

**National Institution for Transforming India (NITI)**  
**Project Appraisal and Management Division**

## **NITI BRIEF # 2**

### **Union Budget 2015-16: Central Plan**

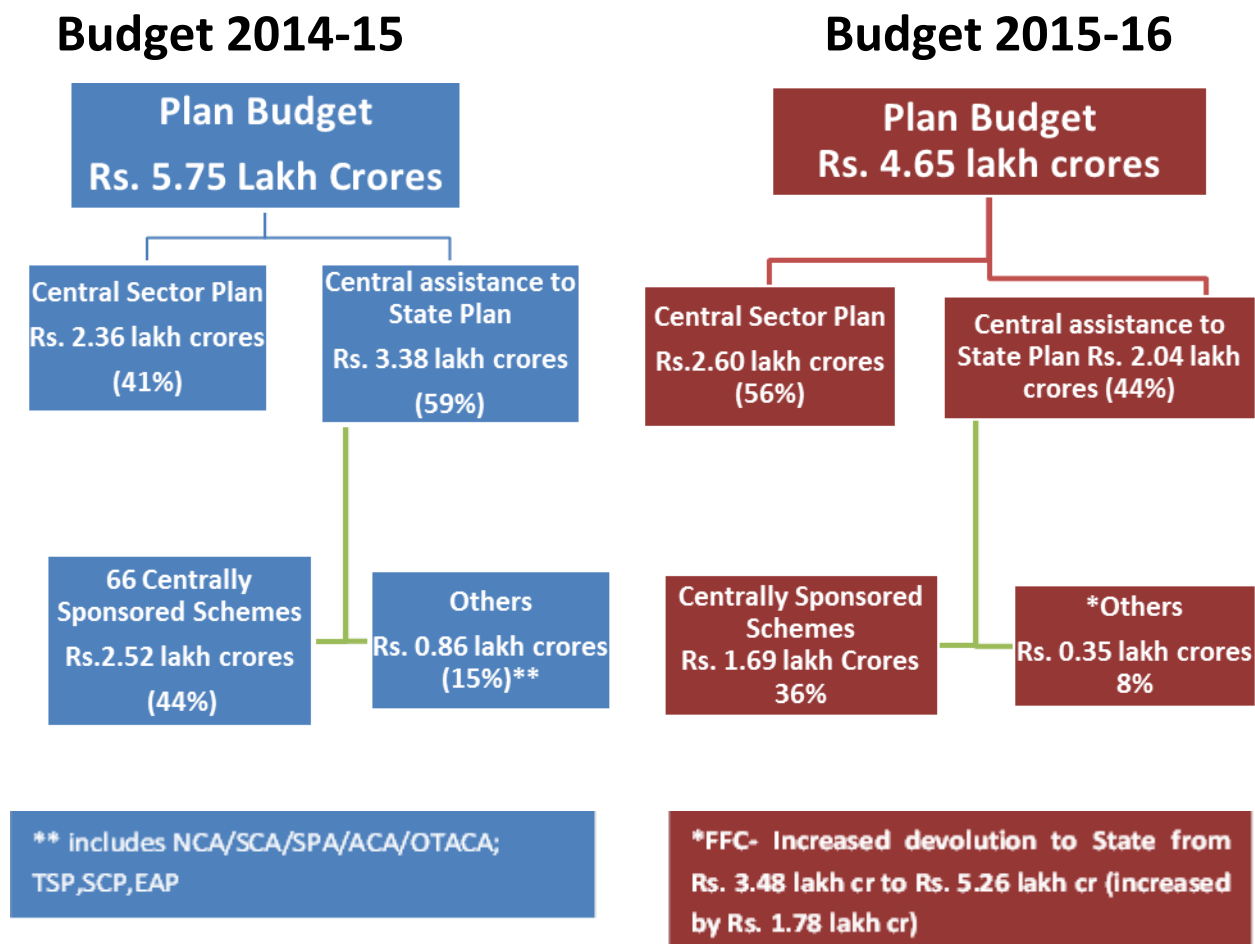
The first meeting of the Governing Council of NITI was held on 8<sup>th</sup> February 2015. The meeting endorsed the outline of a National Development Agenda and agreed to function as an organic Team India. Later in the month, the recommendations made by the Fourteenth Finance Commission (FFC) in its report submitted to the President on December 15, 2014 were presented to Parliament; the Economic Survey 2014-15 and the Budget 2015-2016 have also been presented.

