent to GDP				
**Calculated as per the methodology explained in the Appendix 1.4 .				
AE= Aggregate Expenditure, DE= Developmental Expenditure, SSE= Social Sector Expenditure and CE= Capital Expenditure				
Population of Punjab: 2.59 crore in 2005-06 and 2.69 crore in 2008-09				
# Development expenditure includes Development Revenue expenditure, Development Capital expenditure and Loans and Advances disbursed.				
Source: (1) For GSDP, the information was collected from the State's Directorate of Economics and Statistics (2) Population figures were taken from projection 2001-2026 of the Registrar General & Census Commissioner, India (Website: http://www.censusindia.gov.in) Population = Average of projected population for 2005-06.				
Note: Data for Arunachal Pradesh has not been included in all States Average.				

In **Table 1.8**, we are comparing the fiscal priority given to different categories of expenditure and fiscal capacity of Punjab in 2005-06 (the first year of the award period of the Twelfth Finance Commission) and the current year 2008-09.

In both the years under consideration, the Punjab Government had a lower Aggregate Expenditure as a percentage of GSDP (17.46 *per cent* and 17.29 *per cent*) compared to the All India average of 19.50 *per cent* and 19.16 *per cent* respectively. Moreover, fiscal priority given to DE, SSE and CE in both the years were lower than the all States average since the DE/AE, SSE/AE and CE/AE ratios were lower in the case of Punjab than the all States average ratios. Despite the relatively low fiscal priority, the per capita expenditure in Punjab on DE and SSE categories was higher in 2005-06 than the all States average, but it was less in the case of CE.

The position reversed however in the current year when the State's per capita expenditure on all three categories was lower than the all States averages. If an adjustment factor is applied as explained in **Appendix 1.4**, the adjusted per capita expenditure increases significantly indicating that the State needs to spend more on these categories of expenditure in order to provide the residents of Punjab at least as much benefit as is being enjoyed by the average citizen in the country.

1.5.2 Efficiency of expenditure use

In view of the importance of public expenditure on development items, it is important for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision for core public and merit goods⁶. Apart from improving the allocation towards development expenditure⁷, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure.

The Finance Minister, Punjab in his budget speech for the year 2008-09 had mentioned creation of a 'Punjab State Development Fund' under the chairmanship of Hon'ble Chief Minister to facilitate smooth flow of funds for activities in the field of education, health and social welfare. The corpus of the fund was to consist of five *per cent* of the amount realized from the bidders by way of sale proceeds of all immovable properties auctioned by the Urban Development Authorities, Punjab State Industrial Export Corporation, Department of Colonisation and any other Government Instrumentality as may be specified by the Government. The fund was to be operated and managed by the Department of Finance.

As per information furnished by the Finance Department, Government of Punjab, an amount of Rs 76.47 crore was deposited under the Punjab State Development Fund during the year 2008-09, but no expenditure was incurred by the Government of Punjab resulting in denial of the intended benefits envisaged under the fund.

Table 1.9 and Chart 1.9 present the trends in development expenditure as compared to the aggregate expenditure of the State during the current year and the previous years. **Table 1.10** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

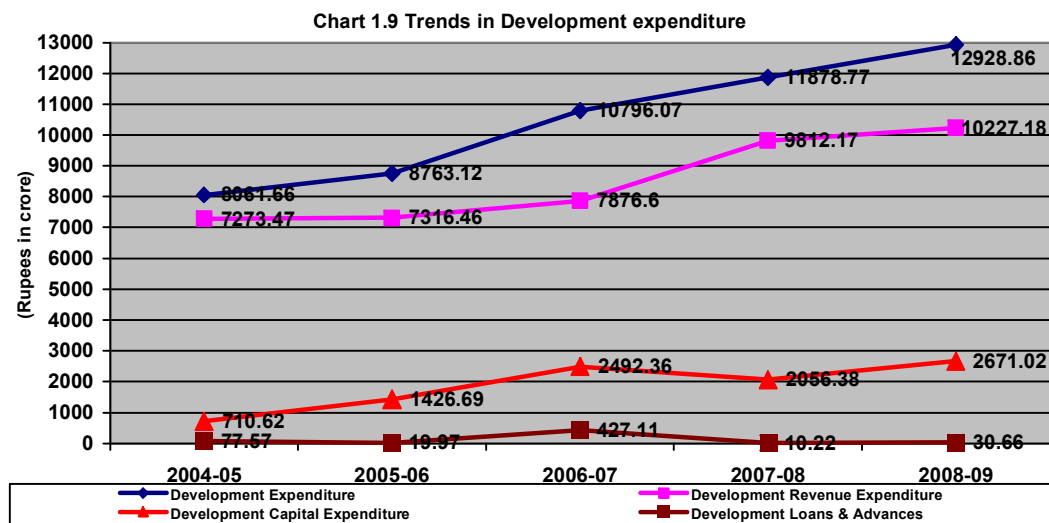
Table 1.9: Development expenditure

Components of Development expenditure	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actuals
Total Development expenditure	8061.66 (45)	8763.12 (44)	10796.07 (50)	11878.77 (47)	14638.58 (51)	12928.86 (47)
a. Development Revenue expenditure	7273.47 (40)	7316.46 (37)	7876.60 (36)	9812.17 (39)	11043.05 (38)	10227.18 (37)
b. Development Capital expenditure	710.62 (4)	1426.69 (7)	2492.36 (12)	2056.38 (8)	3588.83 (13)	2671.02 (10)
c. Development Loans and Advances	77.57 (1)	19.97 (--)	427.11 (2)	10.22 (--)	6.70 (--)	30.66 (--)

Figures in parentheses indicate percentage to aggregate expenditure

⁶ Please see the glossary (Appendix 4.1)

⁷ Please see the glossary (Appendix 4.1)



It may be noticed from the **Table 1.9** that development expenditure as a percentage of the total expenditure was between 44 and 50 *per cent* during 2004-09. It, however, decreased from 50 *per cent* in 2006-07 to 47 *per cent* in 2008-09.

The **development expenditure on revenue account** increased consistently from Rs 7273.47 crore in 2004-05 to Rs 10,227.18 crore in 2008-09. The development revenue expenditure increased by Rs 415 crore (4.23 *per cent*) during the current year over the previous year, whereas it was less by Rs 815.87 crore (7.39 *per cent*) when compared with the BE of the Government of Punjab.

The **development expenditure on capital account** also increased from Rs 710.62 crore in 2004-05 to Rs 2,671.02 crore in 2008-09 except for the year 2007-08 when it decreased to Rs 2,056.38 crore from Rs 2,492.36 crore in 2006-07. The development capital expenditure increased by Rs 614.64 crore (29.89 *per cent*) during the current year over the previous year. However, it was less by Rs 917.81 crore (25.57 *per cent*) when compared with the BE of the Government of Punjab.

The **development loans and advances** decreased from Rs 77.57 crore in 2004-05 to Rs 30.66 crore in 2008-09 with inter year variations. However, it rose steeply in 2006-07 to Rs 427.11 crore which was due to the fact that loans and advances to the tune of Rs 300 crore were given to Energy sector. The expenditure increased by Rs 20.44 crore (200 *per cent*) during the current year over the previous year. The expenditure increased by Rs 23.96 crore (357.61 *per cent*) when compared with the BE due to the increase in development loans and advances given to Agriculture and Allied activities.

During 2004-09, the development expenditure remained between 44 and 50 *per cent* of the total expenditure and bulk of the development expenditure (79.10 *per cent* in 2008-09) was on revenue account.

Table 1.10 –Efficiency of expenditure in selected Social and Economic Services
(In per cent)

Social/Economic Infrastructure	2007-08			2008-09		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S &W	O&M		S&W	O &M
Social Services (SS)						
General Education	1.66	80.79	NIL	5.47	76.02	NIL
Health and Family Welfare	0.63	88.95	NIL	2.82	86.56	NIL
WS, Sanitation, HUD	58.22	49.44	35.81	76.38	57.05	47.17
TOTAL (SS)	10.16	72.36	2.54	17.27	61.11	2.43
Economic Services (ES)						
Agri and Allied Activities	0.75	51.23	NIL	2.78	47.48	NIL
Irrigation & Flood Control	41.98	87.44	8.55	46.95	85.01	9.54
Power and Energy	1.52	0.02	NIL	5.19	0.02	NIL
Transport	71.28	37.24	11.65	60.85	42.09	20.42
TOTAL (ES)	22.23	20.30	1.66	24.34	24.48	2.64
TOTAL (SS+ES)	17.33	43.29	2.05	20.71	44.12	2.53
WS: Water Supply, HUD: Housing and Urban Development; CE: Capital Expenditure; TE: Total Expenditure; RE: Revenue Expenditure; S&W: Salary and Wages, O&M: Operations and Maintenance.						

Table 1.10 shows that in 2008-09 the ratio of capital expenditure (CE) to total expenditure (TE) on Social Services and Economic Services increased by 7.11 and 2.11 respectively over the previous year.

The ratio of salary and wages component to revenue expenditure on Social Services decreased by 11.25 from 72.36 to 61.11 over the previous year. However, under Economic Services an increase of 4.18 point was observed during the current year.

The ratio of operations and maintenance to revenue expenditure on Economic Services increased by about one point over the previous year and it remained almost same in the case of Social Services.

Recognizing the need to improve the quality of Education and Health Services, TFC recommended that the non-plan salary expenditure under Education and Health and Family Welfare should be increased only by five to six *per cent* while non-salary expenditure under non-plan heads should be increased by 30 *per cent* per annum during 2005-06 to 2009-10. Trends in expenditure (taking expenditure under both plan and non-plan heads) revealed that in 2008-09 the salary component under education sector increased by 5.90 *per cent* over 2007-08, while non-salary component increased by 39.94 *per cent*. Under Health and Family Welfare sector, the salary and the non-salary components increased by 6.67 *per cent* and 33.10 *per cent* respectively over the previous year. The expenditure pattern in non-salary component under General Education needs correction in the ensuing years to achieve the norms of the TFC. The expenditure actually incurred on General Education (Rs 2,914.20 crore) and Health and Family Welfare (Rs 829.23 crore) was less than the TFC recommendations of Rs 3,202 crore and Rs 1,010 crore respectively.

1.6 Analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-à-vis previous years.

1.6.1 Financial results of Irrigation works

The financial results of nine major irrigation projects involving a capital expenditure of Rs 435.21 crore at the end of March 2009 showed that revenue realised from these projects during 2008-09 (Rs 7.73 crore) was only 1.78 *per cent* of the capital expenditure. This return was not sufficient to cover even the direct working expenses. After meeting the direct working expenditure (Rs 161.36 crore) and interest charges (Rs 21.43 crore), the projects suffered a net loss of Rs 175.06 crore.

1.6.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2009 is given in the **Table 1.11**.

Table 1.11: Department-wise profile of incomplete projects

(Rupees in crore)

Department	Number of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Overrun
Irrigation and Power Department	4	1907.28	3777.27	1869.99
	4	62.18	Not available	Not available
Public Works Department (Buildings & Roads)	1	2.14	6.72	4.58
	4	12.32	Not available	Not available
TOTAL	13	1983.92	3783.99	1874.57

In four irrigation projects where the costs has been revised, the revision resulted in an increase of Rs 1869.99 crore out of which Rs 961.63 crore (72.62 *per cent*) relates to Shahpur Kandi Dam Project; Rs 425.25 crore (241.62 *per cent*) to SYL Canal Project; Rs 491 crore (134.15 *per cent*) to Shri Dashmesh Irrigation Project and revision in one case (119 Alt. Tubewell under Punjab Nirman Programme) resulted in decrease by Rs 7.89 crore (19.20 *per cent*). The case of Shri Dashmesh Irrigation Project was pending with Central Water Commission for technical clearance and the work of SYL Canal project was standstill due to water dispute with Haryana State; Shahpur Kandi Dam Project was lagging due to non-availability of funds and shortage of engineering staff. In the case of remaining five irrigation projects, three are likely to be completed by March 2010 and for the other two projects, the

works have been delayed due to delay in creating infrastructure or late revision of budget estimates.

Out of the five Public Works Department's (Buildings & Roads) projects, cost of one project (Judicial Court Complex at Moonak) with July 2007 as target date of completion was revised to Rs 6.72 crore from the initial cost of Rs 2.14 crore, an increase of Rs 4.58 crore (214 *per cent*). An expenditure of Rs 4.45 crore has already been incurred on the project upto March 2009 and the work was lying incomplete for want of funds. The work of 'Construction of Dental College Block 'C', Patiala' was also lying incomplete due to non-receipt of funds which was scheduled to be completed by August 2007. The remaining three projects, which were to be completed between August 2008 and March 2009, have also not been completed due to non-receipt of funds.

1.6.3 Investment and returns

As of 31 March 2009, Government of Punjab had invested Rs 3,841 crore in Statutory Corporations/Boards (Rs 3,133.38 crore), Government Companies (Rs 489.30 crore), Joint Stock Companies (Rs 1.39 crore) and Co-operative Banks and Societies (Rs 217.29 crore) (**Table 1.12**). The return on this investment was 0.01 *per cent* to 0.05 *per cent* only during 2004-09, while the Government of Punjab paid interest at the average rate of 7.52 *per cent* to 8.79 *per cent* on its borrowings during 2004-09.

Table 1.12: Return on investment

Investment/Return/Cost of Borrowings	2004-05	2005-06	2006-07	2007-08	2008-09
Investment at the end of the year (Rs in crore)	3544.81	3718.60	3761.74	3835.65	3841.36
Return (Rs in crore)	0.59	1.07	1.96	0.40	0.78
Return (<i>per cent</i>)	0.02	0.03	0.05	0.01	0.02
Average rate of interest on Govt borrowing (<i>per cent</i>)	8.79	7.52	8.11	8.46	8.32
Difference between interest rate and return (<i>per cent</i>)	8.77	7.49	8.06	8.45	8.30

Within the group of Statutory Corporations/Boards, 99.21 *per cent* of the Government investment was made in four corporations, i.e. Punjab State Electricity Board (Rs 2,966 crore), Pepsu Road Transport Corporation (PRTC) (Rs 87 crore), Punjab Financial Corporation (Rs 29 crore) and Punjab Scheduled Castes Land Development and Finance Corporation (Rs 26 crore). Out of these four major Statutory Corporations, first three Corporations are incurring losses and their accumulated loss amounted to Rs 7,991 crore (upto the year 2006-07 and 2007-08 for which their accounts are finalised) of which the losses amounting to Rs 7,370 crore (92.23 *per cent*) pertain to PSEB alone. The Punjab Scheduled Castes Land Development and Finance Corporation, however, earned profits of Rs 17 crore upto 2006-07 for which their accounts have been finalized.

