

Chapter 4

APPLICATION OF RESOURCES: EXPENDITURE

4.1 Government expenditure is an important aspect of fiscal policy to achieve developmental goals. Aggregate disbursement of Union Government has four major components (**Box 4.1**).

Box 4.1: Components of Total Disbursements

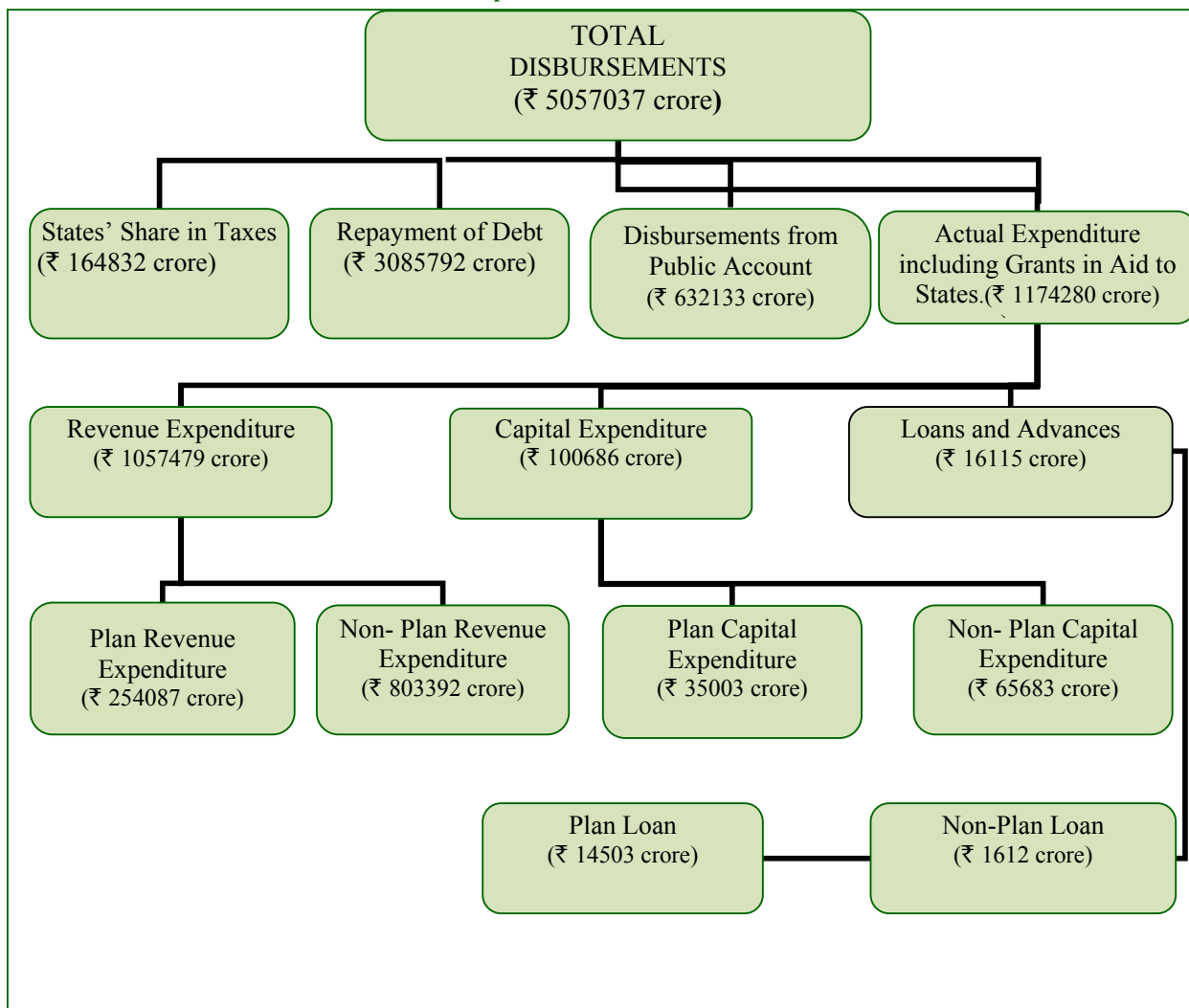


Table 4.1 indicates that the major component of Government disbursements goes towards repayment of debt. The share of debt repayments has been increasing alarmingly from an average of 43 *per cent* in the X Plan to an average of around 57 *per cent* during the first three years of the XI Plan. Since this component limits the expenditure available for current operations, its rapid growth in 2008-09 and 2009-10 is a matter of concern. Detailed analysis of debt has been done in Chapter 5 of this report. The Union Government also cannot exercise control on the share of central taxes to be shared with the States (as this is based on the Finance Commission

Application of Resources: Expenditure

recommendations from time to time) nor on the disbursements from Public Accounts since the Government merely acting as a banker for deposits into this Fund. The amount remaining after disbursing debt payments, State's share of taxes and demand from the Public Account is available for the Government for actual or operational expenditure.

