Chapter 4

Analysis of projections made in Fiscal Policy Statements

One of the stated objectives of the FRBM Act is that Central Government would conduct its fiscal policy operations in a medium-term framework. To achieve this, Section 3 of the Act requires the Government to lay fiscal policy statements namely Medium Term Fiscal Policy (MTFP) Statement, Fiscal Policy Strategy (FPS) Statement and Macro-economic Framework (MF) Statement, in both the houses of Parliament along with the Annual Financial Statement (AFS) and Demand for Grants. In addition, by an amendment to the FRBM Act in 2012, a Medium Term Expenditure Framework (MTEF) Statement is also required to be placed in Parliament.

Following the amendment of the FRBM Act in April 2018, a single Medium Term Fiscal Policy cum Fiscal Policy Strategy (MTFP cum FPS) statement was introduced instead of separate statements. Macro-Economic Framework (MEF) and Medium Term Expenditure Framework (MTEF) Statements were to be placed in Parliament as before. Rules also provided that MTFP cum FPS would include three-year rolling targets for FD, RD, Primary Deficit, Tax Revenue, Non-Tax Revenue and Central Government Debt, as *per cent* of GDP. The MTFP cum FPS statement was also required to detail assumptions underlying the fiscal outlook, GDP growth projections, and projections for receipts and expenditure. The MTEF Statement provides a three year rolling target for all prescribed expenditure indicators along with details of underlying assumptions and risks involved.

This Chapter contains an analysis of variations between actual receipts and expenditure of the Union Government for FYs 2017-18 and 2018-19 against projections/estimates contained in the Fiscal Policy Statements and Budget documents.

Table 4.1 gives a comparison of projections for the FYs 2017-18 and 2018-19 in the MTFP cum FPS; MTEF; the Budget and Revised Estimates and the actuals for the two years.

Table 4.1: Projections for 2017-18 and 2018-19 in MTFP/MTEF statements and Budget documents

Projections/ Estimates/ Actuals for 2017-18 *(as per cent of GDP)*

	Depicted in MTFP 2015-16	Depicted in MTFP 2016-17	Budget Estimates for 2017-18	Revised Estimates for 2017-18	Actuals for 2017-18
Fiscal Indicators	February-2015	February-2016	February-2017	February-2018	February-2019
Fiscal Deficit	3	3	3.2	3.5	3.5
Revenue Deficit	2	1.8	1.9	2.6	2.6
Effective Revenue Deficit	0	0.6	0.7	1.5	1.5
Total Outstanding Liabilities	42.8	46.8	44.7	50.1	44.8
Gross Tax Revenue	10.7	10.9	11.3	11.6	11.2

Projections/ Estimates/ Actuals for 2017-18 *(₹in crore)*

	Depicted in MTFP 2015-16	Depicted in MTFP 2016-17	Budget Estimates for 2017-18	Revised Estimates for 2017-18	Actuals for 2017-18
Receipts	**February-2015**	**February-2016**	**February-2017**	**February-2018**	**February-2019**
Tax Revenue	12,09,937	11,97,970	12,27,014	12,69,454	12,42,488
Non-Tax Revenue	2,49,104	3,37,456	2,88,757	2,35,974	1,92,745
Revenue Receipts (A)	**14,59,041**	**15,35,426**	**15,15,771**	**15,05,428**	**14,35,233**
Capital Receipts of which:					
(i) Recovery of Loans and Advances	10,500	10,500	11,932	17,473	15,633
(ii) Other non-debt capital receipts	50,000	40,000	72,500	1,00,000	1,00,045
Non-Debt Receipts *{(A)+ (i)+(ii)}* (B)	**15,19,541**	**15,85,926**	**16,00,203**	**16,22,901**	**15,50,911**
(iii) Borrowings-Public Debt and other liabilities	5,44,614	5,12,257	5,46,532	5,94,849	5,91,062
	MTEF 2015-16	**MTEF 2016-17**	**Budget Estimates for 2017-18**	**Revised Estimates for 2017-18**	**Actuals for 2017-18**
Expenditure/Deficit	**August-2015**	**August-2016**	**February-2017**	**February-2018**	**February-2019**
Revenue Expenditure (C)	**17,79,614**	**18,29,317**	**18,36,934**	**19,44,305**	**18,78,833**
Capital Expenditure	2,84,541	2,68,866	3,09,801	2,73,445	2,63,140
Total Expenditure (D)	**20,64,155**	**20,98,183**	**21,46,735**	**22,17,750**	**21,41,973**
Fiscal Deficit (B-D)	**(-) 5,44,614**	**(-) 5,12,257**	**(-) 5,46,532**	**(-) 5,94,849**	**(-) 5,91,062**
Revenue Deficit (A-C)	**(-) 3,20,573**	**(-) 2,93,891**	**(-) 3,21,163**	**(-) 4,38,877**	**(-) 4,43,600**
Grants for creation of Capital Assets	**3,16,754**	**2,00,000**	**1,95,350**	**1,89,245**	**1,91,034**
Effective Revenue Deficit (ERD)	**(-) 3,819**	**(-) 93,891**	**(-) 1,25,813**	**(-) 2,49,632**	**(-) 2,52,566**
GDP	**1,77,93,186**	**1,68,72,811**	**1,68,47,455**	**1,67,84,679**	**1,70,98,304**

Projections/ Estimates/ Actuals for 2018-19 *(as per cent of GDP)*

	Depicted in MTFP 2016-17	Depicted in MTFP 2017-18	Budget Estimates for 2018-19	Revised Estimates for 2018-19	Actuals for 2018-19
Fiscal Indicators	**February-2016**	**February-2017**	**February-2018**	**February-2019**	**February-2020**
Fiscal Deficit	**3**	**3**	**3.3**	**3.4**	**3.4**
Revenue Deficit	**1.3**	**1.6**	**2.2**	**2.2**	**2.4**
Effective Revenue Deficit	**0**	**0.4**	**1.2**	**1.1**	**1.4**
Total Outstanding Liabilities	**44.4**	**42.8**	**48.8**	**-**	**-**
Central Government Debt				**48.4**	**48.7**
Gross Tax Revenue	**11.1**	**11.6**	**12.1**	**11.9**	**11**