1.6.4 Departmental commercial undertakings

Activities of quasi-commercial nature are performed by Punjab Roadways, a departmental undertaking (Transport Department). Position of the investment made by the Government of Punjab, net profit/loss as well as return on capital invested are given in **Table 1.13**. It is observed that an amount of

Rs 41.87 crore had been invested by the Government of Punjab in Punjab Roadways at the end of 1999-2000 upto which its accounts were finalized. Punjab Roadways had been incurring losses continuously for more than five years and its accumulated losses were Rs 650.06 crore as against the total investment of Rs 41.87 crore upto 1999-2000.

Table 1.13: Summarized financial position of Punjab roadways

(Rupees in crore)

Name of the Under-taking	Period of accounts	Govt capital	Block assets at depreciated cost	Depreciation provided during the Year	Turn over	Net profit/ Loss(-)	Interest on Capital paid	Total return (8+9)	Percentage Return on capital
Punjab Roadways	1999-2000	41.87	12.18	6.11	210.32	(-)98.42	4.50	(-)93.92	Nil

1.6.5 Loans and advances by Government of Punjab

In addition to investments in Co-operative Societies, Corporations and Companies, the Government of Punjab has also been providing loans and advances to many other institutions/organizations. **Table 1.14** presents the outstanding loans and advances as on 31 March 2009, interest receipts vis-à-vis interest payments during the last three years.

Table 1.14: Average interest received on loans advanced by the Government of Punjab

(Rupees in crore)

Quantum of Loans/Interest receipts/Cost of borrowings	2006-07	2007-08	2008-09	
			BE	Actual
Opening Balance of loan	5484	5533		4123
Amount advanced during the year	444	35	37	55
Amount recovered during the year	395	1445	155	78
Closing Balance of loan	5533	4123		4100
Interest receipts	526	230		46
Interest receipts as <i>per cent</i> to outstanding Loans and advances	9.55	4.76		1.12
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the Government of Punjab.	8.11	8.46		8.32
Difference between interest payments and interest receipts (<i>per cent</i>)	(+) 1.44	(-) 3.70		(-) 7.20

During 2008-09, Rs 55 crore was advanced as loans against the BE of Rs 37 crore. Further, recovery of loans amounting to Rs 78 crore was made against the BE of Rs 155 crore, which was Rs 77 crore (49.68 *per cent*) less than the BE during the year 2008-09. This reflects the unrealistic BEs. The loans and advances at the close of the year declined from Rs 5,533 crore (2006-07) to Rs 4,100 crore (2008-09). The decrease in interest received during the current year was 80 *per cent* (Rs 184 crore) over the last year and was mainly attributable to decrease of Rs 194 crore relating to loans given to the Electricity Board. While the interest payment made by the Government during 2008-09 was 8.32 *per cent* of its outstanding fiscal liabilities, interest received was only 1.12 *per cent* of the outstanding loans and advances given by the Government of Punjab.

1.6.6 Cash balances and investment of cash balances

Table 1.15 depicts the cash balances and investments made by the Government of Punjab out of the cash balances during the year.

Table 1.15: Cash balances and investment of cash balances

(Rupees in crore)

Particulars	As on 1 April 2008	As on 31 March 2009	Increase/ Decrease
Cash Balances	1101.28	269.94	(-) 831.34
Investments from Cash balances (a to d)	824.69	197.12	(-) 627.57
a. GOI Treasury Bills	722.67	95.10	(-) 627.57
b. GOI Securities	101.98	101.98	--
c. Punjab State Electricity Board Bonds	0.04	0.04	--
d. Kapurthala Cooperative Bank-Fixed Deposits ⁸	--	--	--
Funds-wise break-up of investment from earmarked balances	0.68	0.68	--
a. Reserve Funds bearing interest	--	--	--
b. Reserve Funds not bearing interest	0.68	0.68	--
Interest realized	15.84	28.78	(+) 12.94

The cash balances at the close of the current year amounting to Rs 269.94 crore decreased from Rs 1,101.28 crore of the previous year. The major portion of the cash balance was invested in Government of India Treasury bills (Rs 95.10 crore), in Securities of Government of India (Rs 101.98 crore) and in Punjab State Electricity Board Bonds (Rs 0.04 crore) and Government of Punjab earned interest of Rs 28.78 crore during the year.

The efficiency of handling the cash balances by the Government of Punjab can also be assessed by monitoring the trends in daily average cash balances held by the Government of Punjab to meet its normal banking transactions in each month. **Table 1.16** presents the trends in daily average cash balances in each month and investments in 14 days Treasury Bills for the last three years (2006-09).

Table 1.16: Trends in daily average cash balances and the investments in Treasury bills

(Rupees in crore)

Month	Daily Average Cash Balances			Investment in 14 days Treasury Bills		
	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09
April	299.17	35.05	413.20	3068.69	--	1429.21
May	(-)48.95	232.25	73.38	--	683.34	2002.29
June	49.72	207.63	24.81	4216.01	1487.64	778.30
July	(-) 4.23	367.44	24.39	4884.12	702.03	1505.35
August	1.76	(-) 69.45	149.21	3403.43	1600.46	1140.91
September	9.36	30.97	204.01	2337.19	1005.61	936.91
October	163.11	136.63	60.03	1395.65	1424.18	1021.14
November	253.90	202.07	198.59	1469.91	646.76	878.70
December	(-) 13.36	(-) 10.11	20.50	3604.56	1582.50	2012.12
January	179.38	123.83	18.17	2016.10	1665.45	1596.33
February	(-) 73.79	42.20	(-)184.53	1817.71	2214.09	1295.01
March	(-)235.81	72.88	(-)301.18	1852.00	2511.21	1098.07

⁸ Rs 0.10 lakh

Under an agreement with the Reserve Bank of India, Government of Punjab has to maintain with the bank a minimum balance of Rs 1.56 crore on all days. If the balance falls below the agreed minimum on a day, the deficiency is made good by taking ways and means advances/overdraft from the Reserve Bank.

At the end of the previous year, no amount was outstanding as ways and means advance. During 2008-09, Government of Punjab obtained Rs 453.39 crore as ways and means advances on twenty-three occasions. Rs 453.39 crore were paid during the year leaving a nil balance. Rupees 0.76 crore was paid as interest on these advances.

At the end of the previous year, no amount was outstanding as shortfall/overdraft. During 2008-09, Government of Punjab had not availed any overdraft and no amount was paid as interest on shortfall/ overdraft.

1.7 Assets and liabilities

1.7.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities⁹ of the Government and the assets created out of the expenditure incurred. **Appendix 1.1 Part B** gives an abstract of such liabilities and the assets as on 31 March 2009, compared with the corresponding position as on 31 March 2008. The liabilities consist of mainly internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. In real terms, during 2008-09, the assets grew by Rs 2,001 crore (8.04 *per cent*) whereas the liabilities increased by Rs 5,857 crore (10.44 *per cent*) over the previous year. Thus, the liabilities grew more than the assets in the year. During 2004-09, the ratio of Financial Assets to Liabilities remained at 44, implying that only 44 *per cent* of the liabilities were backed up by assets. The assets on account of loan to Government servants (Rs 154.44 crore) include Rs 2.57 crore written off by the State Government in respect of the deceased employees.

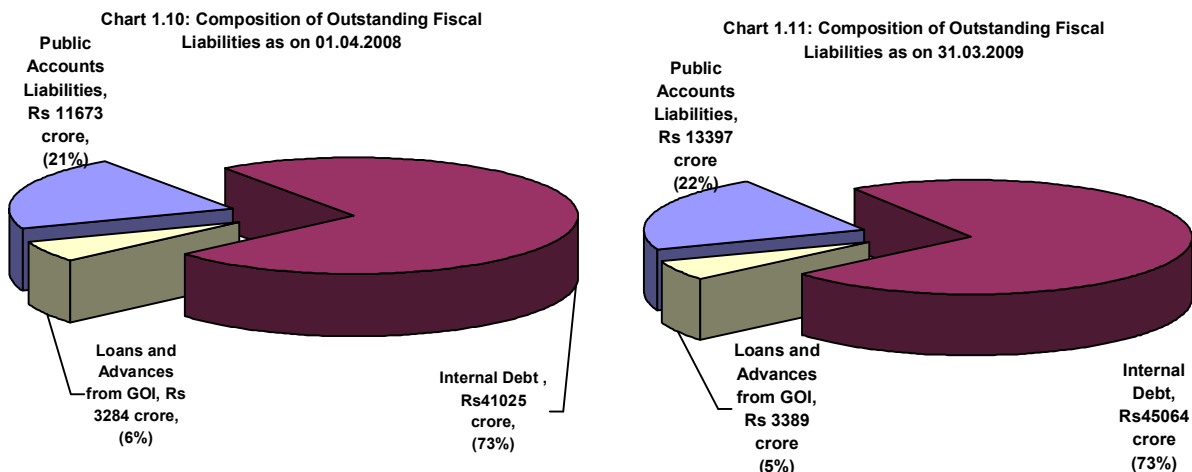
1.7.2 Fiscal liabilities

There are two sets of liabilities namely, public debt and other liabilities. The Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the consolidated fund. The debt includes market loans, special securities issued by RBI and loans and advances from the Central Government. The constitution of India provides that a State may borrow, within the territory of India, upon the security of its consolidated fund, within such limits, as may from time to time, be fixed by the Act of its

⁹ **Financial liabilities of the Government means the total liabilities under the Consolidated Fund of the State and the Public Account of the State referred to in article 266 of the Constitution of India.**

Legislature and give guarantees within such limits as may be fixed. The “Other liabilities”, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits. The trends in outstanding fiscal liabilities, ratio of these liabilities to GSDP, to revenue receipts of the State during the period 2004-09 are presented in *Appendix 1.3*.

The composition of fiscal liabilities at the end of the current year vis-à-vis the previous year are presented in **Chart 1.10** and **1.11**.



The overall fiscal liabilities of Government of Punjab had been on the rise and it increased from Rs 47,403 crore in 2004-05 to Rs 61,850 crore in 2008-09 at an annual average growth rate of six *per cent*. The fiscal liabilities of Government of Punjab comprised consolidated fund liabilities and Public Account Liabilities. The Consolidated Fund liabilities (Rs 48,453 crore) comprised of Internal Debt (Rs 45,064 crore) and Loans from GOI (Rs 3,389 crore). The Public Account liabilities (Rs 13,397 crore) comprises of Small Savings, Provident Fund (Rs 9,334 crore) and interest bearing obligations and non-interest bearing obligations like deposits and other earmarked funds (Rs 4,063 crore). The fiscal liabilities of Government of Punjab have increased by Rs 5,868 crore during 2008-09 over the previous year mainly due to increase of Rs 4,039 crore (9.85 *per cent*) in the market loan. **Table 1.17** gives the fiscal liabilities of State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-1.17: Fiscal Liabilities – Basic Parameters

	2004-05	2005-06	2006-07	2007-08	2008-09
Fiscal Liabilities ¹⁰ (Rupees in crore)	47403	51364	51035	55982	61850
Rate of Growth (<i>per cent</i>)	9.74	8.36	(-) 0.64	9.69	10.48
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	49.04	47.27	42.11	40.43	38.91
Revenue Receipts (<i>per cent</i>)	343.33	302.75	248.14	291.00	298.61
Own Resources (<i>per cent</i>)	385.30	379.77	304.47	369.44	365.24
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	1.34	0.67	(-)0.06	0.68	0.71
Revenue Receipts (ratio)	0.71	0.37	(-)0.03	(-)1.50	1.37
Own Resources (ratio)	0.71	0.84	(-)0.03	(-) 1.01	0.89

¹⁰ Please see glossary (Appendix 4.1)

Though the ratio of fiscal liabilities to GSDP had been declining from 49.04 in 2004-05 to 38.91 in 2008-09, it was on the higher side in view of the target of bringing the ratio to 28 by 2009-10 as prescribed in the Punjab FRBM Act 2003 as amended in 2005. The ratio of fiscal liabilities to revenue receipts ranged between 248.14 to 343.33 during 2004-09 and it was 298.61 in 2008-09.

1.7.3 Status of Government guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower to whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the amount for which guarantees had been given by the Government of Punjab and the outstanding guarantees for the last three years is given in **Table 1.18**.

Punjab FRBM Act, 2003 as amended in 2005 provides that the Punjab Government shall cap the outstanding guarantees on long term debt to 80 *per cent* of the revenue receipts of the previous year and guarantees on short term debt be given only for working capital or food credit in which case this must be fully backed by physical stock. According to the information furnished by concerned authorities, the Government of Punjab had given guarantees during 2006-09 for repayment of loans etc. raised by statutory corporations/boards, local bodies, co-operative banks/societies and others. **Table 1.18** shows the maximum amount guaranteed by the State and the outstanding amount of guarantees for the last three years.

Table 1.18: Guarantees given by the Government of Punjab

Guarantees	2006-07	2007-08	2008-09	
			BE	Actual
Maximum amount guaranteed	25697	26094	20729	46815
Outstanding amount of guarantees	13919	11014	11875	25868
Percentage of outstanding guarantees to total revenue receipts of previous year	82	54	62	134
Criteria as per FRBM Act (per cent of guarantee to revenue receipts)	80	80	80	80

The maximum amount guaranteed for Rs 46,815 crore in 2008-09 was against the budget estimates of Rs 20,729 crore, which was Rs 26,086 crore (125.84 *per cent*) excess over the budget estimates. Similarly, the outstanding guarantees of Rs 25,868 crore were higher by Rs 13,993 crore (117.84 *per cent*) against the budget estimates of Rs 11,875 crore during the year 2008-09 showing unrealistic budget estimates.

The amount of outstanding guarantees (Rs 25,868 crore) as of March 2009 was 134.46 *per cent* of the revenue receipts of the previous year (2007-08). This was 54.46 *per cent* excess over the limit of 80 per cent prescribed in the FRBM Act. In consideration of the guarantees given by the State, the Government has been charging guarantee fees up to two *per cent*. The total amount of guarantee fees received decreased from Rs 49.93 crore in 2007-08 to Rs 36.37 crore in 2008-09. Information regarding the guarantee fees in

arrears and guarantee fees waived of was not furnished (June 2009) by the concerned departments.

The Joint Controller (F&A), Finance Department, Government of Punjab stated that the Government has not set up a Guarantee Redemption Fund (GRF) so far despite the recommendations of TFC. Further, scrutiny of the Finance Accounts revealed that no provision has been made by the Government of Punjab during the current year for the said Fund.

1.8 Debt sustainability

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability¹¹ of the State. This section assesses the sustainability of debt of the Government of Punjab in terms of debt stabilization¹²; sufficiency of non-debt receipts¹³; net availability of borrowed funds¹⁴; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of the Government of Punjab debt. **Table 1.19** analyzes the debt sustainability of the Government of Punjab according to the above mentioned indicators for the years 2004-05 to 2008-09.