Table 4.1: Components of Total Disbursement

(₹ in crore)

Period	Actual Expenditure	States' share in taxes	Repayment of Debt	Disbursement in Public Account	Total Disbursement	GDP (Market Price)
X Plan (2002-07) (Average)	573852	83040	784611	375206	1816709	3317464
Relative share	32	5	43	21	100	
XI Plan (2007-12)						
2007-08	863575	151800	1604110	425260	3044745	4947857
Relative share	28	5	53	14	100	
2008-09	1102366	160179	2164560	515616	3942721	5574449
Relative share	28	4	55	13	100	
2009-10	1174280	164832	3085792	632133	5057037	6231171*
Relative share	23	3	61	13	100	
Average Annual Rate of Growth (in per cent)						
X Plan (2002-07)	10.86	20.76	47.63	8.92	24.77	14.18
XI Plan (2007-12)						
2007-08	18.70	26.15	8.32	4.65	11.32	15.50
2008-09	27.65	5.52	34.94	21.24	29.49	12.66
2009-10	6.52	2.90	42.56	22.60	28.26	11.78

*The Central Statistical Organization (CSO), Ministry of Statistics and Programme Implementation Press Note dated 31st May, 2010 has indicated that the Advance Estimate figures for GDP at current prices/Market prices is ₹ 62,31,171 crore. Figures are continually being revised by CSO and this data is meant for an indicative comparison of fiscal performance with macro-economic performance.

Note: Figures indicating relative shares have been rounded off to the nearest integer and hence, the total may not always add to 100.

Table 4.1 indicates that the share of actual expenditure fell from 32 per cent in the X Plan period to around 26 per cent on an average in the first three years of the XI Plan, primarily because of the growing share of debt repayments. In the first two years of the XI Plan, the year-on-year growth in actual expenditure was much higher than the annual average growth rate for the X Plan period. In 2009-10, however, actual expenditure grew at a low rate of around 7 per cent, since the previous year saw a tremendous hike in actual expenditure to counter the recessionary trends. The main components of actual expenditure are revenue expenditure, capital expenditure and loans and advances (**Table 4.2**). Capital expenditure, which is more likely to lead to asset creation (provided physical outcomes are realized along with financial outcomes) had a negative growth in 2008-09 but recovered sharply in the current year. Loans and Advances (for social and economic services to educational and health institutions, public sector companies, local bodies, natural calamities etc.) also showed high growth in the first three years of the XI Plan compared to an average negative growth in the X Plan period.

**Report of the CAG on
Union Government Accounts 2009-10**

Table 4.2 Relative share and growth trends of components of expenditure

(₹ in crore)

Period	Revenue Expenditure	Capital Expenditure	Loans & Advances	Actual Expenditure	Revenue Expenditure/ Actual Exp	Others/ Actual Expenditure
X Plan (2002-07) (Average)	500825	46993	26034	573852	87.27	12.73
XI Plan (2007-12)						
2007-08	734861	116937	11777	863575	85.10	14.90
2008-09	1010224	77556	14586	1102366	91.64	8.36
2009-10	1057479	100686	16115	1174280	90.05	9.95
Average Annual Rate of Growth						
X Plan (2002-07)	12.24	19.61	(-) 29.46	10.86		
XI Plan (2007-12)						
2007-08	11.64	97.22	17.55	18.70		
2008-09	37.47	(-)33.68	23.85	27.65		
2009-10	4.68	29.82	10.48	6.52		

4.2 Dominant share of revenue expenditure in actual expenditure

The bulk of actual expenditure goes towards revenue expenditure, which does not usually result in fresh creation of assets for the Government and is meant for normal running and maintenance of Government machinery. During the X Plan period, the average share of revenue expenditure to actual expenditure was around 87 per cent. The share of revenue expenditure increased to around 92 per cent of the actual expenditure in 2008-09 and reduced to around 90 per cent in the current year.

The predominance of revenue expenditure has been primarily on account of a conscious shift in plan priorities in favour of revenue expenditure-intensive programmes and schemes and systemic rigidity in non-Plan revenue expenditure in the short term, particularly arising from committed and obligatory expenditure such as interest payments, pensions, salaries and defence. Moreover, the central support to the State's development activities whether through central assistance or Centrally Sponsored Schemes is classified as revenue expenditure, regardless of the purpose for which it is used by the States and other implementing agencies. There is a divergence in the treatment of accounting heads between revenue and capital by different government agencies and this needs to be standardized to make the data consistent, dependable and comparable.