Projections/ Estimates/ Actuals for 2018-19 *(₹in crore)*

	Depicted in MTFP 2016-17	Depicted in MTFP 2017-18	Budget Estimates for 2018-19	Revised Estimates for 2018-19	Actuals for 2018-19
Receipts	**February-2016**	**February-2017**	**February-2018**	**February-2019**	**February-2020**
Tax Revenue	13,72,772	14,15,186	14,80,649	14,84,406	13,17,211
Non-Tax Revenue	3,43,193	2,64,168	2,45,089	2,45,276	2,35,705
Revenue Receipts (A)	**17,15,965**	**16,79,354**	**17,25,738**	**17,29,682**	**15,52,916**
Capital Receipts of which	6,18,258	6,60,651	7,16,475	7,27,553	7,62,197
Recovery of Loans and Advances	10,500	10,000	12,199	13,155	18,052
Other non-debt capital receipts	40,000	47,000	80,000	80,000	94,727
Non-Debt Receipts {(A)+ (i)+(ii)} (B)	**17,66,465**	**17,36,354**	**18,17,937**	**18,22,837**	**16,65,695**
(iii) Borrowings-Public Debt and other liabilities	5,67,758	6,03,651	6,24,276	6,34,398	6,49,418
	Depicted in MTEF 2016-17	**Depicted in MTEF 2017-18**	**Budget Estimates for 2018-19**	**Revised Estimates for 2018-19**	**Actuals for 2018-19**
Expenditure	**Aug-16**	**Aug-17**	**February-2018**	**February-2019**	**February-2020**
Revenue Expenditure (C)	**19,70,224**	**19,99,005**	**21,41,772**	**21,40,612**	**20,07,399**
Capital Expenditure	3,63,999	3,41,000	3,00,441	3,16,623	3,07,714
Total Expenditure (D)	**23,34,223**	**23,40,005**	**24,42,213**	**24,57,235**	**23,15,113**
Fiscal Deficit (B-D)	**(-) 5,67,758**	**(-) 6,03,651**	**(-) 6,24,276**	**(-) 6,34,398**	**(-) 6,49,418**
Revenue Deficit (A-C)	**(-) 2,54,259**	**(-) 3,19,651**	**(-) 4,16,034**	**(-) 4,10,930**	**(-) 4,54,483**
Grants for creation of Capital Assets	**2,56,500**	**2,25,000**	**1,95,345**	**2,00,300**	**1,91,781**
Effective Revenue Deficit (ERD)	**2,241**	**(-) 94,651**	**(-) 2,20,689**	**(-) 2,10,630**	**(-) 2,62,702**
GDP	1,90,66,277	1,88,69,150	1,87,22,302	1,88,40,731	1,89,71,237

4.1 Projections of Gross Domestic Product (GDP)

MTFP statement of 2015-16 estimated the GDP of 2015-16 at ₹1,41,08,945 crore and projected nominal GDP to grow at a rate of 12.2 *per cent* in FY 2016-17 and 12.4 *per cent* in FY 2017-18. Based on the same, GDP for FY 2017-18 was projected as being approx. ₹1,77,93,186 crore. MTFP of 2016-17 was based on estimated GDP of 2016-17 at ₹1,50,65,010 crore and projected nominal GDP to grow at rate of 12.0 *per cent* in 2017-18. Projected GDP for 2017-18 based on this calculation works out to approximately ₹1,68,72,811 crore. Budget at a Glance for 2017-18 estimated the GDP of 2017-18 at ₹1,68,47,455 crore, and the Budget at a Glance for 2018-19 revised the estimates of GDP for 2017-18 to ₹1,67,84,679 crore. Figures of GDP of 2017-18 as released by CSO in May 2020[33] were ₹1,70,98,304 crore.

[33] Provisional Estimates of Annual National Income, 2019-20

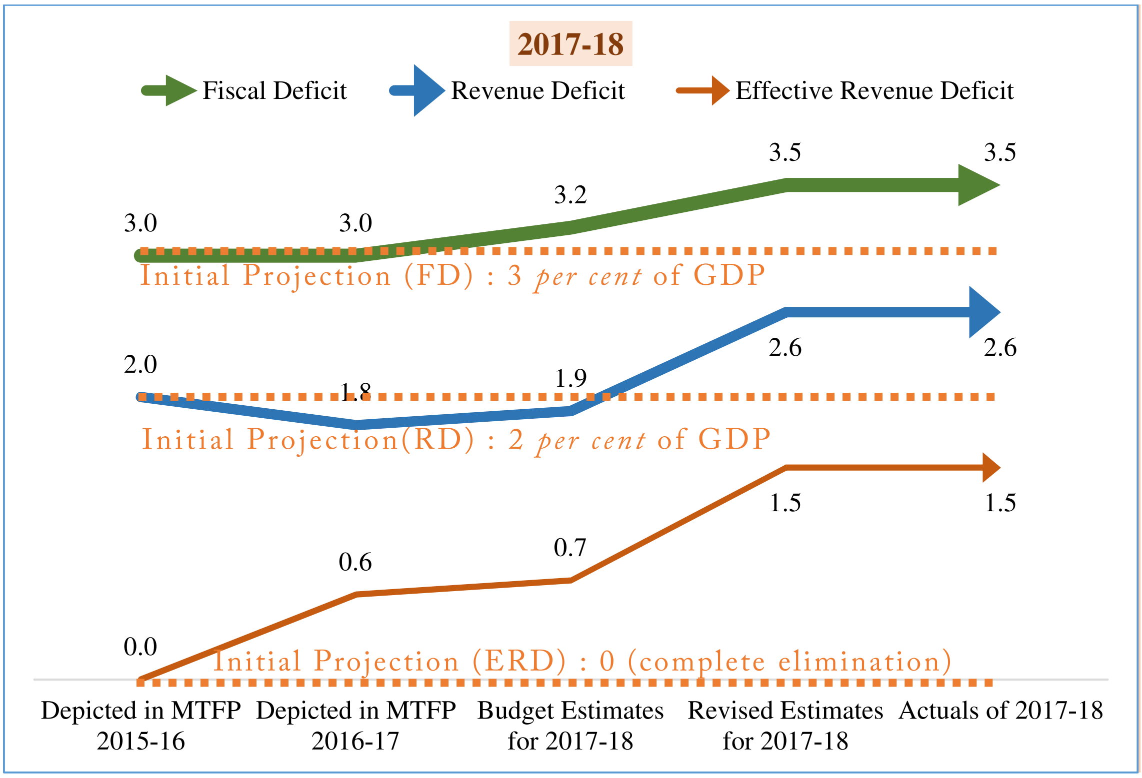
In the case of estimates of GDP for 2018-19, the MTFP of 2016-17 estimated GDP for the year to be ₹1,90,66,277 crore. In the Budget at a Glance for 2017-18, GDP of 2017-18 was estimated at ₹1,68,47,455 crore with growth estimated at 12 *per cent* during 2018-19. Hence projections of GDP for 2018-19 were kept at ₹1,88,69,150 crore in MTFP 2017-18. The BEs for 2018-19, estimated GDP for 2018-19 to be ₹1,87,22,302 crore and the REs for 2018-19 presented estimated a slightly higher GDP for the year at ₹1,88,40,731crore. Actual GDP for 2018-19 was further higher at ₹1,89,71,237crore.