Table 1.19: Debt sustainability

Indicators of Debt Sustainability	2004-05	2005-06	2006-07	2007-08	2008-09
Debt Stabilization (Quantum Spread + Primary Deficit)	(-) 259	(+) 3469	(+) 5769	(+) 1434	(+) 1845
Sufficiency of Non-debt receipts (Resource Gap)	(+) 765	(+) 1461	(+) 2042	(-) 3992	(-) 2087
Net availability of borrowed funds	1053	725	(-) 4238	3810	971
Burden of Interest Payments (IP/RR Ratio)	29	22	20	24	24
Maturity Profile of State Debt (In Years)					
0 – 1	N.A.	N.A.	N.A.	1229.38	1604.95
1 – 3	N.A.	N.A.	N.A.	3250.00	3551.54
3 – 5	N.A.	N.A.	N.A.	4611.68	6440.89
5 – 7	N.A.	N.A.	N.A.	6834.74	6156.51
7 and above	N.A.	N.A.	N.A.	28383.82	30699.45

A necessary condition for debt stabilisation is a constant debt-GSDP ratio over a period of time. The debt stabilisation (sum of quantum spread and primary deficit) was negative during 2004-05 indicating rising debt-GSDP ratio and it turned into positive since 2005-06 reflecting the decreasing tendency of debt-GSDP ratio.

The negative resource gap (the difference between non debt receipts of the State and the interest liabilities plus primary expenditure) indicates the non-sustainability of debt, while the positive resource gap indicates the capacity to sustain the debt. The positive resource gap between incremental non-debt receipts and the corresponding incremental total expenditure of the State during 2004-07 indicates enhancement in the capacity of the

¹¹ Please see glossary (Appendix 4.1)

¹² Please see glossary (Appendix 4.1)

¹³ Please see glossary (Appendix 4.1).

¹⁴ Please see glossary (Appendix 4.1).

Government of Punjab to sustain the debt. However, the Government of Punjab experienced huge negative resource gap in 2007-08 and 2008-09 and if it persists in the ensuing years, the State's capacity to sustain the additional debt liabilities would tend to deteriorate. Thus, during 2007-08 and 2008-09, the non-debt receipt of the Government of Punjab was not sufficient to meet the incremental debt.

The **net funds available** from the internal debt and loans and advances from GOI and other sources after providing for the interest payments and repayments of the principal decreased from Rs 3,810 crore in 2007-08 to Rs 971 crore in 2008-09. During 2008-09 the Government of Punjab raised the internal debt amounting to Rs 6,155 crore, loan of Rs 278 crore from GOI and collected Rs 6,531 crore from small savings deposits etc., against which the Government repaid Rs 5,807 crore, Rs 428 crore and Rs 5,758 crore respectively. These transactions resulted in net availability of funds of Rs 971 crore (Rs 348 crore of internal debt + Rs 773 crore of receipt from small savings deposits etc.– Rs 150 crore of Government of India loan) during the year 2008-09. The expenditure pattern of the Government of Punjab during the current year indicated that the borrowed funds were mostly used for redemption of past debts leaving only small fund for other purposes.

It was observed that burden of interest payments (Interest payments/revenue receipts) increased from 20 *per cent* in 2006-07 to 24 *per cent* in 2008-09. It was far beyond the medium term target of 15 per cent of the revenue receipts by 2009-10 envisaged by TFC.

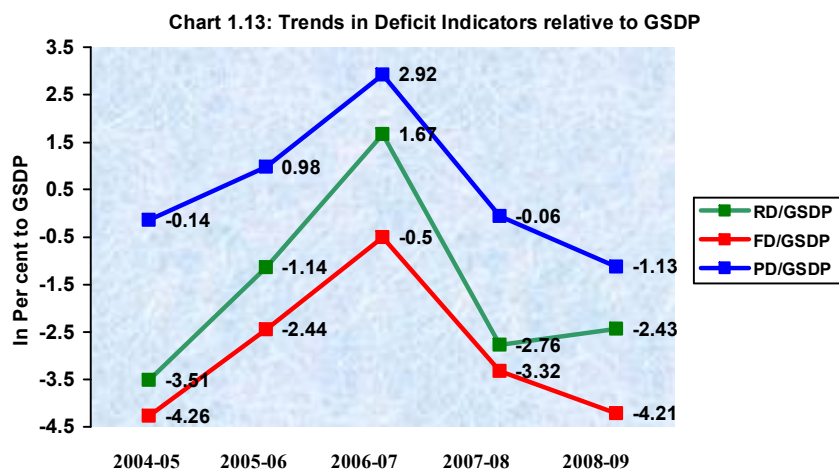
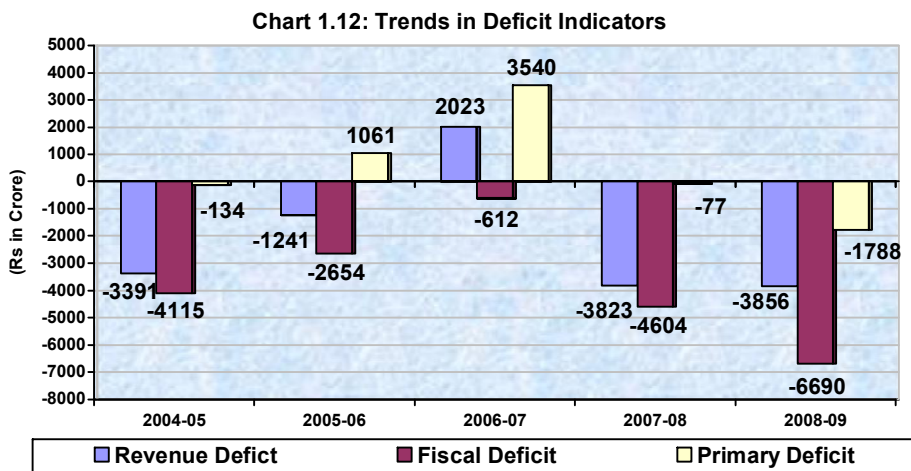
Maturity profile of the Government of Punjab debt during the current year indicated increasing trend of the State debt from zero to seven years and above as compared to the position in 2007-08.

1.9 Fiscal imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis the targets set under FRBM Act/Rules for the financial year 2008-09.

1.9.1 Trends in deficits

Chart 1.12 and 1.13 present the trends in deficit indicators over the period 2004-09



The **revenue deficit** which indicates the excess of its revenue expenditure over the revenue receipts, decreased from Rs 3,391 crore in 2004-05 to Rs 1,241 crore in 2005-06. It turned into a surplus of Rs 2,023 crore in 2006-07. It however, again turned into a huge deficit of Rs 3,823 crore during 2007-08 and Rs 3,856 crore during the current year.

The **fiscal deficit**, which represents the total borrowing of the Government of Punjab and its total resource gap, decreased from Rs 4,115 crore in 2004-05 to Rs 612 crore in 2006-07 but increased sharply to Rs 4,604 crore in 2007-08 and to Rs 6,690 crore in 2008-09.

The **primary deficit** of Rs 134 crore during 2004-05 turned into a surplus of Rs 1,061 crore in 2005-06 and surplus of Rs 3,540 crore in 2006-07 which again turned into a deficit of Rs 77 crore in 2007-08 and deficit of Rs 1788 crore in 2008-09.

The **ratio of fiscal deficit to GSDP** reduced from (-) 4.26 *per cent* in 2004-05 to (-) 0.50 *per cent* in 2006-07 and again increased to (-) 3.32 *per cent* in 2007-08 and (-) 4.21 *per cent* in 2008-09. The ratio of fiscal deficit to GSDP at (-) 4.21 *per cent* during the current year was higher than the targets of three per cent of GSDP by the year 2009-10 as envisaged in FRBM Act. The ratio of revenue deficit to GSDP turned from (-) 3.51 *per cent* in 2004-05 to (+) 1.67 *per cent* in 2006-07 and again to (-) 2.76 *per cent* in 2007-08 and (-) 2.43 *per cent* in 2008-09. The target fixed by FRBM (Amendment) Act, 2005 to bring down the revenue deficit to zero by 2008-09 was not achieved.

The major portion of revenue expenditure (59.29 *per cent*) consists of Salaries & Wages (27.82 *per cent*), Interest Payments (19.95 *per cent*) and Pensions (11.52 *per cent*) which needs to be curtailed in the ensuing years besides increasing the State's own resources so as to bring down the revenue deficit to zero as envisaged in the FRBM Act.

1.9.2 Components of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.20**.

Table 1.20: Components of Fiscal Deficit and its Financing Pattern

(Rupees in crore)

	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Composition of Fiscal Deficit (1+2+3)		4115	2654	612	4604	6690
		(4.26)	(2.44)	(0.50)	(3.32)	(4.21)
1	Revenue Deficit/Surplus(-)	3391	1241	(-) 2023 [#]	3823	3856
		(3.51)	(1.14)	(- 1.67)	(2.76)	(2.43)
2	Net Capital Expenditure	761	1517	2586	2191	2857
		(0.79)	(1.40)	(2.13)	(1.58)	(1.80)
3	Net Loans and Advances	(-) 37	(-) 104	49	(-) 1410	(-) 23
		(- 0.04)	(- 0.09)	(0.04)	(- 1.02)	(- 0.01)
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	1659	978	738	3794	4645
2	Loans from GOI	(-) 2020	(-) 178	(-) 4008	71	105
3	Special Securities Issued to NSSF	3641	3316	2801	463	(-) 213
4	Loans from Financial Institutions	(-) 130	(-) 650	(-) 427	(-) 385	(-) 393
5	Small Savings, PF etc	420	389	402	636	720
6	Deposits and Advances	209	(-) 84	(-) 102	66	645
7	Suspense and Miscellaneous	(-) 5	10	40	38	2
8	Remittances	2	(-) 11	(-) 15	12	(-) 11
9	Others (Reserve Fund)	427	191	241	184	359
10.	Increase/Decrease in cash balance	(-) 88	(-) 1307	942	(-) 275	831
11.	Overall Deficit	4115	2654	612	4604	6690

Figures in brackets indicate the *percent* to GSDP.
 *All these figures are net of disbursements/outflows during the year.
 # Minus figure represents that Revenue receipts are more than Revenue expenditure which means revenue surplus.

The fiscal deficit of the State increased from Rs 4,115 crore in 2004-05 to Rs 6,690 crore in 2008-09 with inter year variations. The factors contributing to the increase in fiscal deficit were the increase in revenue deficit, which increased from Rs 3,391 crore in 2004-05 to Rs 3,856 crore in 2008-09 and capital expenditure which increased from Rs 761 crore in 2004-05 to Rs 2,857 crore in 2008-09.

1.9.3 Quality of deficit/surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit¹⁵ and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.21**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy. The ratio of RD to FD reduced from 82.41 *per cent* in 2004-05 to 57.64 *per cent* in 2008-09, due to increase in fiscal deficit, with inter year variations. (*Appendix 1.3 Part E III*)

Table 1.21: Primary deficit/surplus

(Rupees in crore)

Year	Non-debt receipts	Primary Revenue expenditure	Capital expenditure	Loans and advances disbursed	Primary expenditure	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-6)
2004-05	13941	13217	761	97	14075	(-) 134
2005-06	17103	14492	1517	33	16042	(+) 1061
2006-07	20962	14392	2586	444	17422	(+) 3540
2007-08	20684	18534	2192	35	20761	(-) 77
2008-09	20792	19667	2858	55	22580	(-) 1788

The bifurcation of the factors resulting into primary deficit or surplus of the Government of Punjab during the period 2004-09 reveals (**Table 1.21**) that, the primary deficit during this period was on account of rise in capital expenditure besides stagnation in non-debt receipts. In other words, non-debt receipts of the State were just enough to meet the primary expenditure¹⁶ requirements in the revenue account, rather it left some receipts to meet the expenditure under the capital account and loans and advances during 2005-06 and 2006-07. But the surplus non-debt receipts were not enough to meet the expenditure under capital account resulting in primary deficit during 2004-05, 2007-08 and 2008-09. This indicates the extent to which the primary deficit has been increasing on account of increase in capital expenditure, which may be desirable to improve the productive capacity of the Punjab's economy.

1.9.4 State's own revenue and deficit correction

It is worthwhile to observe the extent to which the deficit correction was achieved by the State on account of improvement in its own resources which is an indicator of durability of the correction in deficit indicators. **Table 1.22**

¹⁵ Primary revenue deficit is defined as gap between non-interest revenue expenditure of the State and its non-debt receipts. It indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

¹⁶ Please see glossary (Appendix 4.1)

presents the change in revenue receipts of the Government of Punjab and the correction of the deficit during the last three years.

Table 1.22: Change in revenue receipts and correction of deficit

(Per cent of GSDP)

Parameters	2006-07	2007-08	2008-09	
			BE	Actual
Revenue receipts (a to d)	16.97	13.89	14.63	13.03
a. State's Own tax revenue	7.44	7.15	7.08	7.01
b. State's Own non- tax revenue	6.39	3.79	3.39	3.64
c. State's Share in Central taxes and duties	1.29	1.43	1.46	1.31
d. Grants-in-Aid	1.85	1.52	2.70	1.07
Revenue expenditure	15.30	16.65	15.89	15.45
Revenue deficit (-)/surplus	1.67	(-) 2.76	(-) 0.63	(-) 2.42
Fiscal deficit (-)/surplus	(-) 0.50	(-) 3.32	(-) 2.75	(-) 4.21

The percentage of revenue receipts to GSDP decreased from 16.97 per cent in 2006-07 to 13.03 per cent in 2008-09 which was less than the budget estimates of 15.26 per cent. On the other hand, percentage of revenue expenditure to GSDP increased from 15.30 per cent in 2006-07 to 16.65 per cent in 2007-08 which again decreased to 15.45 per cent in 2008-09 which was less than the budget estimates of 15.89 per cent. The percentage of revenue surplus to GSDP of 1.67 in 2006-07 turned into deficit of 2.76 per cent and 2.42 per cent in 2007-08 and 2008-09 respectively which was more than the budget estimates of 2008-09 (0.63 per cent). The percentage of fiscal deficit to GSDP grew from 0.50 in 2006-07 to 4.21 per cent in 2008-09 which was higher than the budget estimates of 2.75 per cent for the year 2008-09. Thus, there was no improvement either to mobilise more resources or to restrict the revenue expenditure which resulted in no impact on deficit correction.

1.10 Conclusions and recommendations

Inadequate mobilization of revenue receipts: The revenue receipts during 2008-09 showed a growth rate of only 7.67 per cent over the previous year. The share of the States own tax revenue was 54 per cent of the total revenue receipts. The non-tax revenue accounted for 28 per cent. Thus, the States own sources of receipts in 2008-09 accounted for 82 per cent of the total revenue receipts showing decline of seven per cent from 89 per cent in 2004-05. Concerted efforts to increase the own tax revenue wherever feasible could improve the State's finances.