4.2.1 Revenue expenditure: Trend and components

Revenue expenditure has grown by around 20 per cent during the first three years of the XI Plan compared to a much lower 12 per cent annual average growth in the X Plan period.

Application of Resources: Expenditure

Table 4.3: Revenue expenditure and its components

(₹ in crore)

Period	Revenue Expenditure	Pay & Allowances**	Interest Payments	Pensions	Grants to States	Others #
X Plan (2002-07) (Average)	500825	36728	135860	25539	60676	242022
Relative share	100	7	27	5	12	48
XI Plan (2007-12)						
2007-08	734861	44361	179987	37346	106333	366834
Relative share	100	6	24	5	14	50
2008-09	1010224	71726	200580	45747	121702	570469
Relative share	100	7	20	5	12	56
2009-10	1057479	98980(RE)	223701	66051	136915	531832
Relative share	100	9	21	6	13	51
Average Annual Rate of Growth (per cent)						
X Plan (2002-07)	12.24	4.43	5.40	17.49	21.14	14.70
XI Plan (2007-12)						
2007-08	11.64	11.31	16.66	(-) 4.42	19.65	9.12
2008-09	37.47	61.69	11.44	22.50	14.45	55.51
2009-10	4.68	38.00	11.53	44.38	12.50	(-)6.77

** Notes:

- 1) Figures do not include expenditure on pay and allowances of non-civilian employees of Defence.
- 2) Expenditure on pay and allowances do not include travelling allowance, productivity-linked bonus, ad-hoc bonus, encashment of earned leaves and honorarium.
- 3) The expenditure on pay and allowances are adopted as reported in Expenditure Budget (Volume I) of the relevant years.

The category "others" includes inter-alia explicit subsidies given for Food, Fertilizers and Petroleum products as well as compensation 'under recoveries' towards to corporations and companies in supply of these products.

Table 4.3 shows the expenditure incurred on various components of revenue expenditure in terms of its major object-wise classification.

Pay and Allowances and Pension Payments: The share of pay and allowances in the total revenue expenditure of the Union government was seven *per cent* in the X Plan period. In the first three years of the XI Plan, the average share in Pay and Allowances rose marginally to 8 *per cent* while the share of pensions remained on an average at the same 5 *per cent*. The Pay Commission Award, therefore, did not significantly increase the relative share of these components in the total revenue expenditure of the Government. However, in terms of growth, there was a considerable increase in the growth of these two components in 2008-09 and 2009-10 due to the Pay Commission Award.

Interest Payments: The share of interest payment in the revenue expenditure basket came down from 27 *per cent* in the X Plan period to 22 *per cent* on an average in the first three years of the XI Plan. A detailed discussion of this sub-component is given in Chapter 5.

Grants to States: Plan and Non-plan grants are given to State Governments and Union Territories by the Central government. Details are given in **Table 4.4**.

Table 4.4: Grants -in-aid to State Governments/ Union Territories

(₹ in crore)

Sl. No.	Minor Heads	Period			Growth		Share	
		2007-08	2008-09	2009-10	(in percent)		2008-09	2009-10
Major Head-3601-Grants -in-aid to State Government								
1.	01 Non-plan grants-	34822	36928	44829	6	21	30	33
2.	02 Grants-for state plan schemes	48975	61064	67529	25	11	50	49
3.	03 Grants-for central plan schemes	1366	1907	2147	40	13	2	2
4.	04 Grants-for centrally sponsored plan schemes	20645	21269	21937	3	3	17	16
5.	05 Grants-for special plan schemes	526	535	473	2	(-11)	0	0
Total		106333	121702	136915	14	13	100	100
Major Head-3602-Grants -in-aid to Union Territories								
1.	01 Non-plan grants-	948	1233	1143	30	(-7)	52	28
2.	02 Grants-for Union Territory plan schemes	969	959	2711	-1	183	40	67
3.	03 Grants-for central plan schemes	5	7	6	40	(-14)	0	0
4.	04 Grants-for centrally sponsored plan schemes	123	189	180	53	(-5)	8	4
Total		2044	2388	4039	17	69	100	100

In 2009-10 maximum share of grants-in-aid went to Plan schemes for both States and Union Territories. While there was a significant growth in non-Plan grants to the State Government, there was a negative growth in grants-in-aid to Union Territories. This was primarily because of the low growth of non-Plan grants in 2008-09 for States and very high growth under the same head for Union Territories. Plan grants for Union Territories showed a tremendous growth of 183 *per cent* in the current year.