02. In continuation of NITI Brief # 1, it is now sought to analyse the expenditure outlays under the Central Plan in the Union Budget 2015-16, and their implications for the remaining two years of the Twelfth Five Year Plan, the national development agenda and expected outcomes.

03. In a nutshell, the proportion of the Budget that flows to different components is at Annexure – 1.

#### 4. Union Budget Plan 2015-16:

4.1 Out of Rs. 578382 Crore, the Plan Budget is Rs. 465277 Crore. The flows across Plan of Union Budget 2014-15 and 2015-16 is indicated below:



#### 5. Central Plan 2015-16: Highlights

5.1 A highlight of the Central Sector Plan (2015-16) of Rs. 2.60 lakh crore is that it emphasizes Capital Expenditure over Revenue Expenditure. While it is true that total Revenue Expenditure under Plan is higher (Rs.139660 crore) than Capital Expenditure (Rs. 120833 crore), it is significant to note that the overall Revenue Expenditure has declined from Rs. 453503 crore in 2014-15 to Rs. 330019 crore in 2015-16. Much of the change is accounted for by reduction in Revenue Expenditure under the component of Central Assistance to State and UT Plans attributable to the compositional shift in transfer of resources to States. There has been an increase in the devolution of taxes from 49% in 2014-15 to 63% in 2015-16 (Annex - 2).