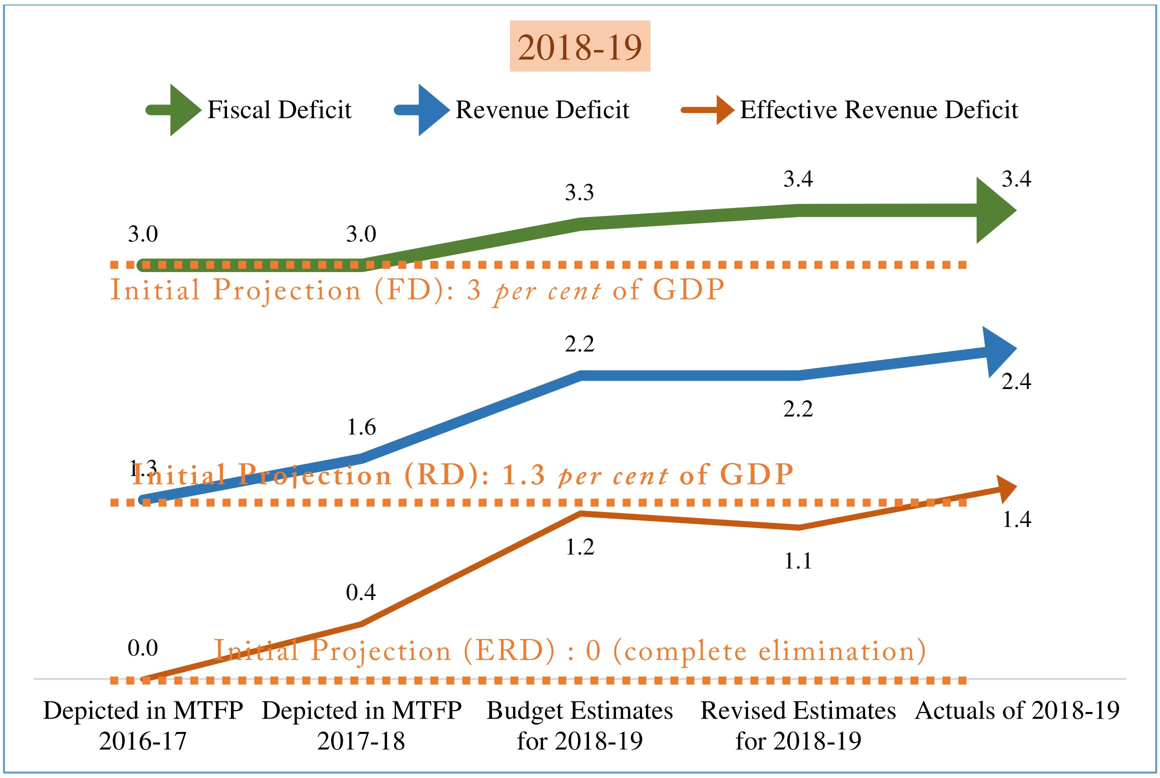
As fiscal indicators are depicted as a *per cent* of GDP, change in the estimates for total GDP has implications for fiscal indicators. If the estimate for GDP increases, fiscal indicators as a *per cent* of GDP would be lower even if deficits increase in absolute terms, and vice versa.

4.2 Analysis of projections and actuals of FD, RD and ERD.

A graphic comparison between MTFP projections and actuals with respect to the three key FRBM indicators for both 2017-18 and 2018-19, is presented in **Graph 4.1**.

Graph 4.1: Variation from Projections of FD, RD and ERD in Medium term for 2017-18 and 2018-19





Note: Figures show indicator value as per cent of GDP

Year wise analysis of the projections and actuals is as below.

2017-18

Fiscal Deficit

Projections for FD for the FY 2017-18 in MTFP 2015-16 and 2016-17 were kept at three *per cent* even though estimates for FD for the preceding three years were much higher and in the range of 4.1 *per cent* to 3.5 *per cent*. The MTFP statements attributed these higher levels of FD to higher devolution to states (based on 14th Finance Commission recommendations) and the need for higher public spending on social and welfare programmes, infrastructure and for implementing 7th CPC recommendations. The statements however, projected continued fiscal consolidation, progressive lowering of FD and attaining the three *per cent* target in 2017-18. These projections were based on expectations of lower expenditure on subsidies and higher excise revenues due to easing of oil prices, growth revival, redesigning of development schemes and tax reforms such as GST. The MTFP 2017-18/BE for 2017-18, projected an increase in FD to 3.2 *per cent* due to the need for higher public expenditure as private investment was sluggish. MTFP 2018-19/ RE for 2017-18 increased the projections of FD to 3.5 *per cent* which was attributed to the "spill over impact" of the GST regime and lower NTR realisation from RBI. The actuals for FD in 2017-18 was 3.5 *per cent* of GDP which was significantly higher than the initial estimates given in MTFP 2015-16. Detailed analysis of the variations with respect to BE, RE and actuals for FD is given in Para 2.3 of **Chapter 2** of this report.

Revenue Deficit and Effective Revenue Deficit.

The MTFP 2015-16 cited the same constraints in containing RD in previous years as applicable to FD, and realigned targets for RD with the FD targets. It accordingly projected RD at two *per cent* for 2017-18. The target for eliminating ERD was deferred to 2017-18 as this required redesigning of Central schemes. The MTFP 2016-17 estimated RD at 1.8 *per cent* for 2017-18 i.e. 0.2 *per cent* below the estimates in the previous MTFP, and ERD at 0.6 *per cent* against the target of elimination of ERD. The lowering of the RD target was due to measures planned for increasing the capital component of expenditure. The target for eliminating ERD was deferred on the grounds that correction of the imbalance within revenue expenditure (i.e. between expenditure on grants for creation of capital assets and other expenditure) would take more time. MTFP 2017-18/BE for 2017-18, projected that RD would be two *per cent* i.e. the FRBM target, but the ERD target would be missed due to "structural issues in the revenue expenditure component". This implied that the imbalance between expenditure on grants for creation of capital assets and other expenditure was still to be addressed. MTFP 2018-19/RE for 2017-18 however, estimated a sharp increase in both RD and ERD to 2.6 *per cent* and 1.5 *per cent* respectively. This was attributed to "rationalisation of expenditure", and the need to ensure that the "growth dynamics do not fall below the curve to a great extent" in the context of "introduction of the new taxation regime in the form of GST". Actuals for RD and ERD for the year remained at the higher levels projected in the REs. Detailed analysis of variations between BE, RE and actuals for RD and ERD have been given in Para 2.1 and 2.2 of **Chapter 2** of this report.

2018-19

Fiscal Deficit

Projection for FD for the FY 2018-19 in MTFP 2016-17 was kept at three *per cent* based on the same expectations of growth revival, and on expenditure and tax reforms as in the case of FY 2017-18. MTFP 2017-18 maintained this target but did not provide clear reasons for doing so[34]. MTFP 2018-19/ BE for 2018-19 projected an increase in FD to 3.3 *per cent* which was seen as a return "to the path of fiscal rectitude" following the deviation in 2017-18 when actual FD was 3.5 *per cent*. This was based on expectations of higher receipts and rationalisation of expenditure. In the MTFP 2019-20/ RE for 2018-19, projection of FD was increased to 3.4 *per cent*, but besides stating that this denoted a gradual reduction of FD towards the deferred target of three *per cent* of GDP by 31 March 2021 and that this was consistent with Rule 3 of FRBM Rules, 2004 which envisages annual reduction in FD of 0.1 *per cent* or more of GDP, no specific explanation was given for the increased target. The actuals for FD in 2018-19 was as targeted in the RE, i.e. 3.4 *per cent* of GDP which was significantly higher than the initial estimates given in MTFP 2016-17. Detailed analysis of the variations between BE, RE and actuals for FD is given in Para 2.3 of **Chapter 2** of this report.

[34] Para 21 of MTFP 2017-18.

Revenue Deficit and Effective Revenue Deficit.