Funds transferred directly to the State implementing agencies: The Central Government has been transferring a sizeable quantum of funds directly to the State implementing agencies for implementation of various schemes/programmes in social and economic sectors recognized as critical. During 2008-09, the Government of India directly transferred Rs 708.20 crore to the State implementing agencies. As these funds are not routed through the budget of State Government, the Annual Finance Accounts do not capture the flow of these funds and to that extent, the receipts and expenditure of the State as well as other fiscal variables/ parameters derived from them are underestimated. Unless there is proper documentation and timely reporting of

expenditure by the implementing agencies, it will be difficult to monitor the end use of these direct transfers. Government need to ensure proper documentation and timely reporting of expenditure by the implementation agencies.

High share of revenue expenditure in total expenditure: The expenditure pattern of the State revealed that the revenue expenditure continued to constitute the dominant share of 86 to 95 *per cent* of the total expenditure during 2004-09. Out of 89 *per cent* of the revenue expenditure to the total expenditure in 2008-09, 71 *per cent* was consumed by committed expenditure and again of which 39 *per cent* was spent on salary and wages. This indicates that not only the revenue expenditure was on the higher side, but was also incurred on already committed expenditure leaving only a small share for current operations. Action needs to be taken to compress the unproductive non plan revenue expenditure.

Increasing trend of subsidies: Though the subsidies are a drain on the State finances, the Government of Punjab is extending subsidies in a big way to Power and Energy Sector. Against the projections of Rs 1,662 crore for subsidy to Power and Energy sector and Rs 12 crore for general subsidy (subsidy other than Power and Energy Sector) in FCP, the Government of Punjab had given subsidy of Rs 2,602 crore to Power and Energy sector and Rs 204 crore to the general subsidy. Since the current level of subsidies are almost 68 *per cent* higher than what was projected in the FCP, the state may discourage extending of subsidies to improve the fiscal position of the State.

Lower priority to capital expenditure: The Capital expenditure increased by Rs 666 crore (30.40 *per cent*) over the previous year, but relative to the GSDP, it remained at 1.80 *per cent*, far below the target of three *per cent* to be achieved by the Government of Punjab by 2008-09. Hence, the target of ratio of CE to GSDP was not achieved. Moreover, as observed in Para 1.5.1, in 2005-06, Punjab's per capita expenditure on CE (Rs 586) was lower than the national per capita expenditure of Rs 692. Similarly, in 2008-09 Punjab's per capita expenditure on CE (Rs 1,062) was also lower than the national average of Rs 1,254. Thus, the Government of Punjab was giving low fiscal priority to CE. The state may consider enhancing the priority to capital expenditure as the proportion of Capital expenditure to Aggregate expenditure is very low in Punjab as compared to the national average.

Low return on investment: As of March 2009, the Government had invested Rs 3,841 crore in statutory corporations (81.57 *per cent*), Government companies (12.74 *per cent*), cooperative banks and societies (5.66 *per cent*). The return on these investments was negligible (0.01 to 0.05 *per cent*). On the other hand, the cost of borrowed funds was higher (7.52 to 8.79 *per cent*) which resulted in straining of the financial position of the Government of Punjab. It would be advisable for the State Government to ensure better value for investments, otherwise high cost borrowed funds will continue to be invested in projects with low financial returns.

Low backup of liabilities by assets: The ratio of assets to liabilities remained at an average of 44 *per cent* during 2004-09 implying that only 44 *per cent* of

the liabilities were backed up by assets. Greater emphasis on capital asset creation could help in improving this position.

Higher ratio of fiscal liabilities with reference to GSDP: The fiscal liabilities stood at 39 *per cent* of GSDP during 2008-09 against the norm of 28 *per cent* to be achieved by 2009-10 as per Punjab FRBM Act, 2003. Borrowed funds should be used as far as possible only to fund capital expenditure and revenue expenditure should be met from the revenue receipts.

Increase in outstanding guarantees: The outstanding guarantees of Rs 25,868 crore (as of March 2009) given by the Government of Punjab were 134 *per cent* of the revenue receipts of 2007-08, against the norm of 80 *per cent* prescribed in the FRBM Act, 2003. Reduction of the contingent liabilities may be given due priority by the State Government.

Low debt sustainability: Debt sustainability deteriorated as the non-debt receipts of Government of Punjab were not sufficient to meet the incremental debt, net availability of borrowed funds for deploying on items other than debt redemption had decreased and the burden of interest payments was 24 *per cent* of the revenue receipts, which was far higher than the target of 15 *per cent* fixed by the TFC. Government need to restrict the borrowings and increase its own tax/non-tax resources so as to avoid deterioration of debt sustainability.

Increasing deficits: The revenue deficit of the Government of Punjab ranged between Rs 1,241 crore to Rs 3,856 crore during 2004-09, which was far higher than the target to wipe out the revenue deficit by 2008-09. The fiscal deficit, which represents the total borrowing of the Government and its total revenue gap, increased from Rs 4,115 crore in 2004-05 to Rs 6,690 crore in 2008-09. The primary deficit indicates the deficit arising out of financial transactions during a year. The primary surplus of Rs 3,540 crore in 2006-07 in the Government of Punjab turned into deficit of Rs 1,788 crore in 2008-09 implying declining financial position of the Punjab Government. Punjab can achieve the targets set out in the FRBM Act provided an effort is made to increase tax mobilisation, make efforts to collect revenue arrears and prune unproductive expenditure.

CHAPTER 2

Financial Management and Budgetary Control

This chapter outlines the Government's financial accountability and budgetary practices through audit of Appropriation Accounts.

Box 2.1

Appropriation Accounts

Appropriation Accounts are accounts of the expenditure, voted and charged of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

Audit of appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution of India is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.1 Summary of the Appropriation Accounts

The summarized position of actual expenditure during 2008-2009 against the total 30 grants/appropriations is given in the **Table 2.1**.

Table 2.1: Summarized position of actual expenditure vis-à-vis original/supplementary provisions

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	20403.57	1956.77	22360.34	20242.37	-2117.97
	II Capital	3823.44	1097.28	4920.72	2997.75	-1922.97
	III Loans and Advances	30.15	0	30.15	24.41	-5.74
Total Voted		24257.16	3054.05	27311.21	23264.53	-4046.68
Charged	IV Revenue	4865.36	46.54	4911.90	4957.54	+45.64
	V Capital	0	0	0	0	0
	VI Public Debt- Repayment	2446.05	0	2446.05	2288.52	-157.53
Total Charged		7311.41	46.54	7357.95	7246.06	-111.89
Appropriation to Contingency Fund		0	0	0	0	0
Grand Total		31568.57	3100.59	34669.16	30510.59	-4158.57

Note: The expenditure includes the recoveries of Rs 630.91 crore adjusted as reduction of expenditure under Revenue expenditure and Rs 109.16 crore under Capital expenditure.

The overall saving of Rs 4,158.57 crore (12 per cent) was the net result of saving of Rs 4,664.70 crore in 30 grants/15 appropriations (*Appendix 2.1*), set off by excess of Rs 506.13 crore in four grants/appropriations.

The savings/excesses were intimated (May and August 2009) by the Accountant General (Accounts & Entitlement), Punjab to the Controlling Officers requesting them to explain the significant variations, but explanations for the variations were not received (October 2009).

2.2 Financial Accountability and Budget Management

2.2.1 Appropriation vis-à-vis allocative priorities

The outcome of the appropriation audit reveals that in 21 cases (19 grants), savings exceeded by Rs 10 crore and by more than 20 per cent of the total provision in each case (*Appendix 2.2*). Against the total savings of Rs 3,142.38 crore (48.02 per cent), in 11 cases savings of Rs 2,904.80 crore, exceeding Rs 50 crore in each case, occurred, as indicated in **Table 2.2**.

Table 2.2: List of grants which had savings of Rs 50 crore and above

(Rupees in crore)

Sr. No.	No. and Name of the grant	Original grant	Supplementary grant	Total	Actual expenditure	Savings
Revenue-Voted						
1	01-Agriculture and Forests	610.52	15.02	625.54	478.09	147.45
2	09-Food and Supplies	361.48	1.23	362.71	125.36	237.35
3	17-Local Government, Housing and Urban Development	302.04	4.76	306.80	45.00	261.80
4	23-Rural Development and Panchayats	979.53	35.01	1014.54	377.01	637.53
Capital-Voted						
5	05-Education	269.60	1.65	271.25	119.26	151.99
6	11-Health and Family Welfare	76.04	84.65	160.69	24.03	136.66
7	13-Industries	77.18	0	77.18	20.04	57.14
8	15-Irrigation and Power	553.94	362.91	916.85	723.29	193.56
9	19-Planning	146.65	25.53	172.18	114.09	58.09
10	21-Public Works	1753.65	91.90	1845.55	894.12	951.43
11	23--Rural Development and Panchayats	165.80	58.76	224.56	152.76	71.80
Total		5296.43	681.42	5977.85	3073.05	2904.80

The departments did not intimate the reasons for the savings (August 2009).

2.2.2 Persistent savings

As can be noticed from the **Table 2.3**, in five cases, during the last five years there were persistent savings of more than Rupees seven crore in each case and also by 20 per cent or more of the total grant. Under two Centrally sponsored schemes (CSS), there were savings of 100 per cent during the last five years.

Table 2.3: List of grants indicating persistent savings during 2004-09
(Rupees in crore)

Sr. No.	No. and Name of the grant/Head of Account	Amount of savings(percentage of savings)				
		2004-05	2005-06	2006-07	2007-08	2008-09
Revenue-voted						
1	21-Public Works 2215-Water Supply and Sanitation –Water Supply – Direction and Administration	68.49 (46.35)	75.26 (46.32)	57.48 (33.43)	43.62 (23.25)	71.89 (32.60)
Capital-Voted						
2	15-Irrigation and Power 4711-Capital Outlay on Flood Control Projects – Flood Control – Civil Works – Construction of Flood Protection and Drainage Works – Works expenditure (CSS)	10.00 (100)	10.00 (100)	10.00 (100)	7.20 (72.00)	7.07 (88.38)
3	15-Irrigation and Power 4711-Capital Outlay on Flood Control Projects-Flood Control-Civil Works-Counter Protective Work (CSS)	10.00 (100)	10.00 (100)	8.38 (83.80)	10.00 (100)	8.00 (100)
4	17-Local Government, Housing and Urban Development 4217-Capital Outlay on Urban Development – Other Urban Development Schemes – Other expenditure–Prevention of Pollution of River Sutlej – Cost of land (CSS)	70.00 (100)	70.00 (100)	50.00 (100)	36.20 (100)	7.40 (100)
5	23-Rural Development and Panchayats 4515-Capital Outlay on Other Rural Development Programmes- Rural Development-Indira Awas Yojana (CSS)	13.20 (100)	13.20 (100)	25.00 (100)	39.00 (100)	39.00 (100)

The departments did not intimate the reasons for the savings (August 2009).

2.2.3 Excess over provisions during 2008-09 requiring regularization

The excess expenditure of Rs 506.13 crore as detailed in **Table 2.4** in three grants and two appropriations during the year 2008-09 require regularization under article 205 of the Constitution of India.

Table 2.4: Excess over provisions requiring regularization during 2008-09
(Rupees in crore)

Sr. No.	Number and title of grant		Total grant/ appropriation	Expenditure	Excess
Voted Grants					
1	3	Co-operation (Capital)	10.55	24.41	13.86
2	8	Finance (Revenue)	6241.22	6400.22	159.00
3	21	Public Works (Revenue)	772.49	1056.13	283.64
Charged Grants					
4	8	Finance	4856.10	4901.68	45.58
5	12	Home Affairs and Justice	25.86	29.91	4.05
Total			11906.22	12412.35	506.13

2.2.4 Excess over provisions relating to the previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. However, the excess expenditure amounting to Rs 5,109.94 crore for the years 2005-08 was yet to be regularized. The year-wise amount of excess expenditure pending for regularization is summarized in **Table 2.5**.

Table 2.5: Excess over provisions requiring regularization

Year	Number of grants/ appropriations	Grant/ appropriation number	Amount of excess over provision
2004-05	4	8, 12, 21, 26	395.52
2005-06	2	17, 19	65.65
2006-07	5	5, 8, 21, 27, 30	3753.43
2007-08	6	8, 9, 12, 15, 19, 21	895.34
Total			5109.94

The Finance department stated (July 2009) that the excess expenditure could not be regularised due to non-receipt of replies from the concerned departments in time.

2.2.5 Persistent excess expenditure

In four grants, expenditure aggregating to Rs 502.08 crore exceeded the approved provision by Rs 10 crore in each case as indicated in **Table 2.6**.

Table 2.6: Grants/appropriations where expenditure in each case exceeded more than Rs 10 crore or more than 20 per cent of the provision

(Rupees in crore)					
Sr. No.	Grant No	Name of the grant/ appropriation	Total grant/ appropriation	Expenditure	Excess expenditure (Percentage)
1	3	Co-operation (Capital-Voted)	10.55	24.41	13.86 (131.37)
2	8	Finance (Revenue-Voted)	6241.22	6400.22	159.00 (2.55)
3	8	Finance (Revenue-Charged)	4856.10	4901.68	45.58 (0.94)
4	21	Public Works (Revenue-Voted)	772.49	1056.13	283.64 (36.72)
Total			11880.36	12382.44	502.08(4.23)

Of these, in the grants/heads mentioned in **Table 2.7**, excess expenditure by more than Rupees one crore in each case or by more than 20 per cent of the total provision had been observed consistently for the last five years.

Table 2.7: List of grants having persistent excess expenditure during 2004-09

(Rupees in crore)						
Sr. No.	No. and Name of the grant	Amount of excess expenditure (percentage of excess expenditure)				
		2004-05	2005-06	2006-07	2007-08	2008-09
Revenue-Voted						
08-Finance						
1	2071-Pension and other Retirement Benefits-01-Civil 105-Family Pension	18.74 (20.56)	5.69 (4.83)	65.96 (46.47)	69.24 (48.90)	54.71 (24.28)
21-Public Works						
2	2059-Public Works 60-Other Buildings 053-Maintenance and Repairs 19-Electrical Operational Works	2.77 (110.80)	3.04 (86.86)	2.59 (64.75)	4.39 (109.75)	5.29 (132.25)
3	3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054-Roads and Bridges	22.41 (100.00)	34.63 (100.00)	86.20 (100.00)	48.13 (100.00)	42.62 (100.00)

The departments did not intimate the reasons for the persistent excess expenditure (August 2009).

2.2.6 Expenditure without provision of funds

As per article 14.1 of the Punjab Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that during 2008-09, expenditure of Rs 810 crore was incurred in four cases as detailed in **Table 2.8** without making any provision in the original estimates/ supplementary demand and without issuing any re-appropriation orders to this effect.

