Capital expenditure and revenue deficit as outlined in Thirteenth Finance Commission

*95. SHRI DEREK O'BRIEN: Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware that in 2014-15, the capital expenditure of the Union Government was 1.71 per cent of GDP, well below the 4.5 per cent level set out for the year in the fiscal consolidation path set out by the Thirteenth Finance Commission;

(b) whether the revenue deficit of 2.92 per cent of GDP was in contrast to the revenue surplus of 0.50 per cent of GDP to be achieved in 2014-15, as outlined by the Thirteenth Finance Commission; and

(c) if so, the reasons therefor?

THE MINISTER OF FINANCE (SHRI ARUN JAITLEY): (a) to (c) A Statement is laid on the Table of the House.

Statement

(a) to (c) The Central objective of the Fiscal Responsibility and Budget Management (FRBM) Act 2003 is to ensure inter-generational equity in fiscal management. The rules formed thereunder envisaged this to be achieved through the elimination of revenue deficit and build-up of revenue surpluses. Together with a fiscal deficit of 3 per cent of GDP, this would ensure that all borrowings are devoted to enhancing capital expenditure.

The Thirteenth Finance Commission had submitted their Report in 2009 for the award period 2010-11 to 2014-15 after an assessment of the fiscal situation in India. The Commission had recommended that the revenue deficit of the Centre needs to be progressively reduced and eliminated by 2013-14, followed by emergence of a revenue surplus by 2014-15. The Report had also envisaged that in doing so the capital expenditure of the Central Government would go up to a level of 4.5 per cent of GDP in 2014-15. The Government accepted the recommendation about the revenue deficit in principle in their 'Explanatory Memorandum as to the Action Taken on the Recommendations Made by the Thirteenth Finance Commission' in February 2010.

Later, recognising that, as per the scheme of classification and definitions, large grants transferred to States which were capital in nature had to be recorded as revenue expenditure in the Union accounts, the Government introduced the concept of effective revenue deficit in the Union Budget 2011-12. Effective revenue deficit indicates the difference between revenue deficit and grants from the Centre to States for creation of capital assets. Accordingly, the Amendments to the FRBM Act enacted *vide* the Finance

Act 2012 mentioned that, "The Central Government shall take appropriate measures to reduce the fiscal deficit, revenue deficit and effective revenue deficit to eliminate the effective revenue deficit by the 31st March, 2015 and thereafter build up adequate effective revenue surplus and also to reach revenue deficit not more than 2 per cent of Gross Domestic Product by the 31st March, 2015 and thereafter as may be prescribed by rules made by the Central Government".

The fiscal outlook for 2014-15 was constrained by the global economic environment, weak growth, moderate increase in indirect taxes, a large subsidy burden and not so encouraging tax buoyancy. Consequently, the capital expenditure of the Central Government in 2014-15 was 1.6 per cent of GDP. Against this background and the need for balancing the requirements of spending in social and welfare sectors for the protection of vulnerable sections, the FRBM Act was amended in 2015 to extend the time frame for the elimination of effective revenue deficit from 31st March 2015 to 31st March 2018. As the correction of 1.2 percentage points of GDP in effective revenue deficit in a year's span from 2016-17 to 2017-18 was found to be very challenging and may entail undue pressures on other developmental expenditure, given the available revenues, the target for elimination of effective revenue deficit was further extended by one year in the Union Budget 2016-17.

SHRI DEREK O'BRIEN: Sir, in fact, not only the Finance Minister is here, but I note that there are two former Finance Ministers who are here in the House, Dr. Manmohan Singh and Shri P. Chidambaram. The answer has a noble intention of elimination of revenue deficit and build up of revenue surplus. Sir, my first supplementary relates to the RBI data of 2016. That data shows that there are 10 States and each State has these huge financial burdens; Maharashtra with ₹ 4 lakh crores, -- I am not giving the figures -- but they are all in excess of ₹ 2 lakh crores. These States include Maharashtra, Uttar Pradesh, Andhra Pradesh, Gujarat, Tamil Nadu, West Bengal, Karnataka, Madhya Pradesh and Kerala. Sir, it is a long list of 10-12 States. The figures are obviously available for this. The States, Sir, are being burdened with paying back this money, especially so, the debt stressed States like Bengal, where I come from, Punjab and Kerala. My specific question, Sir, to the Finance Minister is about giving the States some level of confidence. Would the Government consider setting up a Committee of State Finance Ministers headed by the Union Finance Minister for addressing this specific problem so that he can meet its noble goal?