The MTFP 2016-17 taking note of improvements with respect to RD in the previous years compared to both MTFP and budgeted targets for 2016-17 and various steps to enhance capital component of expenditure, projected within the FRBM target of two *per cent* i.e. at 1.3 *per cent* for 2018-19. The target for eliminating ERD was further deferred to 2018-19 as correction of imbalance within revenue expenditure was still underway. MTFP 2017-18 noted that while containing RD is an important benchmark, "excessive focus on reducing RD will be counterproductive" in view of use of revenue expenditure for grants to states for capital expenditure and for maintenance works. It thus projected RD at 1.6 *per cent* for 2018-19. It also projected ERD at 0.4 *per cent* pending sorting out of structural issues. MTFP 2018-19/ BE for 2018-19 stated that estimates for RD and ERD mentioned were only for information and it was being proposed to do away with deficit targets on revenue account. The estimate for RD at the BE stage was 2.2 *per cent* which was retained at the RE stage in MTFP 2019-20. No estimate for ERD was given in MTFP 2019-20 but this was estimated at 1.1 *per cent*. Actuals for RD and ERD for the year as derived from BAG and accounts was 2.4 *per cent* and 1.4 *per cent*. Detailed analysis of variations between BE, RE and actuals for RD has been given in Box A in **Chapter 2** of this report.

From the above, it would be seen that in both the years, projections for all three indicators were progressively revised upwards in successive policy and budget documents. In addition, in both the years there were variations between BEs and actuals. As a result, compared with the initial projections made, actuals were markedly higher.

4.3 Projections for Tax and Non-Tax Revenue

MTFP statements of each year give projections of tax revenue and non-tax revenue as a *per cent* of GDP. These projections have been compared with actuals and variations analysed in this section.

4.3.1 Tax Revenue projection

2017-18

MTFPS 2015-16 projected that the Tax Revenue[35] would be 6.8 *per cent* of GDP in 2017-18 which works out to ₹12,09,937 crore. MTFPS 2016-17 revised the projection for Tax Revenue upwards to 7.1 *per cent* of GDP in 2017-18 which works out to ₹11,97,970 crore. The upward revision was based on the assumption that the economy would return to a high growth path due to policy measures taken for promoting growth, and on account of implementation of GST. In MTFPS 2017-18, Tax Revenue projections were further revised upwards in the BEs for 2017-18, to 7.3 *per cent* of GDP. In MTFPS 2018-19, in the revised estimates for 2017-18, Tax Revenue collections for 2017-18 were further revised upwards to 7.6 *per cent* on account of GST compensation cess of ₹61,331 crore which had not been factored in the BEs for 2017-18. Actual tax revenue for 2017-18 was however, lower at 7.3 *per cent* of GDP (**Graph 4.2**).

[35] Centre's share after devolution to States

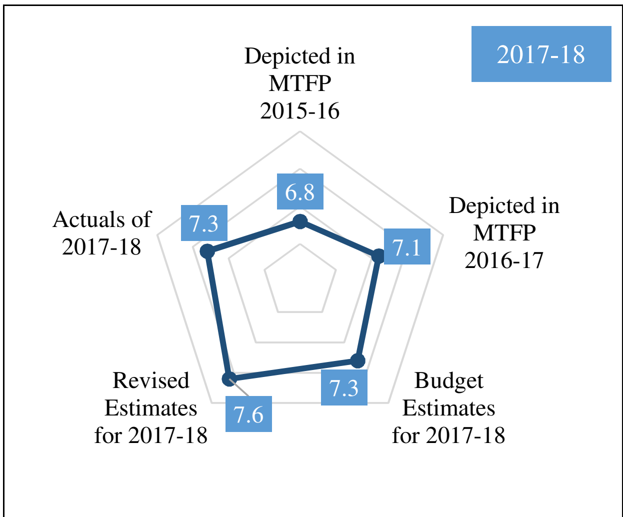
Shortfalls of actual with respect to BEs and REs were significant in the case of "Taxes on Income Other Than Corporation Tax", "CGST" "Customs" and "Union Excise Duties" as mentioned in Para 2.1 of **Chapter 2** of this report.

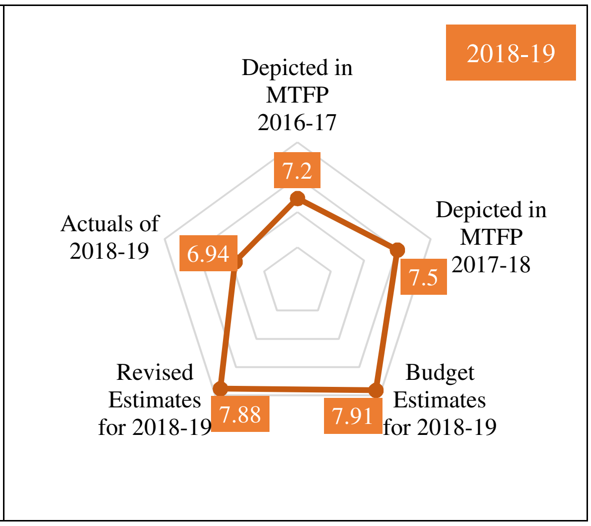
2018-19

MTFPS 2016-17 mentioned that for FY 2018-19, Government anticipated that policy measures taken for promoting growth particularly in the manufacturing and agricultural sectors would start showing results in the short term. It was also expected that implementation of GST along with other policy measures for tax enhancement, would boost tax mobilization. Based on these assumptions of Gross Tax Revenue and calculation of States' share, it was projected that Tax Revenue would be 7.2 *per cent* of GDP in 2018-19 which works out to ₹13,72,772 crore. MTFPS 2017-18 revised the projections for Tax Revenue for 2018-19, upwards to 7.5 *per cent* which works out to ₹14,15,186 crore. In MTFPS 2018-19, the BEs for 2018-19 for Tax Revenue was 7.91 *per cent* of GDP at ₹14,80,649 crore. In MTFPS 2019-20, the REs for 2018-19 estimated Tax Revenue at ₹14,84,406 crore i.e. 7.88 *per cent* of GDP. Actual Tax Revenue for the year was however only ₹13,17,211 crore which was 6.9 *per cent* of GDP. There was thus, a significant shortfall in actual tax receipts compared to projections and estimates. This was due to lower than anticipated collections in the case of CGST, Income Tax, Corporation Tax, Customs and Central Excise.

As with the projections for the indicators, projections for Tax Revenue also witnessed frequent revisions and finally shortfalls, which would have an adverse impact on fiscal planning, planning of public expenditure and planning for debt and borrowings.