**Table 2.8: Expenditure incurred without provision during 2008-09
(Rupees in crore)**

Number and Name of grant/appropriation	Amount of expenditure without provision
01-Agriculture and Forests	5.09
05-Education	83.77
15-Irrigation and Power	187.02
21-Public Works	534.12
Total	810.00

The departments did not intimate the reasons for incurring expenditure without ensuring budget provision (August 2009).

2.2.7 Unnecessary/inadequate supplementary provisions

Supplementary provision aggregating to Rs 856.40 crore obtained in 20 cases, Rupees one crore or more in each case, during the year 2008-09 proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.3**. In two grants (Nos. 8 and 21) and two appropriation (Nos. 8 and 12), supplementary provision of Rs 480.03 crore proved insufficient by more than Rupees four crore in each case leaving an aggregate uncovered excess expenditure of Rs 492.28 crore.

2.2.8 Excess/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. During 2008-09, injudicious re-appropriations effected by the departments resulted in savings of Rs 489.90 crore in 23 sub-heads as detailed in **Appendix 2.4** and excess of Rs 163.06 crore in four sub-heads as detailed in **Table 2.9**.

Table 2.9: Insufficient re-appropriation of funds

(Rupees in crore)

Sr. No.	Grant No.	Description	Head of Account	Re-appropriation	Final Excess(+)
1	2	Animal Husbandry and Fisheries	2403-Animal Husbandry, Veterinary services and Animal Health, Setting up of new and strengthening of existing Veterinary Polyclinics (Plan)	0.19	+2.79
2	5	Education	2202-General Education, University and Higher Education, Government Colleges and Institutes, Government Arts Collage	8.36	+152.91
3	17	Local Government, Housing and Urban Development	4217-Capital Outlay on Urban Development, Other Urban Development Schemes, Other Expenditure, Municipal Development Fund (Plan)	41.30	+4.00
4	21	Public Works	5054-Capital Outlay on Roads and Bridges, State Highways, Other Expenditure, Central Road Fund (Plan)	2.49	+3.36
Total					+163.06

2.2.9 Anticipated savings not surrendered

As per Rule 17.20 of the Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2008-09, there were 31 cases in which savings ranging between Rs 1.46 crore and Rs 637.53 crore occurred but no part of the anticipated savings was surrendered by the concerned departments. The total amount involved in these cases was Rs 2,186.13 crore, the details of which are given in *Appendix 2.5*.

Similarly, in 15 cases, after effecting partial surrender, savings ranging between Rs 7.50 crore and Rs 847.76 crore aggregating to Rs 2210.16 crore were not surrendered. The details are given in *Appendix 2.6*.

2.2.10 Rush of expenditure

According to para 18.15 of the Manual of Instructions of the Finance Department, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in three cases (Sr. No. 11, 13 and 16) expenditure exceeding Rs 10 crore and more than 50 *per cent* of the total expenditure for the year was incurred in March 2009. **Table 2.10** presents the

major heads where more than 50 *per cent* of the expenditure was incurred either during the last quarter (January to March) or during the last month of the financial year.

Table 2.10: Cases of rush of expenditure towards the end of the financial year 2008-09

(Rupees in crore)

Sr. No	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2009	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2047	12.42	6.44	51.85	4.52	36.39
2	2075	3521.30	1951.53	55.42	1364.93	38.76
3	2220	25.90	13.82	53.36	9.19	35.48
4	2225	161.78	103.99	64.28	38.78	23.97
5	2250	0.32	0.16	50.00	0.13	40.63
6	2401	236.11	131.09	55.52	111.70	47.31
7	2404	23.43	18.88	80.58	7.72	32.95
8	2501	2.38	1.19	50.00	0.56	23.53
9	3053	15.43	8.10	52.50	6.79	44.01
10	3054	83.35	42.10	50.51	20.64	24.76
11	4055	115.89	68.07	58.74	60.02	51.79
12	4070	0.30	0.19	63.33	0.14	46.67
13	4210	24.20	22.51	93.02	14.30	59.09
14	4402	5.37	4.31	80.26	3.36	62.57
15	4403	9.13	6.53	71.52	6.27	68.67
16	4515	152.15	101.80	66.91	76.10	50.02
17	4701	190.97	104.20	54.56	63.76	33.39
	Total	4580.43	2584.91	56.44	1788.91	39.06

On being pointed out (June 2009), the Finance Department (FD) while asking the concerned departments to furnish the reasons for rush of expenditure directed (September 2009) them to adhere to the instruction of the FD issued from time to time in this regard.

2.3 Conclusions and recommendations

Audit of appropriation accounts for the year ended 31 March 2009 revealed that there was an overall net saving of Rs 4,158.57 crore (12 *per cent*) during the year. In 19 grants, there were overall savings by 48 *per cent* of the provision. Expenditure of Rs 810 crore was incurred without provision of funds. Excess expenditure of Rs 5,109.94 crore relating to the period 2004-05 to 2007-08 awaited regularization by the State Legislature, besides expenditure of Rs 506.13 crore incurred during 2008-09 in excess of the provision also required regularization. During the year, the re-appropriations effected by the departments either proved unnecessary (Rs 489.90 crore) or insufficient (Rs 163.06 crore). In 17 heads, expenditure of Rs 2,584.91 crore (56 *per cent*) was incurred in the last quarter of the year indicating rush of expenditure.

Budgetary control needs to be strengthened in all the Government departments, particularly in the departments, where savings/excesses persisted. Issuance of re-appropriation/surrender orders and rush of expenditure at the end of the year should be avoided.

Chapter 3

Financial Reporting

A sound internal financial reporting with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. Compliance with the financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances are the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year (2008-09).

3.1 Delay in furnishing utilization certificates

Rule 8.14 of the Punjab Financial Rules Vol. I stipulates that for the grants given for specific purposes, utilization certificates (UCs) should be obtained by the departmental officers from the grantees and after verification these should be forwarded to the Accountant General within a reasonable time from the date of their sanction unless specified otherwise. It was noticed that out of the 281 UCs due in respect of grants and loans aggregating to Rs 282.66 crore paid upto 2007-08, 40 UCs for an aggregate amount of Rs 111.85 crore were in arrears as on 31 March 2009. The department-wise break-up of the outstanding UCs is given in *Appendix 3.1*. The age-wise period from which UCs are outstanding is summarized in **Table 3.1**.

Table 3.1: Age-wise arrears of utilization certificates

Range of delay in number of years	Total grants paid upto 31 March 2008		Utilization certificates outstanding as on 31 March 2009	
	Number of sanctions	Amount (Rs in crore)	Number	Amount (Rs in crore)
1 - 3	278	279.22	37	108.41
3 - 5	2	0.38	2	0.38
5 - 7	-	-	-	-
7 - 9	1	3.06	1	3.06
TOTAL	281	282.66	40	111.85

The UCs for Rs 3.06 crore pertaining to the Rural Development and Panchayats, was outstanding for more than five years in the absence of which it is difficult to know whether the money had been spent for the purpose for which it was given.

3.2 Status of Accounts/Audit Reports of Autonomous bodies

Several autonomous bodies have been set up by the State Government in the field of Legal Services, Science, Human Rights, Labour Welfare and Industries. A large number of these bodies are audited by the CAG with regard to the verification of their transactions, operational activities, accounts, internal management and financial control and review of systems and procedures etc. The audit of accounts of five Autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports (SARs) and their placement in the State Legislature is indicated in *Appendix 3.2*. The frequency distribution of delays in submission of accounts by the Autonomous bodies to Audit and placement of the SARs in the Legislature is summarized in **Table 3.2**.

Table 3.2: Delays in submission of Accounts and tabling of Separate Audit Reports in Legislature

Delays in submission of Accounts (in months)	Number of Autonomous bodies	Reasons for the delay	Delays in submission of SARs in Legislature (in years)	Number of Autonomous bodies	Reasons for the delay
1 - 6	1	NA	1 - 2	1	NA
6 - 12	1	-do-	2 - 3	-	-do-
12 - 18	-	-do-	3 - 4	-	-do-
18 - 24	-	-do-	4 - 5	-	-do-
24 & above	3	-do-	5 & above	3	-do-
TOTAL	5			4	

NA-Not available

Table 3.2 shows that there was a delay ranging between 1–24 months and more in submission of accounts of five Autonomous bodies and also delay ranging between 1-5 years and above in submission of four Separate Audit Reports to the Legislature. The accounts of Punjab State Human Rights Commission, Punjab Labour Welfare Board and Punjab Khadi and Village Industries Board were pending from 2001-02/2002-03 onwards.

3.3 Departmental commercial undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of operations so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of

the Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood may also open the system to the risk of fraud and leakage of public money.

The Heads of departments in the Government are to ensure that the undertakings prepare such accounts and submit the same to the Accountant General for Audit within a specified time frame. As of 31 March 2009, Punjab Roadways (Transport Department) had not prepared accounts since 2000-01. The Comptroller and Auditor General of India has repeatedly commented about the arrears in preparation of accounts, but there is no improvement so far in preparation of the proforma accounts by this undertaking.

3.4 Misappropriations, thefts, losses, etc.

Detailed instructions have been laid down in the Punjab Financial Rules regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property, report to the Police thereof and cases of defalcations and losses reported to the Accountant General.

The State Government reported 79 cases of misappropriation, theft, loss of material etc. involving Rs 21.85 lakh during 2005-09 on which final action was pending. Out of 79 cases, 75 cases involving Rs 17.02 lakh pertained to the Police Department and 4 cases involving Rs 4.83 lakh pertained to the Departments of Animal Husbandry, Election, Medical and Technical Education. Four cases of theft involving Rs 10.43 lakh were pertaining to the Departments of Animal Husbandry, Election, Police and Technical Education and 75 cases of misappropriation/ loss of material for Rs 11.42 lakh were pertaining to the Departments of Police and Medical. Nature of these cases are given in **Table 3.3**.

Table 3.3: Department wise /category wise number of pending cases of theft, misappropriations and losses to the Government

Name of Department	Theft cases		Misappropriation/ Loss of Government material		Total	
	Number of cases	Amount (Rs in lakh)	Number of cases	Amount (Rs in lakh)	Number of cases	Amount (Rs in lakh)
Animal Husbandry	1	0.04	-	-	1	0.04
Election	1	0.21	-	-	1	0.21
Medical	-	-	1	0.40	1	0.40
Police	1	6.00	74	11.02	75	17.02
Technical Education	1	4.18	-	-	1	4.18
TOTAL	4	10.43	75	11.42	79	21.85

The age-profile of the pending cases and the number of cases pending for final action in each category of theft and misappropriation/loss are summarized in **Table 3.4**.

Table 3.4: Profile of misappropriations, thefts and losses, etc.

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (Rs in lakh)	Nature of the cases	Number of cases	Amount involved (Rs in lakh)
0 - 5	79	21.85	Theft	4	10.43
			Misappropriation/loss of material	75	11.42
TOTAL	79	21.85	Total pending cases	79*	21.85

* = There was no case of losses written off during the year.

The reasons for the delay in finalisation of outstanding cases of misappropriations, losses, defalcations, etc. are given in **Table 3.5**.

Table 3.5: Reasons for the delay in finalisation of outstanding cases of misappropriations, thefts and losses, etc.

Reasons	Number of cases	Amount (Rs in lakh)
Awaiting departmental and criminal investigation	6	10.62
Departmental action initiated but not finalised	4	0.95
Awaiting orders for recovery or write off	66	9.88
Pending in the courts of law	3	0.40
TOTAL	79	21.85

3.4.1 Write off of losses, etc.

As reported to Audit, losses due to death of animal, fire and irrecoverable advances etc. amounting to Rs 1.50 crore in 63 cases were written off during 2008-09 by the competent authorities in the Department of Home Affairs and Justice. The relevant details are given in **Appendix 3.3**.

3.5 Conclusions and recommendations

Utilisation certificates in respect of grants paid for Rs 111.85 crore upto March 2008 were outstanding as on 31 March 2009. There were significant delays in submission of accounts of the Autonomous bodies as well as in submission of their Separate Audit Reports in the Legislature. Punjab Roadways had not prepared its proforma accounts since 2000-01. The Government reported 79 cases of misappropriations, theft, losses etc. involving Rs 21.85 lakh between 2005-09 and all these cases were outstanding for want of final action by the Government. Government need to take action for expediting issue of the utilization certificates and submission of the pending accounts by the Autonomous bodies and Punjab Roadways.

Departmental enquiries in cases of mis-appropriation and theft should be expedited and the control system strengthened to prevent such cases.

The matter was referred to the Government (November 2009); reply has not been received (January 2010).

CHANDIGARH
The

(S. MURUGIAH)
Pr. Accountant General (Audit), Punjab

Countersigned

NEW DELHI
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix 1.1
(Refers to Paragraphs 1.1 and 1.7.1, Pages 1 and 25)

Part A – Abstract of receipts and disbursements for the year 2008-09
(Rupees in crore)

2007-08	Receipts			2008-09	2007-08	Disbursements			2008-09	
1	2	3	4	5	6	7	Non Plan	Plan	Total	11
							8	9	10	
		Section-A:								
		Revenue								
19237.62		I Revenue receipts		20712.79	23060.86	I Revenue expenditure-	23146.54	1422.45	24568.99	24568.99
	9899.17	(i)-Tax revenue	11150.08		12891.90	General services	14027.72	4.41	14032.13	
	5253.97	(ii)-Non-tax revenue	5783.91		4333.58	Social Services-	4427.74	1054.94	5482.68	
	1974.99	(iii) State's share of Union Taxes and Duties	2084.12		2673.99	-Education, Sports, Art and Culture	2775.43	289.87	3065.30	
	1112.74	(iv)Non-Plan Grants	491.79		756.47	-Health and Family Welfare	746.47	82.76	829.23	
	617.67	(v) Grants for State Plan Schemes	629.45		307.12	-Water Supply, Sanitation Housing and Urban Development	282.62	--	282.62	
	379.08	(vi) Grants for Central and Centrally Sponsored Plan Schemes	573.44		17.63	-Information and Broadcasting	12.95	12.95	25.90	
					58.13	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	44.39	117.26	161.65	
					67.86	-Labour and Labour Welfare	71.49	2.86	74.35	
					438.85	-Social Welfare and Nutrition	482.89	549.24	1032.13	
					13.53	-Others	11.50	--	11.50	
					5478.59	Economic Services-	4381.39	363.10	4744.49	
					662.15	-Agriculture and Allied Activities	493.72	255.18	748.90	
					65.68	-Rural Development	72.09	2.40	74.49	
						-Special Areas Programmes	-	-	-	
					567.67	-Irrigation and Flood Control	613.27	--	613.27	
					2850.53	-Energy	2602.28	--	2602.28	
					128.35	-Industry and Minerals	130.67	1.95	132.62	
					363.65	-Transport	326.41	--	326.41	
					13.98	-Science, Technology and Environment	0.92	1.07	1.99	
					826.05	-General Economic Services	142.03	102.50	244.53	
					356.79	Grants-in-aid and Contributions	309.69	--	309.69	
						Total				24568.99
3823.24		II. Revenue deficit carried over to Section B		3856.20	-	Revenue Surplus carried over to Section-B	--	--	--	--
23060.86		Total Section A		24568.99	23060.86					24568.99

Appendix 4.1

Glossary of terms used in the Report

Terms	Definition
Appropriation Accounts	Appropriation Accounts present the total amount of funds (original and supplementary) authorized by the Legislative Assembly in the budget grants under each voted grant and charged appropriation <i>vis-a-vis</i> the actual expenditure incurred against each and the unspent provision or excess under each grant or appropriation. Any expenditure in excess of the grants requires regularization by the Legislature.
Autonomous bodies	Autonomous bodies (usually registered societies or statutory corporations) are set up whenever it is felt that certain functions need to be discharged outside the governmental set up with some amount of independence and flexibility without day-to-day interference of the Governmental machinery.
Average interest paid by the State	Interest payment/[(Amount of previous year's fiscal liabilities + current year's fiscal liabilities)2]x100
Balance from current revenue (BCR)	Revenue receipts minus all plan grants and non-plan revenue expenditure excluding expenditure recorded under the major head 2048–Appropriation for reduction of avoidance of debt
Buoyancy of a parameter	Rate of growth of the parameter/GSDP growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of growth of parameter (X)/ Rate of growth of parameter (Y)
Committed expenditure	The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies on which the executive has limited control.
Consolidated fund of the State (CFS)	The fund constituted under Article 266 (1) of the Constitution of India, into which all receipts, revenue and loans flow. All expenditure from the CFS is by appropriation: voted or charged. It consists of two main divisions namely Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Public Debt and Loans etc.).

