GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:111
ANSWERED ON:30.11.2012
VIJAY KELKAR COMMITTEE
Das Gupta Shri Gurudas;Tarai Shri Bibhu Prasad

Will the Minister of FINANCE be pleased to state:

(a) the details and the reasons for fiscal deficit of the country during each of the last three years and the current year and India`s position in the world in this regard;

(b) the terms of reference and constituents of Vijay Kelkar Committee on fiscal consolidation;

(c) whether the Committee has made any report/suggestions in the recent past and if so, the details thereof and the reaction of the Government thereto; and

(d) the measures taken or proposed to be taken to lower fiscal deficit and put the economy back on track?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (d): A statement is placed on the table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. 111 for answer on November 30, 2012 raised by Shri Gurudas Dasgupta and Shri Bibhu Prasad Tarai regarding Vijay Kelkar Committee

(a) The details and the reasons for fiscal deficit of the country during each of the last three years and the current year are as follows:

(Rs crore)

Sl. No.	Details	2009-10	2010-11	2011-12	2012-13 BE
1.	Fiscal Deficit	418482	373591	509731	513590
2.	As % of GDP	6.5%	4.9%	5.8%	5.1%

Higher fiscal deficit in 2009-10 can be attributed to higher Non Plan revenue expenditure mainly on account of payment of arrears of salary and pension due to implementation of the Sixth Central Pay Commission recommendation. The fiscal deficit in 2010-11 is comparatively lower than 2009-10 on account of higher non-tax receipts realized in the year through auction of 3G and Broadband Wireless Access (BWA) coupled with higher tax receipts from indirect taxes. Increase in fiscal deficit in 2011-12 is due to hardening of crude oil prices in International market which resulted in higher outgo in subsidy and slowdown in global economy especially in the Euro zone.

India's fiscal position is not comparable with the fiscal positions of other countries of the world as the economic condition and other fiscal parameters are unique to each country;

(b) This Committee was mandated to give a report outlining a roadmap for fiscal consolidation in a medium term framework in pursuit of the FRBM Act and related targets. The Committee was also charged with the task of introducing mid-term corrections in the current fiscal year 2012-13 and to chart a medium term framework on this basis, for the remaining time horizon of the Thirteenth Finance Commission;

(c) The Committee has recommended a number of reform measures in taxation, disinvestment and expenditure. On the taxation side, the Committee has strongly advocated a transition to the Goods and Services Tax (GST) and a quick review of the Direct Taxes Code (DTC) before its introduction and passing in Parliament. Besides, the Committee has recommended administrative measures to improve tax collection. On disinvestment, the Committee has suggested a number of new models for disinvestment and has also urged Government to disinvest its residual stake in some companies that were privatized earlier. On the expenditure side, the Committee has suggested rationalization of schemes and strict control and monitoring of expenditure. These recommendations are wholesome and have been accepted by the Government, with certain reservations. Department of Revenue and the Department of Expenditure have initiated action on the recommendations of the Committee. Department of Disinvestment has obtained approval of the Cabinet for disinvestment in Hindustan Copper Ltd., NALCO, SAIL, RINL, BHEL, OIL, MMTC and NMDC;

(d) Government has also decided to adopt the following plan of fiscal consolidation during the period of 12th Plan i.e. from 2012-13 to 2016-17:

Year	Fiscal Deficit(%)
2012-13	5.3
2013-14	4.8
2014-15	4.2
2015-16	3.6
2016-17	3.0

Government has taken the following steps to rationalize Government expenditure:

(i) In the current financial year, Government has imposed economy measures like rationalization of expenditure and optimization of available resources with a view to improve macroeconomic environment. This include 10% mandatory cut on Non Plan expenditure in the current financial year, ban on holding of meetings and conferences at five star hotels, ban on creation of Plan and Non Plan posts, restrictions on foreign travel, restrictions on reappropriation of funds, observance of discipline in fiscal transfers to States, Public Sector Undertakings, Autonomous Bodies such as releases to any entity shall be based on furnishing of Utilization Certificates, no release of funds will be made in relaxation of conditionalities attached to such transfers (matching funding), etc.;

(ii) Government has also imposed expenditure restriction upto (a) 33% of the Budget Estimates in the last quarter of the financial year and (b) 15% of the Budget Estimates in the month of March under Monthly Expenditure Plan and Cash Management System;

(iii) Government has advised Ministries/Departments against making advance payments for the goods and services being procured;

(iv) Financial Advisors of Ministries/Departments have been advised to ensure compliance with these measures and also to submit an overall report to the Minister-in Charge/the Ministry of Finance on a quarterly basis regarding various action taken on these measures/guidelines;

(v) Government has introduced 'Medium-term Expenditure Framework Statement', setting forth a three-year rolling target for expenditure indicators with a view to undertaking a de-novo exercise for allocating resources for prioritized schemes and weeding out others that have outlived their utility. It would also encourage efficiencies in expenditure management; and

(vi) Government also endeavors to restrict the expenditure on Central subsidies.

The above steps and measures are expected to reduce/rationalize the Government expenditure under the designated items of expenditure except under the obligatory expenditure like interest payment, repayment of debt, Defence capital, salaries, pensions and the Finance Commission grants to the State Governments. Government also expects to be able to contain and economise on expenditure. At present, the mid-year review of Government expenditure and receipts is in progress and the results of such review will be reflected in RE 2012-13 at the time of presentation of Budget for 2013-2014.