Graph 4.2: Tax Revenue Projections





Figures show indicator value as per cent of GDP

4.3.2 Non-Tax Revenue[36] projection

2017-18

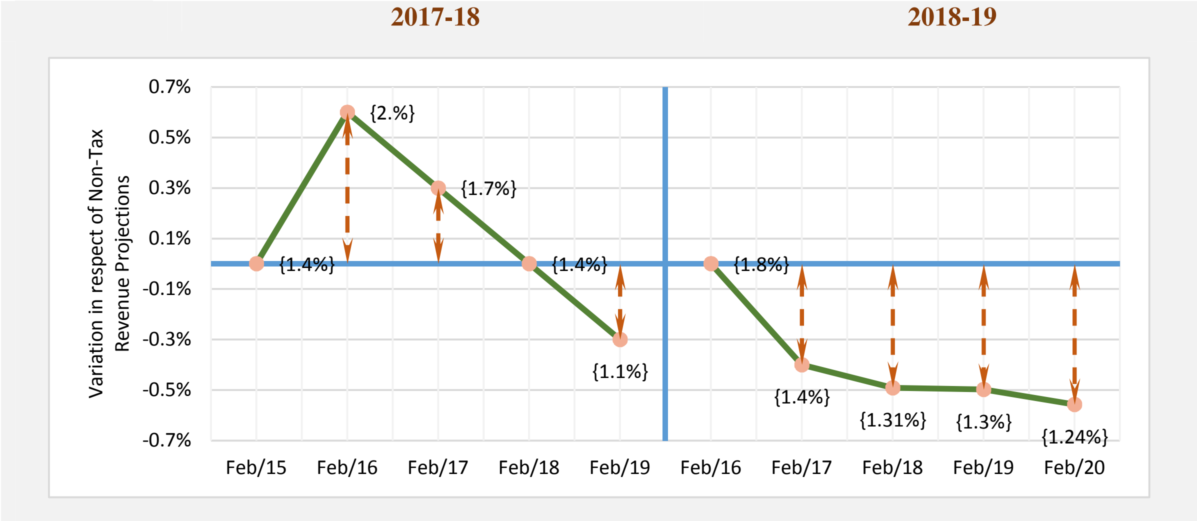
In the MTFPS 2015-16, the Government had set a Non Tax Revenue (NTR) target of 1.4 *per cent* of GDP for the FY 2017-18. NTR projection for 2017-18 was however, sharply increased to 2.0 *per cent* in the MTFP Statement 2016-17, citing reasons such as enhancement of rate of dividend from Public Sector enterprises and likely increase in telecom receipts on account of licence fee, levies and spectrum auction. However, in the MTFPS 2017-18 i.e. BEs for 2017-18 NTR collection projections were scaled down to 1.7 *per cent* of GDP as it was recognised that additional collection through spectrum auctions during 2016-17, may not be repeated in 2017-18. In the MTFPS 2018-19, in the REs, estimates for NTR collections were further scaled down to 1.4 *per cent* but no specific reasons were cited for the same. Actuals for 2017-18 were however, even lower at 1.1 *per cent* of GDP **(Graph 4.3**). As mentioned in Para 2.1 of **Chapter 2** of this report, the shortfall of actuals with respect to REs was significant under "Dividend & Profits" (₹15,073 crore) primarily on account of share of profits from RBI being lower than expected, and under "Non-Tax revenue from Economic Services" (-31 *per cent*).

2018-19

In the MTFPS 2016-17, NTR for 2018-19 was projected at 1.8 *per cent* of GDP which works out to ₹3,43,193 crore. This was based on increases noted in the REs for NTR for FY 2015-16. In the MTFPS 2017-18, projections for NTR in 2018-19 were revised downwards to 1.4 *per cent* of GDP i.e. ₹2,64,168 crore based on the trends for estimates for 2017-18 and low prospects for growth on account of the nature of these receipts which are inflexible and not amenable to widening of scope. In the MTFPS 2018-19, the BEs for 2018-19 estimated NTR at 1.31 *per cent* or ₹2,45,089 crore. In the MTFPS 2019-20, the REs for 2018-19 (February 2019) kept estimates for NTR at 1.3 *per cent* of GDP i.e. ₹2,45,276 crore. Analysis of variations between BE and RE is given in Box A in **Chapter 2** of the report. Actual figures of NTR were however, ₹2,35,705 crore which was 1.24 *per cent* of GDP. The shortfall in actuals as compared to REs was significant under "Dividend and Profits"; "Energy" and "Other General Services". Ministry in the reply (December 2020) stated that the government decided not to accept dividends from Railways since 2017-18, while providing additional fiscal space to railways for its developmental work.

[36] NTR receipts includes various sources such as return on assets in the form of dividend and profits, interest, fees, fines and miscellaneous receipts collected in the exercise of sovereign functions, regulatory charges, license fees and user charges for public goods and services.

Graph 4.3: Non-Tax Revenue Projections



Figures in Braces '{}'show indicator value as per cent of GDP

Initial projections of NTR in both the years, were very optimistic and thereafter significantly scaled downed at subsequent stages. This shows that either receipts from various sources were not easy to project or these were not a buoyant source of revenue being dependent on other factors vis-a-vis general performance of PSUs, response to spectrum sales, performance of sectors such as Petroleum and Telecom etc.

4.4 Projections for non-debt Capital receipts

Non-Debt Capital Receipts include "Recovery of loans and advances" and "Other Non-Debt Capital Receipts" which are primarily receipts from disinvestment proceeds. Analysis of medium term projections, estimates and actuals for non-debt capital receipts for 2017-18 and 2018-19[37] has been given in the following paragraphs:

2017-18

Initial projections of "Recovery of loans and advances" for 2017-18 in the MTFP 2015-16 was ₹10,500 crore which was retained in the MTFP 2016-17. The BEs for 2017-18 however, estimated "Recovery of loans and advances" to be higher at ₹11,932 crore. In the REs a significant (46 *per cent)* increase in estimates to ₹17,473 crore was projected. Actual figures for "Recovery of loans and advances", however remained 10.5 *per cent* lower than RE at ₹15,633 crore.

"Other Non-Debt Capital Receipts", which are primarily receipts from disinvestment, were projected in the MTFP 2015-16 for 2017-18, at ₹50,000 crore. This was revised downwards to ₹40,000 crore in the MTFP 2016-17. In the BEs for 2017-18, estimates on this account was projected at a higher level of ₹72,500 crore. The increase was attributed to "proactive measures" for closure/sale of sick PSEs and increased momentum for disinvestments. The estimates under this head was further scaled up to ₹1,00,000 crore at the RE stage but no

[37] Data on disinvestment proceeds from individual transactions have been sourced from DIPAM website.

reasons for the same were provided in the MTFPS 2018-19. Actuals for "Other Non-Debt Capital Receipts" at ₹1,00,045 crore, remained aligned with REs. It was seen that during 2017-18, significant collections had accrued from the HPCL-ONGC deal (₹36,915 crore), IPO of GIC and New India Assurance (₹17,357 crore), Offer for Sales (OFS) of NTPC (₹9,117 crore) and from ETFs (₹14,500 crore).

2018-19

Initial projections of "Recovery of loans and advances" for 2018-19 in the MTFP 2016-17 was ₹10,500 crore which was reduced to ₹10,000 crore in MTFP 2017-18. In the BEs, estimates under this head was ₹12,199 crore, whereas in REs this was expected to be higher by eight *per cent* at ₹13,155 crore. Actual figures for "Recovery of loans and advances" for 2018-19 was ₹18,052 crore which was 37 *per cent* more than RE.

"Other Non-Debt Capital Receipts" were projected at ₹40,000 crore for 2018-19 in the MTFP 2016-17. Though revised upwards to ₹47,000 crore in the MTFP 2017-18, these estimates were very conservative when compared to BEs for 2017-18. In the BEs for 2018-19, estimates for collection under "Other Non-Debt Capital Receipts" was raised to ₹80,000 crore but was much lower than the REs for 2017-18, on the expectation that accruals would be lower as the number of eligible companies for disinvestment becomes fewer. These estimates remained unchanged at the RE stage. Actual figures of "Other Non-Debt Capital Receipts" were ₹94,727 crore, which was about 18 *per cent* more than BE/ RE. The variation from BE/RE was due to receipts from "Monetisation of National Highways" (₹9,682crore) which had not been envisaged earlier. Significant receipts were from ETFs (₹45,079 crore[38]); strategic disinvestment of REC (₹14,500 crore) and sale of SUUTI holdings in Axis Bank (₹5,378 crore).

It would thus be seen that in both the years, the government had to ramp up resource mobilisation through disinvestment to much higher levels than initially estimated in order to contain FD in these years.