SHRI ARUN JAITLEY: Sir, this issue has been raised by some State Governments, especially, by the State from which my learned friend comes. The hon. Chief Minister of West Bengal, recently, raised it at the Inter-State Council meeting also. At the end of the day, Sir, we have a structure which is defined, under which the Centre and the States will have to meet their own expenditure requirements which include both their revenue requirements and the capital needs. There is also a system by which the States, in addition to their income, also get devolution as far as the Central share of taxes are concerned. Eventually, we all have to live within the limitations of those limited resources available. The whole essence of fiscal deficit, the States would have or the Centre would have, is that we are borrowing in order to finance either the revenue or capital needs of the current generation. And, therefore, we have to borrow as much as we can afford to serve it. That is a planning that every State will have to do and even the Centre will have to do that. Now, the appointment of a committee is possible, but at the end of the day, it is the prudent fiscal planning which every State will have to do, that is, to raise its own level of resources by greater generation of economic activity and moderating its expenditure accordingly.

SHRI DEREK O' BRIEN: Sir, my second supplementary, actually, relates to a phrase, which the Finance Minister just used, that is, about devolution, which he said to be 32 to 42 per cent. Sir, I have two specific facts on which my second question is based. Sir, the Centre has withdrawn financial support from 39 major schemes which the States were getting. My second fact, is in as many as 58 important schemes, the Centre-State structure of percentage has been dramatically changed. So, sometimes, it was 50:50. For the same 50:50, today, the State is paying 70 or 75 and the Centre has reduced its contribution. Sir, sometimes, it becomes 90:10. So, my specific question is this. Sir, for example, in the BRGF, where my State was to receive ₹ 6,400 crores, we actually received ₹ 2,000 crores. That is one example. The other commitment made was for CST. When CST was brought down from 4 per cent to 2 per cent, there again, the States were supposed to be compensated. I have given the Finance Minister, through you, two examples -- the BRGF and the CST. So, the promises were made before we set up this Committee. Would he consider addressing these two specific cases for all States, including mine, and to release these funds at the earliest? Thank you, Sir.

SHRI ARUN JAITELY : Sir, as far as the second question is concerned, I would tell the hon. Member that the Governments have a continuous identity even if political parties in power do change. With regard to the CST, even though the commitment arose when the previous Government was in power, when the States discussed with us, we undertook to discharge that liability. In the last two years, one-third and one-third, that is, two-thirds of the liability have been discharged. This year, the balance one-third is being discharged, the first instalment of which has already been paid for the current year as far as the States are concerned and I am sure during the course of this year, the second instalment would also be paid and the CST balance as far as the States is concerned would be discharged.

SHRI DEREK O' BRIEN: Sir, BRGF was a specific question.

SHRI ARUN JAITLEY: As far as devolution is concerned, if one looks at the accurate data, the entire structure, after the recommendations of the Fourteenth Finance Commission, has changed. Thereafter, the NITI Aayog itself appointed a Committee of Chief Ministers. That Committee decided which are the schemes which would now be financed by the States, which are the schemes which would be entirely financed by the Centre and that some of the schemes would be financed in the ratio of 60:40, that is, 60 by the Centre and 40 by the States. We have accepted that recommendation of the Chief Ministers' Committee. Now, if you take the amount with regard to any of the particular heads, it may have gone down on a certain head, but when 32 becomes 42, it increases. So, what you are eventually to see is, what the overall position is. Let us say, compare the year 2014-15 with the years 2015-16, when the Thirteenth Finance Commission was there and the Fourteenth Finance Commission is there. The net difference between the two years itself is significant.

SHRI DEREK O'BRIEN: Sir, I seek your protection. I had asked a very specific question on the BRGF. The hon. Finance Minister is so good with words. I asked a simple question. Sir, ₹ 6,000 crores owed to my State. Sir, against ₹ 6,000 crores, we received ₹ 2,000 crores!

SHRI ARUN JAITLEY: As far as one specific head of your State or any other State is concerned, if you have a specific question, I will get back to you with the figure itself. Please bear in mind that after the Fourteenth Finance Commission, even though some of the schemes may have gone into sharing, the net being received by States is something close to ₹ 1,88,000 crores compared to what they received in the Thirteenth Finance Commission.

AIIMS'S report on facilities in ambulances

*96. SHRI ANIL DESAI: Will the Minister of HEALTH AND FAMILY WELFARE be pleased to state:

(a) whether All India Institute of Medical Sciences (AIIMS) has submitted