4.2.2 Other Revenue Expenditure - Subsidies

Table 4.5 presents a picture of the subsidies, which the government provided explicitly during the X Plan period and the first 3 years of the XI Plan. Total subsidies grew by 0.01 *per cent* in the current year over 2008-09. Maximum growth of 34 *per cent* was seen in the case of food while there was a negative growth of 21 *per cent* in the case of urea.

Table 4.5: Explicit Subsidies in the Union Government Budget

(₹ in crore)

Period	Food	Fertilisers@	Fertilisers#	Petroleum Subsidy**	Others*	Total subsidies	Subsidies (A)	Subsidies (B)
Average Annual Values								
X Plan (2002-07)	23941^^	10969	5717	3971	2596	47194	1.42	9.42
XI Plan (2007-12)								
2007-08	31328	19556^	12934	2820	4288	70926	1.43	9.65
2008-09	43751	28048^	48555	2852	6502	129708	2.33	12.84
2009-10	58443	22184	39452	2951	6692	129722	2.08	12.27

@ Indicates the subsidies given on indigenous and imported fertilisers (Urea)

indicates the subsidies given as concession to farmers on the sale of decontrolled fertilisers.

* Others include Interest subsidy, grants given to NAFED, compensation for exchange loss, subsidy for Haj Charters etc,

**Does not include petroleum bonds for ₹17,263 crore, ₹24,122 crore, ₹20,554 crore, ₹75,942 crore and ₹10,306 crore issued during 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 respectively, to Oil Companies in settlement of their claims under Administered Price Mechanism and towards compensation for under recoveries on account of sale of sensitive petroleum products. And also does not include expenditure of ₹12,000 crore during 2009-10 towards compensation for under- recoveries on account of sale of sensitive petroleum products.

^Does not include the Special Bonds for ₹7,500 crore (₹3,500 crore for urea ₹4,000 crore for decontrolled fertilisers) and ₹20,000 crore (₹3,000 crore for urea ₹17,000 crore for decontrolled fertilisers) issued during 2007-08 and 2008-09, respectively, to Fertiliser Companies as compensation towards fertiliser subsidy.

^^ Does not include the Special Securities for ₹16,200 crore issued during 2006-07 to Food Corporation of India.

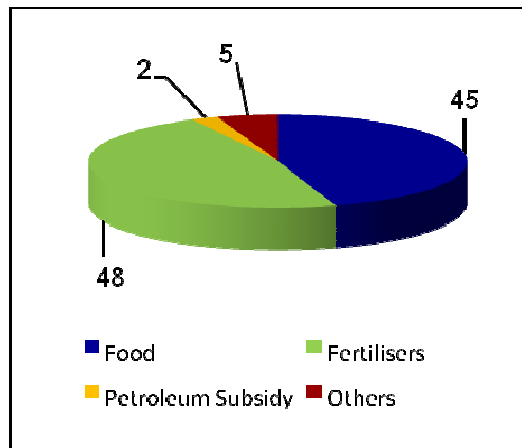
(A) As a percentage of GDP

(B) As a percentage of Revenue expenditure

The main reason for the hefty increase in fertilizer subsidies in 2008-09 was enormous increase in the international price of imported fertiliser (especially Di-Ammonium Phosphate, a decontrolled fertiliser), accompanied by a substantial increase in quantities of imported decontrolled fertilisers. However, during the year 2009-10 there was a substantial reduction in international prices of imported fertilisers, with a marginal reduction in the international prices of imported fertilisers (both urea and decontrolled fertilisers), which translated into reduction in fertiliser subsidy expenditure compared to the year 2008-09. Even after this reduction, the total fertiliser subsidy of ₹ 61,636 crore in 2009-10 was substantially higher than the corresponding subsidy of ₹ 32,490 crore in 2007-08 (excluding special bonds of ₹ 7,500 crore).

Total subsidies as a percentage of GDP increased by almost 1 percentage point in 2008-09 but fell marginally in the current year. Subsidies as a percentage of revenue expenditure increased by 3.19 percentage points in 2008-09 over 2007-08 but were contained to some extent in the current year.