4.5 Projections in Medium Term Expenditure Framework Statement

2017-18

Projections for items of expenditure for FY 2017-18 were first featured in the MTEF Statement of 2015-16 (August 2015). Based on macro-economic parameters prevailing in 2015-16, these projections were revised and presented in the MTEF Statement of 2016-17 (August 2016). Subsequently, expenditure estimates based on BEs for FY 2017-18 and REs of 2017-18 were presented in the MTEF Statement of 2017-18 (August 2017) and the MTEF Statement of 2018-19 (August 2018) respectively. Actuals for the year 2017-18 for these items of expenditure were presented in "Budget at a Glance for 2019-20" (February 2019).

[38] Also includes proceeds from SUUTI holdings sold as part of ETFs of ₹7,047 crore.

2018-19

For FY 2018-19, projections for expenditure first appeared in the MTEF Statement of 2016-17 (August 2016). These were as in the case of 2017-18, revised/updated based on prevailing macro-economic parameters during the relevant year vide MTEF Statement of 2017-18 (August 2017); MTEF Statement of 2018-19 (August 2018) which gave the BEs for 2018-19 and BAG Statement of 2019-20 (February 2019) containing figures of REs for 2018-19. Actuals in respect of items of expenditure for 2018-19 were presented in the Budget at a Glance for 2020-21 (February 2020). No MTEF Statement for 2019-20 which was due in August 2019, has been prepared and presented to Parliament.

4.5.1 Projections of Capital and Revenue Expenditure

Details of expenditure projections for revenue and capital expenditure in various MTEF statements and actuals for 2017-18 and 2018-19 are given in **Table 4.2**. Head wise details of expenditure projections for 2017-18 and 2018-19 and actuals for the two years are given in **Annexure 4.1**.

Table 4.2: Projections of Capital and Revenue Expenditure

Projections for 2017-18

Heads of expenditure	Projections for FY 17-18 (in MTEF Statement for FY2015-16)	Projections for FY 17-18 (in MTEF Statement for FY2016-17)	BE in MTEF 2017-18	RE for 2017-18 in MTEF Statement for FY 2018-19	Provisional Actuals MTEF Statement for FY 2018-19	%age change in Actuals with respect to initial projections
	Aug-15	Aug-16	Aug-17	Aug-18	Aug-18	
Total – Revenue Expenditure	17,79,614	18,28,916	18,36,933	19,44,305	18,78,964	6%
Total – Capital Expenditure	2,84,541	2,68,865	3,09,802	2,73,444	2,63,702	-7%
Total Expenditure	**20,64,155**	**20,97,781**	**21,46,735**	**22,17,749**	**21,42,666**	**4%**
Projections for 2018-19						
	Aug-16	Aug-17	Aug-18	Feb-19[39]	Feb-20	
Total – Revenue Expenditure	19,70,224	19,99,005	21,41,772	21,40,612	20,07,399	1.85%
Total – Capital Expenditure	3,63,999	3,41,000	3,00,441	3,16,623	3,07,714	-15%
Total Expenditure	**23,34,223**	**23,40,005**	**24,42,213**	**24,57,235**	**23,15,113**	**-0.83%**

2017-18

Examination of projections, estimates and provisional actual figures of expenditure of FY 2017-18 from MTEF statements, shows that revenue expenditure increased by six *per cent* from the initial projections, whereas capital expenditure decreased by about seven *per cent*. Overall, there was increase of four *per cent* in total expenditure from initial projections. Examination of head wise details, shows that in the case of revenue expenditure, heads where expenditure had significantly increased in comparison to projections were "Salary"

[39] Figures from BAG 2019-20 as MTEF for 2019-20 containing actual figures of 2018-19 was not prepared.

(17 *per cent)*; "Pensions" (29 *per cent)*; "Postal" (81 *per cent)*; "Tax Administration" (1,343 *per cent)*; "Health" (38 *per cent)*; "Social Welfare" (26 *per cent*); "Agriculture etc." (85 *per cent*); "Rural Development" (50 *per cent)*; "Energy" (148 *per cent)* and "IT/Telecom" (55 *per cent*). On the other hand, significant decrease in projections were noticed in "Fertiliser Subsidy" (17 *per cent)*; "Food Subsidy" (29 *per cent)*; "Petroleum Subsidy" (28 *per cent)*; "Finance" (84 *per cent*) and "Transport" (11 *per cent*). In the case of Capital Expenditure, increase in actuals in comparison with projections were significant in "Health" (153 *per cent)*; "Energy" (19 *per cent)* and "IT/Telecom" (27 *per cent)*. Significant reduction in actuals as compared to initial projections was noted in "Defence" (19 *per cent)*; "Finance" (24 *per cent*); "Commerce & Industry" (47 *per cent*) and "Loans to States" (65 *per cent*).

2018-19

Similar examination for 2018-19 disclosed that in the case of revenue expenditure there was an increase of about 1.85 *per cent* as compared to initial projections and in the case of capital expenditure there was a decrease of 15 *per cent* in actuals as compared to initial projections. Overall, there was a decrease of 0.83 *per cent* in total expenditure from initial projections. However, in the absence of MTEF Statement of 2019-20, analysis of variations could not be carried out.

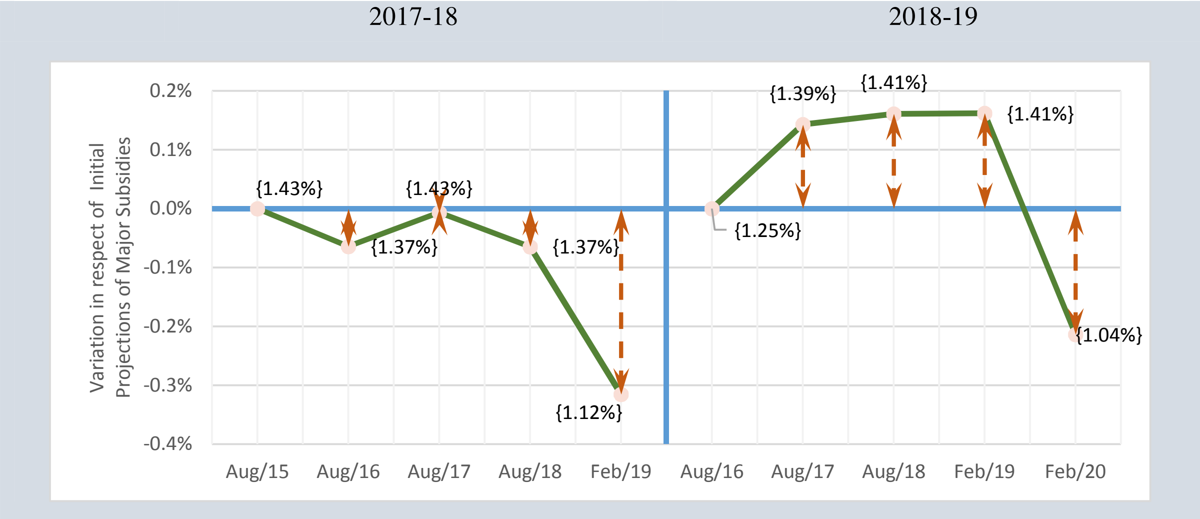
4.5.2 Projections of Major Subsidies

The projections in MTEF statements and actuals with regard to expenditure on major subsidies for the FY 2017-18 and 2018-19 is given in **Table 4.3** and illustrated in **Graph 4.4**.