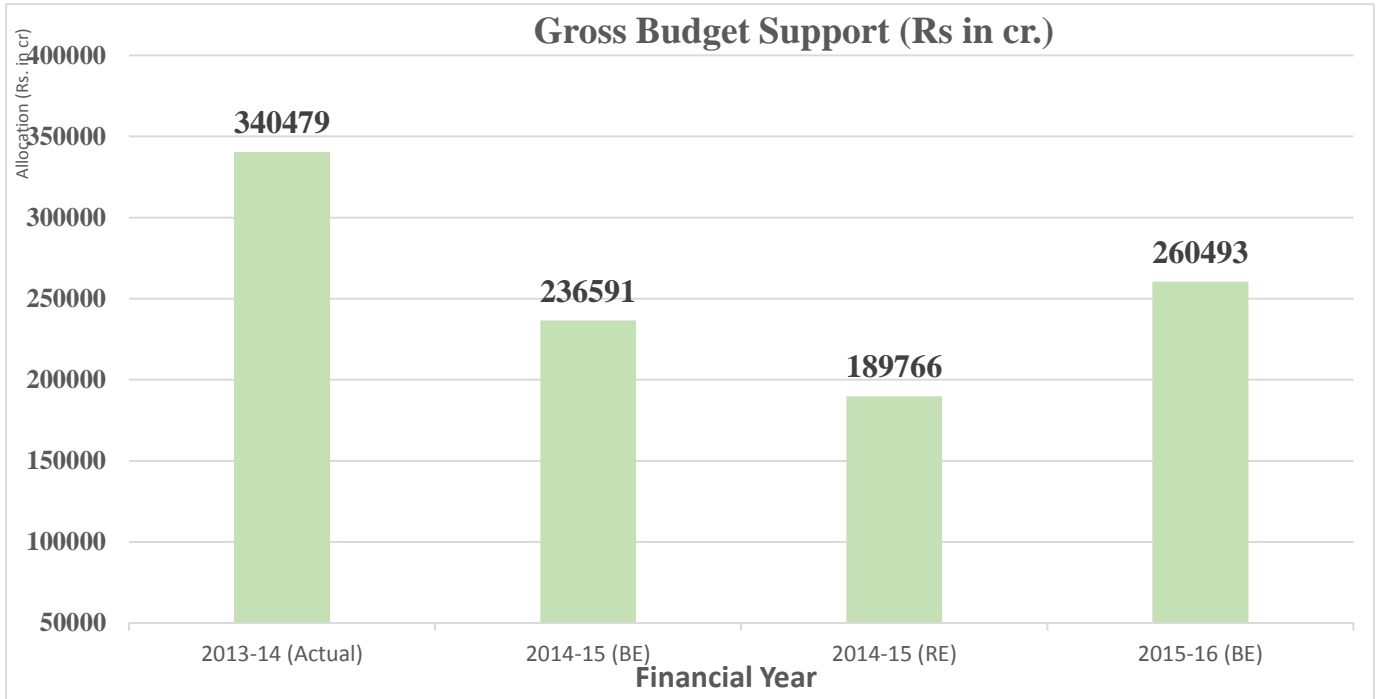
**Table I: Central Sector Plan**

	2013-14 (Actual)	2014- 15 (BE)	2014- 15 (RE)	2015- 16 (BE)	Variation between BE 2015- 16 and BE 2014- 15
1	2	3	4	5	6
Gross Budget Support	340479	236591	189766	260493	23902
Internal and Extra-Budgetary Resources (IEBR) of Public Enterprises (PESs), etc.	263094	247941	237045	317889	69948
Total Central Plan Outlay	603573	484532	426811	578382	93850