Chart 4.1 Relative share of components of explicit subsidies in 2009-10 (in percent)



Subsidies are dispensed not only explicitly, i.e. through the budget but also by providing subsidised public services to the people. These kinds of subsidies are generally termed as implicit subsidies. Budgetary support to financial institutions and banks, inadequate returns from its investment in PSUs and inadequate recovery of user charges from the social and economic services that are provided by the government fall in the category of implicit subsidies. Subsidies presented in **Table 4.5** pertain to ‘explicit subsidies’ only, for which allocations are made in Union Budgets of the respective years. These trends, therefore, present the partial picture as these are exclusive of the extra-budgetary liabilities created by the Union Government by issuing the special bonds/securities to the concerned companies as compensation for under recoveries of their products due to price control imposed by the government in the public interest. If these extra-budgetary liabilities are also treated as subsidies, the Union government expenditure on subsidies would increase steeply and will more accurately represent the actual expenditure being incurred on subsidies.

Further, as per data on subsidies for the year 2009-10 furnished by CGA, expenditure of ₹ 12,000 crore towards compensation for under recoveries on account of sale of domestic LPG and kerosene (PDS) operations has not been reckoned as petroleum subsidy. It is pertinent to note that the said cash outgo was reckoned as petroleum subsidy at the Revised Estimates Stage enhancing it to the tune of ₹ 14,954 crore, but petroleum subsidy has been shown as ₹ 2,951 crore.

4.3 Expenditure: Plan and non-Plan

The Finance Accounts provide a further dis-aggregation of expenditure into Plan and non-Plan. Plan expenditure normally relates to incremental developmental expenditure on new projects or schemes and involves both revenue and capital

expenditure. Non-Plan expenditure, on the other hand, is normally devoted to maintaining the levels of services already achieved. However, in both Plan and non-Plan expenditure, increase in capital expenditure relative to revenue expenditure is considered qualitatively more desirable as it leads to the extension of the social and economic infrastructure network and capital formation by the Government. **Table 4.6** presents the growth and composition of Plan and non-Plan expenditure of the Union government while the trends in the relative share of Plan and non-Plan expenditure in total expenditure are given in **Table 4.7**.

Table 4.6: Growth in Plan & non-Plan expenditure

(₹ in crore)

Period	Plan				Non Plan			
	Total	Revenue	Capital	Loans	Total	Revenue	Capital	Loans & Advances
X Plan (2002-07) Average	138676	101635	17960	19081	435176	399190	29033	6954
XI Plan (2007-12)								
2007-08	205082	173572	21806	9704	658493	561289	95131	2073
2008-09	275301	234774	28123	12404	827065	775450	49433	2182
2009-10	303593	254087	35003	14503	870687	803392	65683	1612
<i>Average Annual Rate of Growth (per cent)</i>								
X Plan (2002-07)	12.35	21.46	7.30	(-) 28.44	10.38	9.99	28.78	(-) 31.50
XI Plan (2007-12)								
2007-08	10.22	9.43	12.32	20.88	21.61	12.34	138.55	4.12
2008-09	34.24	35.26	28.97	27.82	25.60	38.16	-48.04	5.26
2009-10	10.28	8.23	24.46	16.92	5.27	3.60	32.87	(-)26.12

4.3.1 Growth trends in Plan and non-Plan expenditure: **Table 4.6** indicates that in 2009-10, the growth in Plan expenditure over the previous year was 10.28 per cent (lower than the X Plan growth rate of 12.35 per cent) and that of non-Plan expenditure was 5.27 per cent (higher than the X Plan growth rate of 10.38 per cent). In the case of Plan Loans, compared to the negative growth (-28.44 per cent) during X Plan, there was a significant growth in 2009-10 (16.92 per cent) over the previous year.

4.3.2 Relative share of Plan and non-Plan expenditure in total expenditure: The trends in the composition of Union Government expenditure reveal that non-Plan expenditure far outweighs the Plan expenditure and revenue expenditure completely overshadows capital expenditure. **Table 4.7** indicates that there was a marginal increase in the relative share of Plan expenditure in the total expenditure basket in 2009-10 (25.85 per cent) compared to the X Plan average of 24.17 per cent.

**Report of the CAG on
Union Government Accounts 2009-10**

Table 4.7: Plan and non-Plan Expenditure: Relative Share

(Per cent)

Period	PE/TE	NPE/TE	PRE/PE	NPRE/NPE
X Plan (2002-07) (Average)	24.17	75.83	73.29	91.73
XI Plan (2007-12)				
2007-08	23.75	76.25	84.64	85.24
2008-09	24.97	75.03	85.28	93.76
2009-10	25.85	74.15	83.69	92.27

Note: PE = Plan Expenditure, NPE = Non-plan Expenditure, PRE = Plan Revenue Expenditure, NPRE = Non-plan Revenue Expenditure and TE = Total Expenditure.