Table 4.3: Projections/estimates and actual major subsidies

	Projections for FY 17-18 (in MTEF Statement for FY2015-16)	Projections for FY 17-18 (in MTEF Statement for FY2016-17)	BE in MTEF 2017-18	RE for 2017-18 in MTEF Statement for FY 2018-19	Actuals (MTEF Statement for FY 2018-19)
Projections/ Estimates and actual of 2017-18					
	Aug-2015	Aug-2016	Aug-2017	Aug-2018	Aug-2019
Fertilizer Subsidy	80,000	70,000	70,000	65,000	66,441
Food Subsidy	1,41,000	1,40,000	1,45,339	1,40,282	1,00,316
Petroleum Subsidy	34,000	21,000	25,000	24,460	24,352
Total Major Subsidies	2,55,000	2,31,000	2,40,339	2,29,742	1,91,109
(as % of Total Revenue Expenditure)	14.3%	12.6%	13.1%	11.8%	10.2%
Projections/ Estimates and actual of 2018-19					
	Aug-2016	Aug-2017	Aug-2018	Feb-2019	Feb-2020
Fertilizer Subsidy	72,000	70,000	70,090	70,086	70,605
Food Subsidy	1,45,000	1,75,000	1,69,323	1,71,298	1,01,327
Petroleum Subsidy	21,500	18,000	24,933	24,833	24,837
Total Major Subsidies	2,38,500	2,63,000	2,64,346	2,66,217	1,96,769
(as % of Total Revenue Expenditure)	12.1%	13.2%	12.3%	12.4%	9.8%

Graph 4.4: Variation in respect of Initial Projections of Major Subsidies



Figures in Braces '{}'show indicator value as percentage of GDP

The position with regard to the two years is analysed below.

2017-18

From **Table 4.3** above, it can be seen that the projected expenditure on Fertilizer subsidy for 2017-18 was ₹80,000 crore in MTEF 2015-16. This was reduced to ₹70,000 crore (a reduction of 12.5 *per cent*) in the MTEF 2016-17 and retained at this level in BEs for 2017-18. However, at the RE stage/ MTEF 2018-19, estimates for fertilizer subsidy were cut to ₹65, 000 crore (a reduction of seven *per cent*). The actual expenditure on fertilizer subsidy during 2017-18 was marginally higher at ₹66,441 crore. Projections for petroleum subsidy for 2017-18 were made at ₹34,000 crore in MTEF 2015-16 which was scaled down to ₹21,000 crore (a reduction of about 38 *per cent*) in MTEF 2016-17, hiked in BEs for 2017-18 to ₹25,000 crore (a 19 *per cent* increase) and reduced marginally in REs to ₹24,460 crore (a two *per cent* decrease) in MTEF 2018-19 with actuals at ₹24,352 crore being in line with REs. In the case of food subsidy, whereas projection and estimates were range bound between ₹1,40,000 crore (MTEF 2016-17) and ₹1,45,339 crore (BE 2017-18), actual figures at ₹1,00,316 crore were 28 *per cent* lower than the REs. Overall, actual expenditure on major subsidies during 2017-18 was 17 *per cent* lower than initial projections made in August 2016 and 26 *per cent* less than REs, for these subsidies.

2018-19

The position with regard to projections and actuals for the year 2018-19 for major subsidies is also given in Table 4.3 above. In the case of fertiliser subsidy, actual expenditure at ₹70,605 crore was within the range of ₹70,000 crore to ₹72,000 crore projected at various stages. The projection for petroleum subsidy made in August 2016 for 2018-19 was ₹21,500 crore. This was scaled down by 16 *per cent* to ₹18,000 crore in August 2017. However, in the BEs of 2018-19 estimates for petroleum subsidy were increased to ₹24,933 crore (a 39 *per cent* increase). Both REs and actuals largely remained aligned with the

BEs. In the case of food subsidy, there were sharp fluctuations between initial projections, budget and revised estimates and actuals. Projections for food subsidy which was ₹1,45,000 crore in August 2016, was increased to ₹1,75,000 crore in August 2017 (an increase of 30 *per cent*). The projections were lowered at the BE (₹1,69,323 crore) and RE stage (₹1,71,298 crore). However, actuals in comparison were much less at ₹1,01,327 crore. Actual figures for food subsidy were thus about 41 *per cent* less than BE and RE. Overall, actual expenditure of 2018-19 on major subsidies listed in **Table 4.3** was 17 *per cent* lower than initial projections made in August 2016 and 26 *per cent* less than REs.

Thus, in the case of major subsidies, reduction in actuals as compared to projections was seen both in absolute terms and as *per cent* of Revenue Expenditure. However, these reductions need to be seen in the context of extra budgetary resources used for funding food subsidy and growing arrears in reimbursing fertiliser and petroleum subsidies to Fertiliser Companies and OMCs respectively. These aspects have been detailed at length in **Chapter 2** of the report. The use of extra budgetary resources by way of NSSF loans to contain revenue expenditure on food subsidy is the most significant and has been dealt with in detail in **Chapter 2** of the report.

4.6 Borrowings for financing deficit.

While the MTFP statements provide projections of tax and non-tax revenue, MTEF statements present projections about revenue and capital expenditure. The gap between receipts and expenditure i.e. fiscal deficit is financed through borrowings. Projected borrowings for any year are to be computed based on projections of tax, non-tax revenue and non-debt capital receipts for the year as given in the MTFP statements, and projections of revenue and capital expenditure as given in the MTEF statements. These closely correspond to projections for FD.

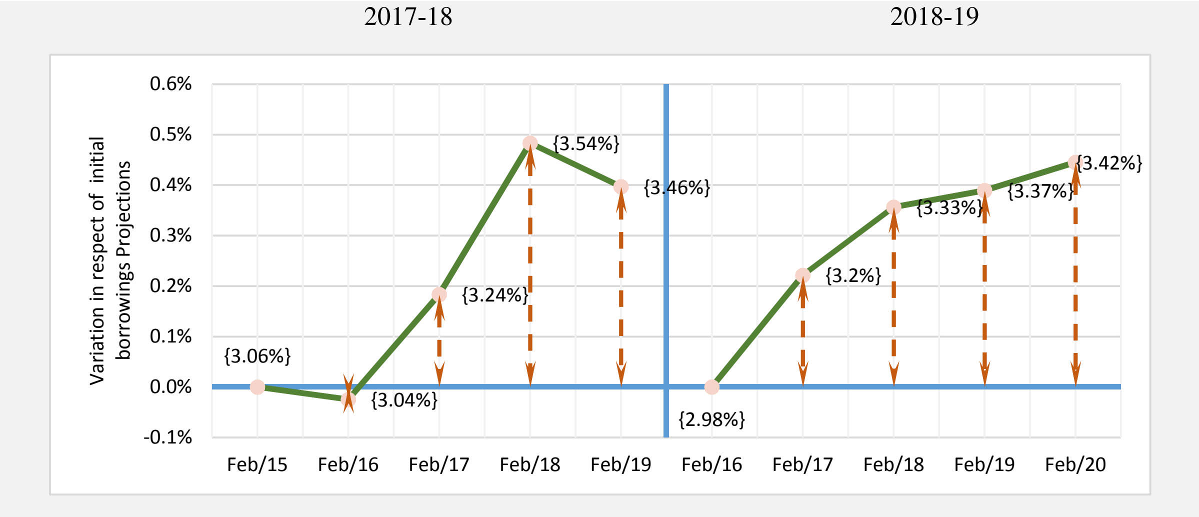
2017-18

In MTFPS 2015-16, Government had projected borrowings for FY 2017-18 to be 3.06 *per cent* of GDP. This projection was revised to 3.04 *per cent* of GDP in the MTFPS- 2016-17. Subsequently, MTFPS- 2017-18 based on BEs for the year revised the borrowings projections to 3.24 *per cent* of GDP for 2017-18 which was further stepped up in MTFPS 2018-19 in the RE for 2017-18, to 3.54 *per cent*. However, actual borrowings for 2017-18 were contained at 3.46 *per cent* of GDP **(Graph 4.5)**.