Contingency fund	Legislative Assembly has by law established a contingency fund in the nature of an imprest into which such sums as may be determined by such law are paid from time to time and the said fund is placed at the disposal of the Governor to enable advances to be made by him out of it for the purpose of meeting unforeseen expenditure pending authorization of such expenditure by Legislative Assembly by law under Article 115 or Article 116 of the Constitution of India.
Contingent liability	Contingent liabilities may or may not be incurred by an entity depending on the outcome of a future event such as a court case.
Core public and merit goods	Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.
Debt stabilization	A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the Debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate- interest rate) and quantum spread (debt x rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, Debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, Debt-GSDP ratio would be rising and in case its is positive, Debt-GSDP ratio would eventually be falling.

Debt sustainability	The Debt sustainability is defined as the ability of the State to maintain a constant Debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.
Development expenditure	Expenditure on Social Services + Economic Services.
Fiscal deficit	Revenue expenditure + Capital expenditure + Net loans and advances - Revenue receipts - Miscellaneous Capital receipts.
Fiscal liabilities	Internal debt (market loans, loans from NSSF and loans from other financial institutions), loans and advances from GOI, the liabilities arising from the transactions in the Public Account of the State.
Interest received as <i>per cent</i> to loans outstanding	Interest received [(opening balance + closing balance of loans and advances) ²]/x100
Interest spread	GSDP growth rate - average interest rate.
Internal debt	Internal debt comprises of regular loans from the public in India, also termed 'Debt raised in India' and credited to the consolidated fund.
Net availability of borrowed funds	Ratio of the debt redemption (Principal + Interest payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.
Primary deficit	Fiscal deficit - interest payments
Primary expenditure	Primary expenditure of the State defined as the total expenditure net of the interest payments. It indicates the expenditure incurred on the transactions undertaken during the year.
Public Accounts committee	A committee constituted by the Legislative Assembly for the examination of the reports of the Comptroller and Auditor General of India, the appropriation accounts of the State, the annual finance accounts of the State or such other reports/accounts or financial matters as are laid before it or which the committee deems necessary to scrutinize.
Quantum spread	Debt stock x Interest spread

Rate of growth (ROG)	$[(\text{Current year amount} / \text{Previous year amount}) - 1] \times 100$
Re-appropriation	The transfer of funds from one primary unit of appropriation to another such unit.
Revenue deficit	Revenue receipt – Revenue expenditure
Sinking fund	A fund for which the government sets aside money over time, in order to retire its debt.
State implementing agency	Any organization/institution including non-governmental organization which is authorized by the State Government to receive the funds from the Government of India for implementing specific programmes in the State, e.g. State implementation society for Sarva Siksha Abhiyan and State Health Mission for National Rural Health Mission, etc.
Sufficiency of non-debt receipts	Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.
Supplementary grants	If the amount authorized by any law made in accordance with the provisions of Article 114 of the Constitution of India to be expended for a particular service for the current financial year is found to be insufficient for the purpose or when a need has arisen during the current financial year for additional expenditure upon some ‘new service’ not contemplated in the original budget for that year, Government is to obtain supplementary grants or appropriations in accordance with the provision of Article 115 (1) of the Constitution of India.
Surrenders of unspent provision	Departments of the State Government are to surrender to the Finance Department, before the close of the financial year, all the anticipated unspent provisions noticed in the grants or appropriations controlled by them. The Finance Department is to communicate the acceptance of such surrenders, as are accepted by them to the Audit Officer and/or the Accounts Officer, as the case may be, before the close of the financial year.
Suspense and Miscellaneous	Items of receipts and payments which cannot at once be taken to a final head of receipt or charge owing to lack of information as to their nature or for any other reasons, may be held temporarily under the major head “8658-Suspense Account” in the sector “L-Suspense and Miscellaneous” of the Accounts. A service receipt of which full particulars are not given must not be

	<p>taken to the head “Suspense Account” but should be credited to the minor head “Other Receipt” under the revenue major head to which it appears to belong pending eventual transfer to the credit of the correct head on receipt of detailed particulars. (Footnotes under the major head in the list of major/minor heads of account may be referred to for further guidance).</p>
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Appendix 3.1
(Refers to Paragraph 3.1, Page 47)

Outstanding utilisation certificates as on 31 March 2009

(Rupees in lakh)

Sr. No.	Department	Year of payment of grant	Total grants paid		Utilization Certificates			
			Number	Amount	Received		Outstanding	
					Number	Amount	Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I	Rural Development and Panchayats	2001-02	1	306.50	-	-	1	306.50
		2006-07	27	9256.82	-	579.24	27	8677.58
	TOTAL		28	9563.32	-	579.24	28	8984.08
II	Family Welfare	2005-06	2	38.29	-	-	2	38.29
III	Planning	2006-07	23	717.87	19	336.48	4	381.39
IV	Education	2007-08	221	17209.83	217	15739.97	4	1469.86
V	Medical	2007-08	7	737.17	5	425.75	2	311.42
	GRAND TOTAL		281	28266.48	241	17081.44	40	11185.04

Appendix 3.2
(Refers to Paragraph 3.2, Page 48)

Status of the Accounts and the Audit Reports of the autonomous bodies

Sr. No.	Name of the body	Period upto which audit entrusted	Year upto which accounts were rendered	Period upto which Separate Audit Report was issued	Placement of SAR in the Legislature	Period of delay in submission of accounts
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Punjab Legal Service Authority Chandigarh	N.A.	<u>2008-09</u> 2-9-09	2007-08	upto 2005-06	2 months
2.	Pushpa Gujral Science City Society, Kapurthala	2004-05 to 2008-09	<u>2007-08</u> 19-5-09	2007-08	Not submitted	10 months 19 days
3.	Punjab State Human Rights Commission Chandigarh	2001-02	<u>2001-02</u> 15-9-08	2001-02	pending from 1997-98 to 2000-01	6 years 2 months 15 days
4.	Punjab Labour Welfare Board Chandigarh	2001-02 to 2004-05	<u>2001-02</u> 24-8-09	1999-2000	Yet to be presented	8 years 1 month 24 days
5.	Punjab Khadi and Village Industries Board, Chandigarh	2002-03 to 2006-07	<u>2002-03</u> 18-5-06	2002-03	N.A.	2 years 10 months 18 days

Appendix 3.3
(Refers to Paragraph 3.4.1, Page 50)

Cases of losses written off during 2008-09

Sr. No.	Brief particulars	Authority sanctioning write off	No. of cases	Amount in Rs
1.	Principal/Interest of HBA	Principal Secretary to Government of Punjab.	48	1,46,55,115
2	Fire to tent		1	63,990
3	Death of animals	Director General of Police.	12	2,50,950
4	Fire to Government vehicles		1	16,422
5	Briefcases		1	2,149
	Total		63	1,49,88,626

Say Rs 1.50 crore.

Appendix 2.1

(Refers to Paragraph 2.1, Page 37)

Statement of grants/appropriations where savings occurred

(Rupees in crore)

Sr. No.	No. of grant/appropriation	Savings
Voted (Revenue)		
1	1	147.45
2	2	46.96
3	3	20.91
4	4	14.51
5	5	389.67
6	6	8.30
7	7	23.87
8	9	237.35
9	10	24.78
10	11	191.30
11	12	68.17
12	13	1.46
13	14	6.59
14	15	45.77
15	16	22.27
16	17	261.80
17	18	2.55
18	19	24.42
19	22	136.56
20	23	637.53
21	24	29.61
22	25	140.92
23	26	2.12
24	27	32.07
25	28	5.06
26	29	37.12
27	30	1.49
Charged (Revenue)		
28	1	0.05
29	2	0.13
30	5	0.68
31	6	0.09
32	7	0.02
33	10	0.07
34	11	0.03
35	18	0.29
36	21	2.29
37	22	0.12
38	25	0.04
39	26	0.07
40	27	0.02
41	29	0.01
42	30	0.08

Voted (Capital)		
43	1	8.38
44	2	6.77
45	4	0.50
46	5	151.99
47	9	1.80
48	10	16.21
49	11	136.65
50	12	12.95
51	13	57.14
52	14	0.01
53	15	193.56
54	16	9.90
55	17	164.98
56	18	3.50
57	19	58.09
58	21	951.43
59	22	14.45
60	23	71.80
61	24	3.27
62	25	5.25
63	27	49.51
64	28	14.17
65	29	4.52
Voted (Public Debt)		
66	8	5.74
Charged (Public Debt)		
67	8	157.53
	Total	4664.70

Appendix 2.2
(Refers to Paragraph 2.2.1, Page 38)

Statement of grants/appropriations where saving in each case was more than Rs 10 crore each or more than 20 per cent of the total provision

(Rupees in crore)

Sr. No.	Grant No	Name of the grant/appropriation	Total grant/appropriation	Savings	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
		(Revenue-Voted)			
1.	1	Agriculture and Forests	625.54	147.45	23.57
2.	3	Co-operation	86.20	20.91	24.25
3.	4	Defence Services Welfare	38.24	14.51	37.94
4.	7	Excise and Taxation	86.97	23.87	27.45
5.	9	Food and Supplies	362.71	237.35	65.44
6.	16	Labour and Employment	43.45	22.27	51.25
7.	17	Local Government, Housing and Urban Development	306.80	261.80	85.33
8.	23	Rural Development and Panchayats	1014.54	637.53	62.84
9.	24	Science, Technology and Environment	31.60	29.61	93.70
10.	27	Technical Education and Industrial Training	130.60	32.07	24.56
		(Capital-Voted)			
11.	5	Education	271.25	151.99	56.03
12.	10	General Administration	16.21	16.21	100.00
13.	11	Health and Family Welfare	160.69	136.66	85.05
14.	13	Industries	77.18	57.14	74.03
15.	15	Irrigation and Power	916.85	193.56	21.11
16.	19	Planning	172.18	58.09	33.74
17.	21	Public Works	1845.55	951.43	51.55
18.	22	Revenue and Rehabilitation	20.00	14.45	72.25
19.	23	Rural Development and Panchayats	224.56	71.80	31.97
20.	27	Technical Education and Industrial Training	81.29	49.52	60.92
21.	28	Tourism and Cultural Affairs	31.31	14.16	45.23
		Total	6543.72	3142.38	48.02

Appendix 2.3
(Refers to Paragraph 2.2.7, Page 42)

**Statement showing cases where supplementary provision
(Rs one crore or more in each case) proved unnecessary**

(Rupees in crore)

Sr. No.	Number and Name of the Grant	Original Provision	Actual expenditure	Savings out of Original provision	Supplementary provision
	A Revenue (Voted)				
1	01-Agriculture and Forests	610.52	478.09	132.43	15.02
2	02-Animal Husbandry and Fisheries	254.84	210.60	44.24	2.72
3	05-Education	3138.77	2982.88	155.89	233.78
4	06-Elections	40.85	40.71	0.14	8.16
5	07-Excise and Taxation	84.24	63.10	21.14	2.73
6	9-Food and Supplies	361.48	125.36	236.12	1.24
7	10-General Administration	117.51	100.49	17.02	7.77
8	11-Health and Family Welfare	915.76	862.61	53.15	138.14
9	14-Information and Public Relations	29.68	25.90	3.78	2.81
10	17-Local Government, Housing and Urban Development	302.04	45.00	257.04	4.76
11	19-Planning	128.86	113.85	15.01	9.41
12	23-Rural Development and Panchayats	979.53	377.01	602.52	35.01
13	25-Social and Women Welfare and Welfare of Scheduled Castes and Backward Classes	768.90	743.44	25.46	115.45
Total for Revenue (Voted)		7732.98	6169.04	1563.94	577.00

	B Capital (Voted)				
14	05-Education	269.60	119.26	150.34	1.65
15	11- Health and Family Welfare	76.04	24.03	52.01	84.64
16	12-Home Affairs and Justice	125.94	116.56	9.38	3.57
17	19-Planning	146.65	114.09	32.56	25.53
18	21-Public Works	1753.65	894.12	859.53	91.90
19	23- Rural Development and Panchayats	165.80	152.76	13.04	58.76
20	28-Tourism and Cultural Affairs	17.96	17.14	0.82	13.35
Total-capital (Voted)		2555.64	1437.96	1117.68	279.40
Grant Total		10288.62	7607.00	2681.62	856.40

Appendix 2.4
(Refers to Paragraph 2.2.8, Page 42)

Statement showing excess/unnecessary re-appropriation of funds
(Rupees in crore)