Table 4.7 indicates that on an average for X Plan for both plan and non-Plan expenditure, the revenue component remained most dominant (73.29 and 91.73 *per cent* respectively). In comparison with the X Plan, for the year 2009-10, the share of Plan revenue expenditure in Plan expenditure was 83.69 *per cent* while the share of non-Plan revenue expenditure in non-Plan expenditure was higher (92.27 *per cent*). The step up in revenue component of Plan expenditure was largely due to increase in Plan grants to States and also to meet the expenditure commitments under critical social sectors including rural employment, education and health. The increased spending in the socially oriented areas such as rural employment, rural roads, rural water supply, integrated child development services, ‘Sarva Shiksha Abhiyan’, ‘National Rural Health Mission’, ‘National Horticulture Mission’, micro irrigation, and agro and rural industries led to a significant increase in revenue component of the Plan expenditure in recent years.

4.4 Buoyancy of expenditure

Table 4.8: Trends in Buoyancy of expenditure with reference to GDP and Revenue receipts

(in per cent)

Type of Expenditure	2002-2007		2008-09		2009-10		2007-2010	
	GDP	Revenue Receipts	GDP	Revenue Receipts	GDP	Revenue Receipts	GDP	Revenue Receipts
Plan Expenditure	0.871	0.791	2.704	21.432	0.872	1.512	1.773	5.203
Non-Plan Expenditure	0.732	0.664	2.021	16.024	0.448	0.776	1.226	3.599
Revenue Expenditure	0.863	0.783	2.959	23.456	0.397	0.688	1.633	4.792
Capital Expenditure	1.382	1.255	(-)2.659	(-)21.080	2.532	4.388	(-)0.590	(-)1.731
Loans and Advances	(-)2.077	(-)1.886	1.883	14.930	0.890	1.542	1.389	4.076
Total Expenditure	0.766	0.695	2.183	17.309	0.554	0.960	1.359	3.988

The growth in expenditure should be compared to growth in other fiscal variables as well as with macro-economic variables in order to be a meaningful statistic. In this para, the growth in various types of expenditure (column 1 of **Table 4.8**) are compared with GDP growth rate (since this is a good indicator of the macro-economic development of a country) and with revenue receipts (to understand the gap between expenditure and revenue). **Table 4.8** provides the following insights:

4.4.1 Buoyancy of Plan expenditure: For the X Plan period the growth in Plan expenditure as a proportion of total expenditure was lower than the growth of both GDP as well as revenue receipts. For every one *per cent* growth in GDP, Plan expenditure grew only by 0.871 *per cent* and for every one *per cent* growth in revenue receipts, Plan expenditure grew only by 0.791 *per cent*. This trend was reversed in the first three years of the XI Plan (2007-10) when Plan expenditure growth was 1.773 times the growth of GDP and 5.2 times the growth of revenue receipts, due to various fiscal stimulus programmes.

4.4.2 Buoyancy of non-Plan expenditure: For the entire X Plan period, the growth in non-Plan expenditure was lower than the growth of both GDP as well as revenue receipts. For every one *per cent* growth in GDP, non-Plan expenditure grew only by 0.732 *per cent* and for every one *per cent* growth in revenue receipts, non-Plan expenditure grew only by 0.664 *per cent*. In the first three years of the XI Plan, the growth in non-Plan expenditure was higher than that of GDP growth and the growth in revenue receipts.

4.4.3 Buoyancy of revenue expenditure: For the X Plan period, the growth in revenue expenditure was lower than the growth of both GDP as well as revenue receipts. For every one *per cent* growth in GDP, revenue expenditure grew only by 0.863 *per cent* and for every one *per cent* growth in revenue receipts, revenue expenditure grew only by 0.783 *per cent*. This trend was reversed in the first three years of the XI Plan, when revenue expenditure growth was 1.63 times the growth of GDP and 4.8 times the growth of revenue receipts, due to various fiscal stimulus programmes.

4.4.4 Buoyancy of capital expenditure: For the X Plan period, the growth in capital expenditure was higher than the growth of both GDP as well as revenue receipts. For every one *per cent* growth in GDP, capital expenditure grew only by 1.382 *per cent* and for every one *per cent* growth in revenue receipts, capital expenditure grew only by 1.255 *per cent*. In the first three years of the XI Plan, however, this trend was reversed and growth of capital expenditure was much lower than either the growth of GDP or the growth of revenue receipts.

4.5 Quality of expenditure

The availability of better infrastructure in the social, educational and health sector in the country generally reflects the quality of its expenditure. In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public goods and services which will enhance the welfare of the citizens. Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure (CE) to total expenditure (and/or GDP). The higher the ratio of CE to actual expenditure, the better would be the quality of expenditure.