2018-19

The MTFPS 2016-17 projected borrowings for FY 2018-19 to be 2.98 *per cent* of GDP. This projection for 2018-19 was revised to 3.2 *per cent* of GDP in the MTFPS 2017-18. Subsequently, MTFPS 2018-19 based on BEs for 2018-19 revised the borrowings projections upwards to 3.33 *per cent* of GDP for 2018-19. This was further stepped up in MTFP Statement 2019-20 in the RE for 2018-19, to 3.37 *per cent*. Actual borrowings for FY 2018-19 stood further higher at 3.42 *per cent* of the GDP. **(Graph 4.5)**.

Graph 4.5: Borrowings Projections



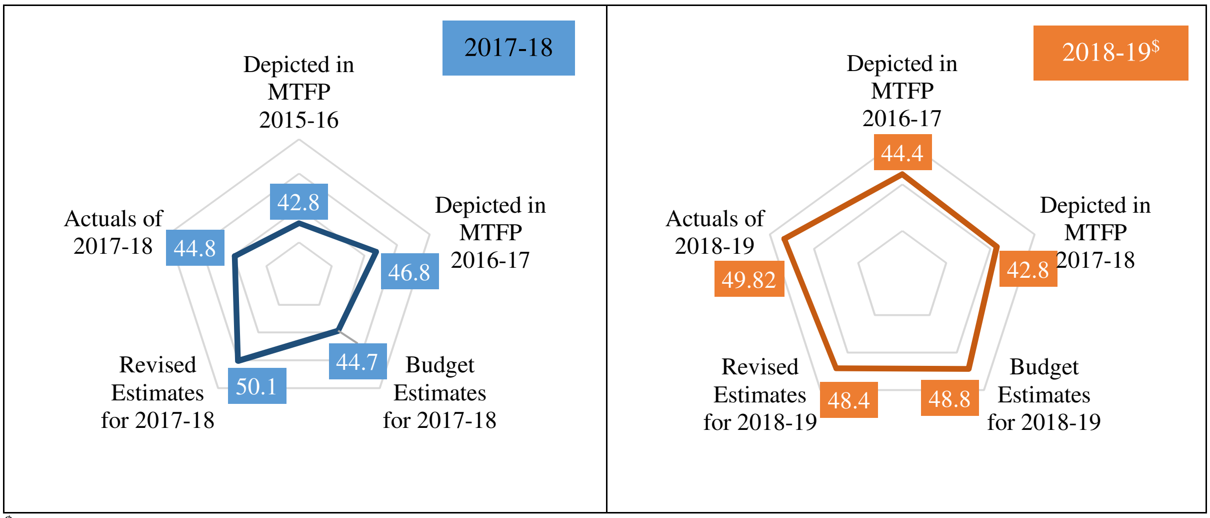
Figures in Braces '{}' show indicator value as percentage of GDP

The borrowings referred to in the above analysis only consist of borrowings that are accounted for in the accounts of the Government. These do not include borrowings to raise extra budgetary resources made on behalf of the Government to fund revenue and capital expenditure, dealt with in **Chapter 2** of the report.

4.7 Total Outstanding Liability/Central Government Debt projection

The position with regard to total outstanding liability of the Government and Central government debt covering both the old and new definition of total outstanding liability/ Central government debt has been dealt with in detail in **Chapter 2** of this report. In this section, projections and actuals of total outstanding liability/ Central government debt made in policy statements is being analysed for the FY 2017-18 and 2018-19.

Graph 4.6: Total Outstanding Liability/ Central Government Debt Projections



$ *Figures of MTFP 2019-20 and MTFP 2020-21 include the term Central Government Debt as per new Definition.*

Figures show indicator value as percentage of GDP

2017-18

In MTFPS 2015-16, total liabilities for FY 2017-18 were projected to be 42.8 *per cent* of GDP based on the expectation that gains from fiscal consolidation would set in and FD will be contained leading to lower government borrowing. MTFPS 2016-17 however increased the projection for liabilities GDP ratio to 46.8 *per cent*. This was however, lower than the ratio of 47.1 *per cent* of GDP estimated in the budget for FY 2016-17, based on an expectation that RBI's policy measures for targeting inflation would start to show results. In the MTFPS 2017-18, projections for total liabilities to GDP ratio for FY 2017-18 were further revised downwards to 44.7 *per cent* based on expected impact of changes with regard to investment from NSSF. In MTFPS 2018-19, REs for total outstanding liability for 2017-18, was revised upwards to 50.1 *per cent* of GDP. This, despite fiscal consolidation, was due to lower nominal GDP growth numbers. Actual total liabilities to GDP were 44.8 *per cent* which was much lower than projections on account of higher nominal GDP and lower actual borrowings.

2018-19

In MTFPS 2016-17, total liabilities for FY 2018-19 were projected to be 44.4 *per cent* of GDP. This was lower than the ratio of 47.1 *per cent* of GDP estimated in the budget for FY 2016-17. The projection for 2018-19 was made on the assumption that gains of fiscal consolidation were setting in, and deficit was being contained. In the MTFPS 2017-18, projections for total liabilities for FY 2018-19 were further revised downwards to 42.8 *per cent* in line with the assumption that the pace of consolidation was on track. However, in MTFPS 2018-19 at the stage of BEs for the year, the estimate for outstanding liability for 2018-19, was revised upwards to 48.8 *per cent* of GDP citing the expansion on the definition of Central Government debt to include EBR raised by Government agencies which would be fully serviced by GoI. In the MTFPS 2019-20, in the REs for 2018-19, the estimate for total liabilities was revised to 48.4 *per cent* of the GDP on the grounds that the stable inflation regime will help in reducing the interest cost of borrowing and thus, reduce the accretions to debt stock. The actual[40] Central Government Debt for 2018-19 as per the MTFPS 2020-21, was *48.7 per cent* of GDP.

In this context, it is pointed out that audit has computed the ratio of total liability to GDP for both 2017-18 and 2018-19 in **Chapter 3** after taking into account extra budgetary resources and certain excluded liabilities. Based on the same, the ratio of total liability/Central Government Debt to GDP would be higher than what is given in the Budget documents.

4.8 Audit Summation

Comparative analysis done on the projections made in policy and budget documents for receipts and expenditure under various heads and for the three fiscal indicators and the actuals for the years 2017-18 and 2018-19, showed frequent revisions in projections each year with respect to all elements and components. However, despite the frequent revisions in projections,

[40] Treated as "provisional actual", as accounts for 2018-19 were yet to be certified by CAG at the time of presentation of Budget documents for 2020-21.

actuals varied from estimates which diluted the objective envisaged in the FRBM Act, of managing fiscal operations consistently in a medium term framework.