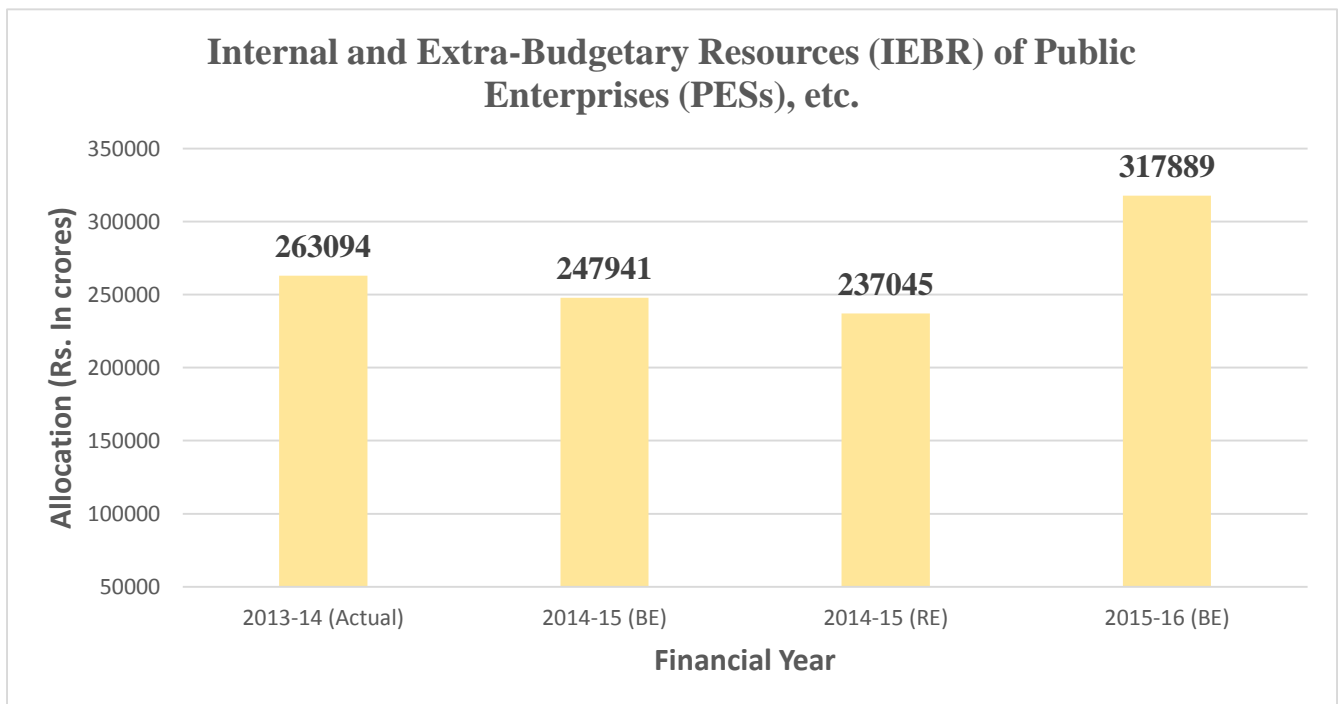
Source: Budget At A Glance, 2015-16

- 5.2 The Central Sector Plan for 2015-16 exceeds the Budget Estimate for 2014-15 by Rs. 93850 crore. Analysing this further, it is seen that out of the increase of Rs. 93850 crore, increase in GBS is Rs. 23902 crore whereas the increase in IEBR is as high as Rs. 69948 crore.
- 5.3 It is evident from above graphs that greater reliance is being placed on internal generation of resources of Public Sector Enterprises, market borrowings and PPP projects to push economic growth led by public expenditure under Central Sector Plan. These projections have been made after carefully assessing the capacity of Central PSUs to generate internal extra budgetary resources.

Graph I: Trend of GBS



Graph 2: Trend of IEBR



## 6. Increase in projections for IEBR

6.1 There are as many as 19 Ministries that have a significant allocation under IEBR. Out of this in 16 Ministries, IEBR is nearly 50% or more of the total Plan Allocation. These are listed below:

**TABLE II**

MINISTRY/DEPARTMENT	Budget 2015-2016			Variation in IEBR		
	Budget	I.E.B.R	Total	BE 2015-16 and BE 2014-15	BE 2015-16 and RE 2014-15	IEBR as % of Budget
	Support					
	10	11	12	13	14	16
Department of Atomic Energy	5900.00	9205.92	15105.92	1678.30	2822.69	61%
Ministry of Chemicals and Fertilisers	448.00	510.63	958.63	22.40	10.22	53%
Department of Fertilisers	50.00	510.63	560.63	-11.01	160.22	91%
Ministry of Civil Aviation	2720.00	2640.95	5360.95	-113.05	340.74	49%
Ministry of Coal	551.00	12585.50	13136.50	574.50	1080.50	96%
Ministry of Communications and Information Technology	8236.56	18583.07	26819.63	11786.64	-983.65	69%
Department of Telecommunications	5199.95	17685.14	22885.09	11684.49	-1112.19	77%
Ministry of Consumer Affairs, Food and Public Distribution	392.00	608.52	1000.52	448.29	-101.92	61%
Department of Food and Public Distribution	212.00	608.52	820.52	448.29	-101.92	74%
Ministry of Heavy Industries and Public Enterprises	678.88	895.22	1574.10	-893.63	-21.84	57%
Department of Heavy Industry	669.88	895.22	1565.10	-893.63	-21.84	57%
Ministry of Housing and Urban Poverty Alleviation	660.30	15133.27	15793.57	872.99	3298.59	96%
Ministry of Mines	570.58	1642.89	2213.47	-86.50	950.25	74%
Ministry of New and Renewable Energy	287.67	3373.06	3660.73	373.06	26.48	92%
Ministry of Petroleum & Natural Gas	50.00	76565.46	76615.46	-4069.36	3976.36	100%
Ministry of Power	6799.74	54604.73	61404.47	3862.71	4816.55	89%
Ministry of Road Transport and Highways	40002.65	42694.50	82697.15	33694.50	39694.50	52%
Ministry of Shipping	932.79	3613.74	4546.53	-23.58	1461.27	79%
Ministry of Steel	15.00	13070.47	13085.47	-2302.75	-194.81	100%
Ministry of Railways	40000.00	58365.00	98365.00	24516.00	24163.33	59%
<b>GRAND TOTAL</b>	<b>121802.39</b>	<b>317888.64</b>	<b>439691.03</b>	<b>69947.70</b>	<b>80843.44</b>	<b>72%</b>