Table: 4.9 Components of Actual Expenditure

(₹ in crore)

Years	GDP	AE*	AE/GDP	ESE*	ESE/AE	SSE*	Per cent of SSE/AE	CE	Per cent of CE/AE
2002-2007	3317483	573852	17.30	192842	33.60	32634	5.69	46993	8.19
2007-2008	4947857	863575	17.45	337115	39.04	63246	7.32	116937	13.54
2008-2009	5574449	1102366	19.78	466578	42.33	90288	8.19	77556	7.04
2009-2010	6231171	1174280	18.85	423181	36.04	103895	8.85	100686	8.57
2007-2010	5584492	1046740	18.74	408958	39.07	85810	8.20	98393	9.40

* AE = Actual Expenditure including expenditure on loans and advances, ESE = Economic Services Expenditure, SSE = Social Services Expenditure, CE=Capital Expenditure

Table 4.9 indicates that the actual expenditure of the Union Government as a percentage of GDP was around 17 *per cent* during the X Plan. In the first three years of the XI Plan, actual expenditure as a proportion of GDP was higher at nearly 19 *per cent* of GDP. Expenditure on economic services as a proportion of actual expenditure increased considerably in the first 3 years of the XI Plan (average of over 39 *per cent*) compared to an average of around 34 *per cent* in the X Plan period. Similarly, social sector expenditure as a per cent of actual expenditure also increased from around 6 *per cent* in the X Plan to over 8 *per cent* on an average in the first three years of the XI Plan. Since both economic sector expenditure and social sector expenditure are considered Development Expenditure, the quality of financial outlay appears to have undergone an improvement in the first three years of the XI Plan period compared to X Plan period. However, unless financial outlays are translated into physical outcomes, it will be difficult to assess the quality of expenditure. The proportion of capital expenditure in actual expenditure however showed only a marginal increase in the first three years of the XI Plan.

4.6 Major Flagship Programmes of the Government – Actual expenditure in past three years:

Table 4.10: Some Major Flagship Programmes of the Government in the past three years– Actual expenditure

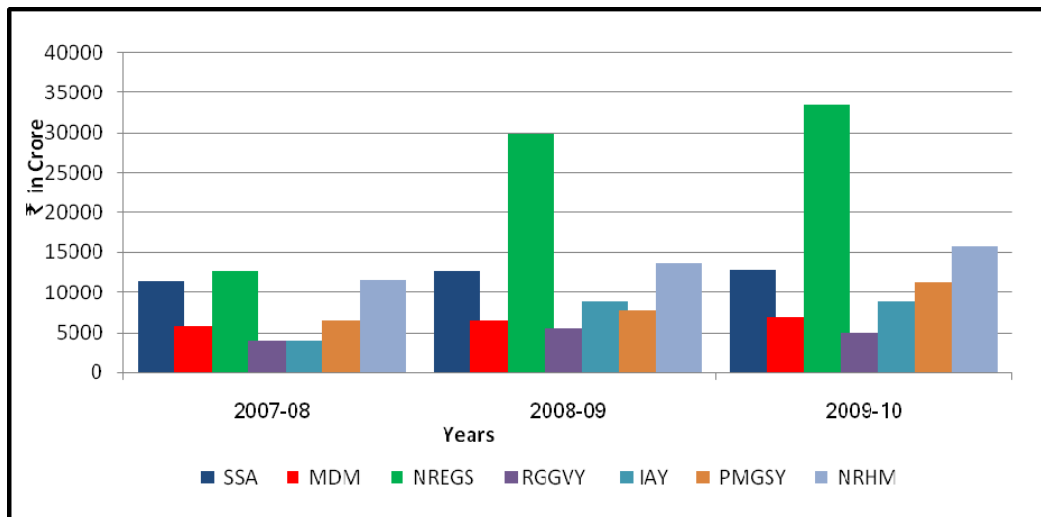
(₹ in crore)

S.no.	Programme*	2007-08			2008-09			2009-10		
		BE	Actuals	Variation (in per cent)	BE	Actuals	Variation (in per cent)	BE	Actuals	Variation (in per cent)
1	SSA	9760	11481	17.6	11940	12643	5.9	11934	12825	7.5
2	MDM	6582	5832	(-)11.4	7200	6531	(-)9.3	7200	6932	(-)3.7
3	NREGS	10800	12661	17.2	14400	29999	108.3	39100	33538	(-)14.2
4	RGGVY (Rural Electricity)	3983	3913	(-)1.8	5055	5500	8.8	6300	5000	(-)20.6
5	IAY	3636	3885	6.8	4859	8799	81.1	7918	8799	11.1
6	PMGSY	6110	6500	6.4	7075	7780	10.0	10933	11340	3.7
7	NRHM	12581	11617	(-)7.7	13838	13651	(-)1.4	15534	15670	0.9