Sr. No.	Grant No.	Description	Head of Account	Re-appropriation	Final Saving (-)
1	1	Agriculture and Forests	2401-Crop Husbandry, Horticulture and Vegetable Crops, Revival of 5 Cirrus Centres in the State (Plan)	5.00	-10.00
2	1	Agriculture and Forests	2401-Crop Husbandry, Extension and Farmers' training, Support to State Extension Programme(CSS)	2.70	-2.70
3	1	Agriculture and Forests	2402-Soil and Water Conservation, Soil Conservation, Centrally Sponsored Scheme for Micro Irrigation on Horticulture (CSS)	2.00	-8.00
4	2	Animal Husbandry and Fisheries	2403-Animal Husbandry, Veterinary Services and Animal Health, Setting up of new Poly clinics and strengthening of Veterinary Institutions in the State under RIDF XIV Project NABARD (Plan)	2.99	-2.99
5	6	Elections	2015-Elections, Other Expenditure, Electoral Officers	3.89	-4.23
6	8	Finance	2071-Pension and Other Retirement Benefits, Civil, Government Contribution for Defined Contribution to Pension Scheme, Government Contribution for Defined Contribution to Pension Scheme	2.89	-36.67
7	11	Health and Family Welfare	2210-Medical and Public Health, Urban Health Services-Allopathy, Hospital and Dispensaries, Medical Relief to Other Hospitals and Dispensaries	9.50	-13.82
8	11	Health and Family Welfare	2210-Medical and Public Health, Public Health, Prevention and Control of Diseases, National Malaria Eradication Programme (Rural)	2.15	-3.85
9	11	Health and Family Welfare	2210-Medical and Public Health, Urban Health Services, Hospital and Dispensaries, Upgradation and Expansion of Existing Health Institutions (Plan)	2.47	-2.50
10	14	Information and Public Relations	2220-Information and Publicity, Others, Advertising and Visual Publicity, Display Advertisement (Plan)	2.19	-2.84
11	15	Irrigation and Power	2700-Major Irrigation 01-Sirhind Canal System-Commercial 001-Direction and Administration 01-Direction	2.23	-60.12
12	15	Irrigation and Power	4700-Capital Outlay on Major Irrigation, Low Dam in Kandi Area (NABARD)-Commercial, Direction and Administration, Works Expenditure (Plan)	2.29	-4.26
13	15	Irrigation and Power	4701-Capital Outlay on Medium Irrigation, Raising Capacity of Main Branch Canal from RD 18300 to 23900 R-Commercial, Other Expenditure, Works Expenditure (Plan)	2.28	-2.29

14	15	Irrigation and Power	4701-Capital Outlay on Medium Irrigation 13-Remodelling/Construction of Distributories/Minors-Commercial 800-Other Expenditure 08-Works Expenditure (Plan)	2.01	-88.44
15	15	Irrigation and Power	4701-Capital Outlay on Medium Irrigation, Rehabilitation of Sidhwan Branch (AIBP)-Commercial, Other Expenditure, Works Expenditure (Plan)	4.23	-4.24
16	15	Irrigation and Power	4701-Capital Outlay on Medium Irrigation, Remodelling/Rehabilitation/Minors/RIDF XIII Other Expenditure, Works Expenditure (Plan)	4.25	-4.26
17	15	Irrigation and Power	4711-Capital Outlay on Flood Control Projects, Flood Control, Direction and Administration	5.00	-6.95
18	21	Public Works	5054-Capital Outlay on Roads and Bridges, Bridges, Land acquisition for Identification/Corridors (Plan)	9.66	-13.66
19	21	Public Works	4059-Capital Outlay on Public Works, General, Construction, Courts (CSS)	15.00	-35.00
20	21	Public Works	4059-Capital Outlay on Public Works, General, Construction, Renovation of Punjab Bhawan, New Delhi	2.00	-2.00
21	21	Public Works	5053-Capital Outlay on Civil Aviation, Air Ports, Aerodromes, Expansion of International Airport, Amritsar and Sahnewal (Plan)	143.55	-163.55
22	25	Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes, Welfare of Backward Classes, Education, Scheme of Post Matric Scholarship for students belonging to Minority Communities (CSS)	7.50	-11.93
23	25	Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes, Welfare of Backward Classes, Education, Merit cum Means Based Scholarship to Students belonging to Minority Communities (CSS)	2.00	-5.60
				Total	-489.90

Appendix 2.5
(Refers to Paragraph 2.2.9, Page 43)

Statement of grants/appropriations in which savings were not surrendered (Rupees in crore)

I - Grant		
Sr. No.	Number and Name of grant/appropriation	Saving
Revenue (Voted)		
1	07-Excise and Taxation	23.87
2	9-Food and Supplies	237.35
3	10-General Administration	24.78
4	12-Home Affairs and Justice	68.17
5	13-Industries	1.46
6	14-Information and Public Relations	6.59
7	15-Irrigation and Power	45.77
8	16-Labour and Employment	22.27
9	17-Local Government, Housing and Urban Development	261.80
10	18-Personnel and Administrative Reforms	2.55
11	19-Planning	24.42
12	22-Revenue and Rehabilitation	136.56
13	23-Rural Development and Panchayats	637.53
14	26-State Legislature	2.12
15	27-Technical Education and Industrial Training	32.07
16	28-Tourism and Cultural Affairs	5.05
17	29-Transport	37.12
18	30-Vigilance	1.49
Capital (Voted)		
19	10-General Administration	16.21
20	13-Industries	57.14
21	16-Labour and Employment	9.90
22	17-Local Government, Housing and Urban Development	164.98
23	18-Personnel and Administrative Reforms	3.50
24	19-Planning	58.09
25	22-Revenue and Rehabilitation	14.45
26	23-Rural Development and Panchayats	71.80
27	25- Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	5.25
28	27-Technical Education and Industrial Training	49.51
29	29-Transport	4.52
II-Appropriation		
Revenue (Charged)		
30	21-Public Works	2.29
Capital (Charged)		
31	08-Finance	157.52
Total		2186.13

Appendix 2.6
(Refers to Paragraph 2.2.9, Page 43)

Details of grants/appropriations in which saving of Rs 7.50 crore and above in each case was not surrendered

(Rupees in crore)

Sr. No.	Number and name of grants/sppropriation	Saving	Surrender	Saving which remained to be surrendered
1	2	3	4	5
Revenue (Voted)				
1.	01-Agriculture and Forests	147.45	48.04	99.41
2.	02-Animal Husbandry and Fisheries	46.96	17.15	29.81
3.	03-Co-operation	20.91	12.29	8.62
4.	04-Defence Services Welfare	14.51	5.16	9.35
5.	05-Education	389.67	25.81	363.86
6.	06-Elections	8.30	0.11	8.19
7.	11-Health and Family Welfare	191.30	2.49	188.81
8.	24-Science, Technology and Environment	29.61	11.69	17.92
9.	25- Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	140.92	0.47	140.45
Capital (Voted)				
10	05-Education	151.99	2.00	149.99
11.	11-Health and Family Welfare	136.66	1.24	135.42
12.	12-Home Affairs and Justice	12.95	5.45	7.50
13.	15-Irrigation and Power	193.56	4.00	189.56
14.	21-Public Works	951.43	103.67	847.76
15.	28-Tourism and Cultural Affairs	14.16	0.65	13.51
	Total	2450.38	240.22	2210.16

Audit Report on State Finances for the year ended 31 March 2009

2007-08	Receipts		2008-09	2007-08	Disbursements			2008-09	
						Non Plan	Plan	Total	
		Section B Others							
825.87		III-Opening Cash balance including Permanent Advances and Cash Balance Investment	1101.28		III Opening Overdraft from Reserve Bank of India	-	-	-	Nil
0.70	-	IV – Misc Capital Receipts	1.12	2191.60	IV-Capital Outlay-	255.25	2602.68	2857.93	2857.93
				135.22	<u>General Services</u>	109.98	76.93	186.91	
				490.08	<u>Social Services-</u>	2.58	1142.26	1144.84	
				53.79	-Education, Sports, Art and Culture	0.02	183.52	183.54	
				4.82	-Health and Family Welfare	1.83	22.23	24.06	
				428.03	-Water Supply, Sanitation Housing and Urban Development	0.69	913.01	913.70	
				-	-Information and Broadcasting	-	-	-	
				-	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.04	-	0.04	
				0.01	-Social Welfare and Nutrition	-	-	-	
				3.43	-Others	-	23.50	23.50	
				1566.30	<u>Economic Services-</u>	142.69	1383.49	1526.18	
				4.99	-Agriculture and Allied Activities	8.03	13.36	21.39	
				101.29	-Rural Development	43.77	108.44	152.21	
					-Special Areas Programmes	-	-	-	
				410.67	-Irrigation and Flood Control	74.63	468.13	542.76	
				44.14	Energy	-	142.52	142.52	
				0.08	Industry and Minerals	0.04	19.99	20.03	
				902.43	Transport	16.21	491.02	507.23	
				(-).75	Science Technology and Environment	-	10.06	10.06	
				105.45	General Economic Services	0.01	129.97	129.98	
		TOTAL	1102.40		TOTAL	255.25	2602.68	2857.93	2857.93
1445.15		V Recoveries of Loans and Advances	77.63	34.85	V-Loans and Advances Disbursed	48.83	6.24	55.07	55.07
	1365.33	-From Power Projects	4.23	-	-For Power Projects	-	-	-	
	77.60	-From Government Servants	70.79	24.63	-To Government Servants	-	-	24.41	
	2.22	-From others	2.61	10.22	-To Others	-	-	30.66	

2007-08	Receipts			2008-09	2007-08	Disbursements			2008-09
						Non Plan	Plan	Total	
	-	VI-Revenue surplus brought down	-	-	3823.24	VI-Revenue Deficit Brought down			3856.20
6050.64		VII- Public debt receipts-		6432.25	2107.65	VII-Repayment of Public Debt			2288.52
		-External Debt	-			-External Debt	-	-	
	5232.58	-Internal debt other than ways and means Advances and Overdraft	5701.14		1360.97	-Internal debt other than ways and means Advances and Overdraft		1662.01	
-	388.43	-Net transactions under Ways and Means Advances	453.39		388.43	-Net transactions under Ways and Means Advances		453.39	
		-Net transactions under overdraft				-Net transactions under overdraft			
	429.63	-Loans and Advances from Central Government	277.72		358.25	-Repayment of Loans and Advances to Central Government		173.12	
		VIII- Appropriation to Contingency fund	-	Nil		VIII- Appropriation to Contingency fund			Nil
		IX-Amount transferred to Contingency fund	-	Nil		IX-Expenditure from Contingency fund			Nil
19687.47		X-Public Account Receipts		24306.23	18751.22	X-Public Account Disbursement	-	-	22590.85
	1874.70	-Small Savings and Provident funds	2054.03		1238.87	-Small Savings and Provident funds		1333.69	
	387.80	-Reserve funds	510.24		203.47	-Reserve funds		151.45	
	12728.12	-Suspense and Miscellaneous	16067.12		12689.66	-Suspense and Miscellaneous		16065.06	
	1922.95	-Remittances	1673.21		1910.79	-Remittances		1684.00	
	2773.90	-Deposits and Advances	4001.63		2708.43	-Deposits and Advances		3356.65	
		XI Closing Overdraft from Reserve Bank of India		NIL	1101.27	XI Cash Balance at end			269.94
						Cash in Treasuries and Local Remittances	-	-	
					75.52	Deposits with Reserve Bank	-	-	(-) 301.18
						Departmental cash balance including permanent advances	-	-	374.00
					824.70	Cash Balance Investment	-	-	197.12
		Total Section-B		31918.51					31918.51
28009.83				56487.50	28009.83	Total			56487.50

Appendix 1.1 (Continued)
Part B – Summarized financial position of the Government of Punjab as
on 31 March 2009

(Rupees in crore)

As on 31.03.2008	LIABILITIES	As on 31.03.2009
41025.28	Internal Debt -	45064.41
13228.34	Market Loans bearing interest	17873.81
0.20	Market Loans not bearing interest	0.15
4.33	Loans from Life Insurance Corporation of India	3.39
27792.41	Loans from other Institutions	27187.06
-	Ways and Means Advances	-
-	Overdrafts from Reserve Bank of India	-
3284.34	Loans and Advances from Central Government -	3388.92
0.33	Pre 1984-85 Loans	0.32
44.29	Non-Plan Loans	40.96
3179.07	Loans for State Plan Schemes	3293.56
-	Loans for Central Plan Schemes	-
60.65	Loans for Centrally Sponsored Plan Schemes	54.08
25.00	Contingency Fund	25.00
8613.28	Small Savings, Provident Funds, etc.	9333.62
1337.70	Deposits	1982.67
1722.04	Reserve Funds	2080.84
87.33	Remittance Balances	76.54
56094.97	TOTAL	61952.00
	ASSETS	
19680.31	Gross Capital Outlay on Fixed Assets -	22537.12
3835.65	Investments in shares of Companies, Corporations, etc.	3841.36
15844.66	Other Capital Outlay	18695.76
4122.64	Loans and Advances -	4100.08
2770.19	Loans for Power Projects	2765.96
1151.63	Other Development Loans	1179.68
200.82	Loans to Government servants and Miscellaneous loans	154.44
0.68	Reserve Fund Investments	0.68
0.63	Advances	0.61
(-) 9.19	Suspense and Miscellaneous Balances	(-) 11.25
1100.60	Cash (excluding investments RF)	269.26
-	Cash in Treasuries and Local Remittances	-
75.52	Deposits with Reserve Bank	(-) 301.18
200.17	Departmental Cash Balance	373.10
0.21	Permanent Advances	0.22
824.70	Cash Balance Investments	197.12
31199.30	Deficit on Government Account -	35055.50
3823.24	(i) Less Revenue Surplus of the current year	3856.20
-	(ii) Miscellaneous Deficit	-
27376.06	Accumulated deficit at the beginning of the year	31199.30
56094.97	TOTAL	61952.00

Appendix 1.2
(Refers to Box 1.2, Page 4)

Outcome indicators of the State's Own Fiscal Correction Path

(Rupees in crore)