* SSA=Sarva Siksha Abhiyan, MDM=Mid Day Meal Scheme, NREGS= National Rural Employment Guarantee Scheme, RGGVY=Rajiv Gandhi Gramin Vidyutikaran Yojana, IAY=Indira Awas Yojana, PMGSY=Pradhan Mantri Gram Sadak Yojana, NRHM= National Rural Health Mission

From the above table it can be seen that in Sarva Shiksha Abhiyan, actual expenditure exceeded budget estimates by nearly 8 per cent in 2009-10. In the case of the Mid - Day Meal (MDM) scheme, in all the three years of the XI Plan so far, the actual expenditure fell short of Budget estimates. In the current year, there was a considerable short fall in the actual expenditure in NREG scheme and in the RGGVY scheme. Under the Indira Awas Yojana, actual expenditure exceeded budget estimates by over 11 per cent. In the case of National Rural Health Mission there was a marginally higher expenditure than what was estimated for the current year, while in previous years of the XI Plan, actual expenditure fell short of budget estimates. Further, **Chart 4.2** below shows the actual expenditure on threes programmes during the period 2007-10.

Chart 4.2 Actual expenditure on some major flagship programmes during 2007-08 2008-09 and 2009-10.



4.7 Direct transfer of Central Plan Assistance to State/District level Autonomous Bodies to Implementing agencies

Table 4.11 below indicates that the proportion of direct transfer of central plan assistance to total plan expenditure has increased from 24.55 *per cent* in 2006-07 to 32.33 *per cent* in 2009-10.

Table 4.11: Direct transfer of Central Plan Assistance to State/District level Autonomous Bodies to Implementing agencies

(₹ in crore)			
Year	Amount of Direct Transfer (As in Exp Budget, Vol. I, Statement No.18)	Total Plan Exp	Per cent of Col. 2 to col. 3
(1)	(2)	(3)	(4)
2006-07	43,816	1,86,060	24.55
2007-08	54,776	2,05,082	26.71
2008-09	83,224	2,75,301	30.23
2009-10	(RE) 93,881	3,03,593	32.33

Table 4.11 indicates that the proportion of direct transfer of central plan assistance to total plan expenditure has increased from 24.55 *per cent* in 2006-07 to 32.33 *per cent* in 2009-10.

4.8 A Comparison of Budget Estimates (as per budget at a glance) and Finance Accounts 2009-10 on Key Expenditure Parameters:

Table-4.12 Budget estimates and Actual Performance

<i>(₹ in crore)</i>					
Parameter	Actuals	Budget Estimates# (BE)	Percentage deviation from BE	Estimates of Twelfth Finance Commission (TFC)	Percentage deviation from TFC estimates
1. Non-Plan Expenditure	870687	695689	(+) 25	-	-
A. Non-Plan Revenue expenditure	803392	618834	(+) 30	362577	(+) 122
<i>Of which</i>					
(a) Interest Payments	223701	225511	(-) 1	156006	(+) 43
(b) Subsidies	129722	111276	(+) 17	36157	(+) 259
B. Non-Plan Capital expenditure	65683	76855	(-) 15	-	-
2. Plan Expenditure	303593	325149	(-) 7	-	-
A. Plan Revenue Expenditure	254087	278398	(-) 9	195390	(+) 30
B. Plan Capital Expenditure	35003	46751	(-) 25	-	-
3. Total Expenditure (1+2)*	1174280	1020838	(+) 15	747849	(+) 57

* Excludes expenditure matched by receipts.

#As per budget at a glance.

As indicated in **Table 4.12**, total expenditure increased by 15 per cent over budget estimates, because non plan revenue expenditure increased by 30 per cent. There was considerable negative variation in both plan and non-plan capital expenditure.

4.9 Need to ensure prudent expenditure management

Since the Government is increasingly relying on debt funds to finance the Budget, it is vital to control revenue expenditure. The need to contain revenue deficit in relation to GDP has been discussed in chapter 5. A proper harmonization of what constitutes revenue expenditure across Central Ministries (as well as the States) is essential to track the growth of this component over the years. A huge increase in subsidies can deter the achievement of the fiscal correction path. Better design of projects and schemes, more rigorous accountability of funds transferred to implementing agencies, tighter monitoring of time and cost over-runs, and ensuring that physical outcomes are achieved along with financial outcomes will go a long way in preventing wasteful expenditure.