	Base year estimate	2004-05 (A/cs)	2005-06 (Target)	2006-07 (Target)	2007-08 (Target)	2008-09 (Target)	2009-10 (Target)
1	2	3	4	5	6	7	8
A. STATE REVENUE ACCOUNT							
1. Own Tax Revenue	5558.90	6944.61	8630.00	9710.75	11073.50	12500.05	14126.55
2. Own Non-tax Revenue(Lotteries Net)	1607.92	2727.68	1402.52	1477.43	1664.13	1765.00	1876.35
3. Own Tax+Non-Tax Revenue (1+2)	7166.83	9672.29	10032.52	11188.18	12737.63	14265.05	16002.90
4. Share in Central Taxes & Duties	671.45	902.35	1234.55	1419.75	1632.70	1877.60	2159.25
5. Plan Grants	395.48	416.33	1191.79	1310.95	1442.09	1586.25	1744.88
6. Non-Plan Grants	199.90	186.14	1773.63	1316.73	1055.03	410.37	420.21
7. Total Central Transfer (4 to 6)	1266.83	1504.82	4199.97	4047.43	4129.82	3874.22	4324.34
8. Additional Resources Mobilization (ARM)	-	-	--	135.00	483.00	862.00	945.00
9. Total Revenue Receipts (3+7+8) (Lotteries Net)	8433.66	11177.11	14232.49	15370.61	17350.45	19001.27	21272.24
10. Plan Expenditure (budgeted)	729.08	465.56	1814.89	1869.35	1925.40	1983.20	2042.65
11. Non-plan Expenditure(12 to 17)	11403.94	14102.10	14552.78	15397.73	16149.80	17016.10	17931.60
12. Salary and wages	4432.63	5412.25	5882.45	6235.40	6609.50	7006.10	7426.45
13. Pension	1259.74	1513.82	1580.00	1695.00	1807.90	1952.55	2108.75
14. Interest Payments	3441.43	3981.50	4073.26	4236.20	4405.65	4581.85	4765.15
15. Subsidies-General	7.90	10.12	10.29	10.80	11.35	11.90	12.50
16. Subsidies-Power	851.08	2172.48	1435.43	1570.43	1583.00	1662.00	1745.00
17. Other Expenditure	1411.16	1011.93	1571.35	1649.90	1732.40	1801.70	1873.75
18. Total Revenue Expenditure (10+11)- Net Lotteries under Non-Tax Revenue (Lotteries Net)	12133.02	14567.66	16367.67	17267.08	18075.20	18999.30	19974.25
19. Salary+Interest+Pension (12+13+14)	9133.80	10907.57	11535.71	12166.60	12823.05	13540.50	14300.35
20. As% of Revenue Receipts (Lotteries Net) (19/9)	109.20	97.59	81.05	79.15	73.91	71.26	67.23
21. Revenue Surplus (+) Deficit (-) (9-18)	-3699.36	-3390.55	-2135.18	-1896.47	-724.75	+1.97	+1297.99
B. CONSOLIDATED REVENUE ACCOUNT:							
1. Power Sector loss/profit net of actual subsidy transfer	-89.02	-591.18	+32.00	+32.00	+32.00	+32.00	+32.00
2. Increase in debtors during the year in power utility accounts (increase(-))	123.00	129.78	135.00	140.00	145.00	150.00	155.00
3. Interest payment on off budget borrowings	-	-	-	-	-	-	-
4. SPV borrowings made by PSU/SPU outside budget	-	-	-	-	-	-	-
5. Total (1 to 3)	33.98	-461.40	+167.00	+172.00	+177.00	+182.00	+187.00
6. Consolidated Revenue Deficit (A. 21+B4)	-3665.38	-3851.95	-1968.18	-1724.47	-547.75	+183.97	+1484.99
C. CONSOLIDATED DEBT							
1. Outstanding debt and liability							
2. Total Outstanding guarantee (Long term)of which (a) guarantee on accounts off budgeted borrowing and SPV borrowing	6807.43	3379.00 (RE)	3618.38	3725.75	3911.61	4107.19	4312.55
D. CAPITAL ACCOUNT							
1. Capital Outlay	689.80	761.40	1650.00	2200.00	3000.00	4000.00	4500.00
2. Disbursement of Loans and Advances	720.69	96.80	100.00	100.00	100.00	100.00	100.00
3. Recovery of Loans and Advances	360.20	133.81	200.81	147.19	161.91	178.10	195.91
4. Other Capital Receipts	3108.30	3150.07	3882.49	3472.88	3646.52	3828.84	4020.28
E. GROSS FISCAL DEFICIT (GFD)	-4749.65	-4114.94	-3684.37	-4049.28	-3662.84	-3919.93	-3106.10
F. PRIMARY SURPLUS (+) DEFICIT (-)	-1308.23	-133.44	+388.89	+186.92	+742.81	+661.92	+1659.05
Assumed Growth Rate GSDP (Actual/Assumed Nominal) Growth Rate (%)	81147	97452	98071	108859	120834	134126	148880
G. GFD as percentage of GSDP	5.85	4.22	3.76	3.72	3.03	2.92	2.09

Appendix 1.3
(Refers to Paragraphs 1.3, 1.7.2 and 1.9.3, Pages 8, 25 and 32)

Time Series Data on State Government finances

(Rupees in crore)

	2004-05	2005-06	2006-07	2007-08	2008-09
Part A. Receipts					
1. Revenue Receipts	13807	16966	20567	19238	20713
(i) Tax Revenue	6944 (50)	8989 (53)	9017 (44)	9899 (51)	11150 (54)
Taxes on Sales, Trades etc.	3816(55)	4627(51)	4829(54)	5342(54)	6436 (58)
State Excise	1487(21)	1568(17)	1368(15)	1862(19)	1810 (16)
Taxes on vehicles	404(6)	431(5)	468(5)	499(5)	524 (5)
Stamps and Registration fees	966(14)	1671(19)	1804(20)	1568(16)	1730 (16)
Land Revenue	14	16	15	17	16
Other Taxes	258 (4)	676 (8)	533 (6)	611 (6)	634 (5)
(ii) Non-Tax Revenue	5358(39)	4536(27)	7745(38)	5254(27)	5784 (28)
(iii) State's share of Union taxes and duties	903(7)	1228(8)	1566(7)	1975(10)	2084 (10)
(iv) Grants in aid from GOI	602(4)	2213(13)	2240(11)	2110(11)	1695 (8)
2. Misc Capital Receipts	-	-	-	1	1
3. Recoveries of Loans and Advances	134	137	395	1445	78
4. Total revenue and Non-debt capital receipts (1+2+3)	13941	17103	20962	20684	20792
5. Public Debt Receipts	6361	4578	4275	5662	5979
Internal Debt (excluding Ways & Means Advances and Overdrafts)	5791	4837	4254	5232	5701
Net transactions under Ways and Means advances and Overdrafts	22	(-) 283	-	-	-
Loans and Advances from Government of India	548	24	21	430	278
6. Total receipts in the Consolidated Fund (4+5)	20302	21681	25237	26346	26771
7. Contingency Fund Receipts	-	-	-	-	-
8. Public Account Receipts	12846	15648	18357	19687	24306
9. Total receipts of the State (6+7+8)	33148	37329	43594	46033	51077
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	17198(95)	18207(92)	18544(86)	23061(91)	24569 (89)
Plan	466(3)	961(5)	981(5)	1164(5)	1422 (6)
Non-Plan	16732(97)	17246(95)	17563(95)	21897(95)	23147 (94)
General Services including interest payments	9850 (57)	10516 (58)	10339 (56)	12892 (56)	14032 (57)
Social Services	3536(20)	3602(20)	4104(22)	4333(19)	5483 (22)
Economic Services	3738(21)	3714(19)	3773(20)	5479(24)	4744 (19)
Grants in aid and Contributions	74	374(2)	328(2)	357(2)	310 (2)
11. Capital Expenditure	761(4)	1517(8)	2586(12)	2192(9)	2858 (10)
Plan	650(85)	1313(13)	2360(91)	1920(88)	2603 (91)
Non-Plan	111(15)	204(87)	226(9)	272(12)	255 (9)
General Services	51(7)	90(6)	94(4)	135(6)	187 (7)
Social Services	92(12)	344(23)	370(14)	490(22)	1145 (40)
Economic Services	618(81)	1083(71)	2122(82)	1567(72)	1526 (53)
12. Disbursement of Loans and Advances	97(0.5)	33(0.17)	444(2)	35(0.14)	55 (0.20)
13. Total (10+11+12)	18056	19757	21574	25288	27482
14. Repayments of Public Debt	2817	1111	5171	1719	1835

Internal Debt (excluding Ways and Means Advances and Overdraft)	448	909	1142	1361	1662
Net transactions under Ways and Means advances and Overdraft	-	-	-	-	-
Loans and Advances from Government of India	2369	202	4029	358	173
15. Appropriation to Contingency Fund	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	20873	20868	26745	27007	29317
17. Contingency Fund disbursements	-	-	-	-	-
18. Public Account disbursements	11794	15154	17791	18751	22591
19. Total disbursements by the State (16+17+18)	32667	36022	44536	45758	51908
Part C. Deficits					
20. Revenue Deficit (1-10)	(-)3391	(-)1241	(+)2023	(-)3823	(-) 3856
21. Fiscal Deficit (3+4 – 13)	(-)4115	(-)2654	(-)612	(-)4604	(-) 6690
22. Primary Deficit (21-23)	(-)134	(+)1061	(+)3540	(-)77	(-) 1788
Part D. Other data					
23. Interest Payments (included in the revenue expenditure)	3981	3715	4152	4527	4902
24. Financial Assistance to local bodies etc.	352	395	594	694	611
25. Ways and Means Advances/Overdraft availed (days)	273	22	-	40	23
Ways and Means Advances availed (days)	156	22	-	40	23
Overdraft availed (days)	117	-	-	-	-
26. Interest on WMA/Overdraft	10/2	-	-	1	1
27. Gross State Domestic Product (GSDP)#	96660	108653	121189	138467	158972
28. Outstanding fiscal liabilities (year end)	47403	51364	51035	55982	61850
29. Outstanding Guarantees (year end) (Including interest)	8884	8851	13919	11014	25868
30. Maximum amount guaranteed (year end)	23420	22086	25697	26094	46815
31. Number of incomplete projects	10	11	11	11	13
32. Capital blocked in incomplete projects	882	776	1350	956	1177
Part E. Fiscal Health Indicators					
I Resource Mobilization					
Own Tax revenue/GSDP	7.18	8.27	7.44	7.15	7.01
Own Non-tax revenue/GSDP	5.54	4.18	6.39	3.79	3.64
Central Transfers/GSDP	0.93	1.13	1.29	1.43	1.31
II Expenditure Management					
Total Expenditure/GSDP	18.68	18.18	17.80	18.26	17.29
Total Expenditure/Revenue Receipts	130.77	116.45	104.90	131.45	132.68
Revenue Expenditure/Total Expenditure	95.25	92.15	85.96	91.19	89.40
Expenditure on Social Services/ Total Expenditure	20.09	19.97	20.74	19.07	24.12
Expenditure on Economic Services/ Total Expenditure	24.13	24.28	27.32	27.86	22.82
Capital Expenditure/Total Expenditure	4.21	7.68	11.99	8.66	10.40
Capital Expenditure on Social & Economic Services/ Total Expenditure	3.94	7.22	11.55	8.13	9.72

III Management of Fiscal Imbalances					
Revenue deficit (surplus)/GSDP	(-) 3.51	(-) 1.14	(+) 1.67	(-) 2.76	(-) 2.43
Fiscal deficit/GSDP	(-) 4.26	(-) 2.44	(-) 0.50	(-) 3.32	(-) 4.21
Primary deficit (surplus)/GSDP	(-) 0.14	(+) 0.98	(+) 2.92	(-) 0.06	(-) 1.13
Revenue Deficit/Fiscal Deficit	82.41	46.76	(-)330.56	83.04	57.64
Primary revenue balance/GSDP	0.75	2.40	5.42	1.56	0.71
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	49.04	47.27	42.11	40.43	38.91
Fiscal Liabilities/RR	343.33	302.75	248.14	291.00	298.61
Primary deficit vis-à-vis quantum spread	(-)107.20	44.06	(-)158.82	(-)5.09	(-) 49.21
Debt Redemption (Principal + Interest)/ Total Debt Receipts	89.28	91.16	150.02	65.90	92.51
V Other Fiscal Health Indicators					
Return on Investment	0.02	0.03	0.05	0.01	0.02
Balance from Current Revenue (Rs in crore)	(-) 3341	(-) 790	2252	(-)3656	(-) 3637
Financial Assets/Liabilities	40.89	43.01	46.59	44.38	43.42

Note: *Figures in brackets represent percentages (rounded) to total of each sub heading.*

Figures of GSDP as furnished by Economic Adviser to Government Punjab and at page no. 540 (Annexure 2A) of Annual Plan (2009-10) Document of Government of Punjab are adopted.

Appendix 1.4
(Refers to Paragraph 1.5.1, Page 16)

Methodology adopted for the assessment of fiscal position

The norms/Ceilings prescribed by the TFC for selected fiscal variable along with its projections for a set of fiscal aggregates and the commitments/projections made by the State Governments in their Fiscal Responsibility Acts and in other Statements required to be laid in the legislature under the Act (**Box 1.2**) are used to make qualitative assessment of the trends and pattern of major fiscal aggregates. Assuming that GSDP is the good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the Gross State Domestic Product (GSDP) at current market prices. The buoyancy coefficients for relevant fiscal variables with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilization of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP.

The trends in GSDP for the last five years are indicated below:

Trends in Gross State Domestic Product (GSDP)

	2004-05	2005-06	2006-07	2007-08	2008-09
Gross State Domestic Product (Rs in crore)	96660 (R)	108653 (R)	121189 (P)	138467 (Q)	158972 (A)
Growth rate of GSDP	7.29	12.41	11.54	14.26	14.81
Source:- Figures of GSDP as furnished by Economic Adviser to Government of Punjab and at page no. 540 (Annexure 2A) of Annual Plan (2009-10) Document of Government of Punjab are adopted.					

R= Revised, P= Provisional, Q= Quick and A= Advance estimates.

The key fiscal aggregates for the purpose are grouped under four major heads:

Methodology for estimating the fiscal capacity

For working out the fiscal capacity of the State Governments, the following methodology given in Twelfth Finance Commission report has been adopted.

Step 1: Calculate the national average of AE-GSDP and CO/DE/ SSE-AE.

Step 2: Based on the national average of AE-GSDP ratio, derive the aggregate expenditure so that no State is having a ratio AEGSDP less than the national average, *i.e.*, if

$$\begin{aligned} \text{AE/GSDP} &= x \\ \text{AE} &= x * \text{GSDP} \dots\dots\dots(1) \end{aligned}$$

where x is the national average of AE-GSDP ratio.

Wherever the States are having AE-GSDP ratio higher than national average, no adjustments were made. Wherever this ratio was less than average, it was made equal to the national average.

Step 3: Based on the national average of DE-AE, SSE-AE and COAE, derive the respective DE, SSE and CO, so that no State is having these ratios less than national average, *i.e.*, if

$$\begin{aligned} \text{DE/AE} &= y \\ \text{DE} &= y * \text{AE} \dots\dots\dots(2) \end{aligned}$$

where y is the national average of DE-AE ratio

Substituting (1) in (2), we get

$$\text{DE} = y * x * \text{GSDP} \dots\dots\dots(3)$$

Wherever the States are having DE-AE, SSE-AE and CO-AE ratio higher than national average, no adjustments have been made. Wherever these ratios were less than average, it was made equal to the national average.

Step 4: Based on the derived DE, SSE and CO as per equation (3), respective per capita expenditure was calculated, *i.e.*,

$$\text{PCDE} = \text{DE/P} \dots\dots\dots(4)$$

where PCDE is the per capita development expenditure and P is the population.

Substituting (3) in (4), we get

$$\text{PDE} = (y * x * \text{GSDP})/\text{P} \dots\dots\dots(5)$$

Equation (5) provides the adjusted per capita expenditure. If the adjusted per capita expenditure is less than the national average of per capita expenditure, then the States' low level of spending is due to the low fiscal capacity. This gives a picture of actual level of expenditure when all the State Governments are attaching fiscal priority to these sectors equivalent to the national average.

The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in glossary (**Appendix 4.1**).