- 6.2 Significant increase has been projected for IEBR of Department of Telecom, D/o Atomic Energy, M/o Road Transport & Highways, M/o Power and M/o Railways. The projected increases are not only significantly higher compared to BE for 2014-15, but also Actuals of 2013-14. Thus realising this level of IEBR will call for considerable planning and strategy, timely placement of procurement contracts and very tight monitoring of implementation.
- 6.3 In 2015-16, the B.E. Allocation for IEBR reflects a steep increase over B.E. and R.E. for 2014-15. Given the steep increase in IEBR, the issues that arise are ability of the concerned Ministries (Railways) and Public Sector Enterprises of Ministries of Fertiliser, Petroleum and Natural Gas, Steel, Coal etc. to step up internal generation to the extent projected.
- 6.4 There is a steep reduction in the internal generation reflected by Ministry of Petroleum and Natural Gas and Ministry of Steel which merits further analysis.

## **7. Sectoral Outlays**

- 7.1 In his Budget Speech, Finance Minister Shri Arun Jaitley stated that despite the reduced fiscal space for the Central Government, it has been decided to continue supporting important national priorities such as Agriculture, Education, Health, MGNREGA, and Rural Infrastructure including roads. Programmes targeted for the poor and the underprivileged will be continued (para 21 of Budget Speech).
- 7.2 Rural infrastructure has been given a further impetus by including Rs. 5300 crore to support micro-irrigation, water shed development and the Pradhan Mantri Krishi Sinchai Yojana. This is in addition to Housing and Rural roads. (Table III).

**Table III: Sectoral Allocations in Central Sector Plan (2015-16).**

(Rs. in Crore)

Central Plan Outlay	(in Rs. Crore)				
	2013-14 (Actual)	2014-15 (BE)	2014-15 (RE)	2015-16 (BE)	Variation between BE 2015- 16 and BE 2014-15
Sectors - Central Plan	1	2	3	4	5
Agriculture and allied activities	17788	11531	10199	11657	<b>126</b>
Rural Development*	51757	3082	1877	3131	<b>49</b>
Irrigation and flood control	441	1797	896	772	<b>-1025</b>
Energy	182388	166275	154878	167342	<b>1067</b>
Industry and Minerals	33433	40209	39397	43113	<b>2904</b>
Transport**	103959	116202	106242	193417	<b>77215</b>
Communications	16209	13009	13027	12032	<b>-977</b>
Science, technology and Environment	13535	18792	14821	19023	<b>231</b>
General Economic Services	26064	26318	17303	20333	<b>-5985</b>
Social Services***	150736	79411	64284	81003	<b>1592</b>
General Services	7263	7906	3887	26559	<b>18653</b>
<b>Grand Total</b>	<b>603573</b>	<b>484532</b>	<b>426811</b>	<b>578382</b>	<b>93850</b>

- 7.3 The increase in the Central Plan outlay is mainly for Transport i.e. Roads (Rs 46,968 cr) and Railways (Rs. 34,416 cr).
- 7.4 There is decline in allocation however for Civil Aviation (Rs 4113 cr), Shipping (Rs 231 cr) and Ports (Rs 200 cr).
- 7.5 The allocations under Agriculture that includes outlays for Dairy Vikas Abhiyan (program to bring surplus milk in un-organised sector for procurement) and Blue Revolution (Schemes of Inland Fisheries support to Fisheries Institute, National Fisheries Development Board and the other programmes for development of Fisheries). The emphasis on rural infrastructure continues with Pradhanmantri Gram Sinchai Yojana, Housing for All and MGNREGA.
- 7.6 In the case of Irrigation and Flood Control sector, some of the activities have been shifted to micro-irrigation schemes under Pradhan Mantri Sinchai Yojana as well as to the State Sector. Consequently, there is a variation between BE 2014-15 and BE 2015-16 to the tune of (-) Rs. 1025 Crore.
- 7.7 Outlays for Science and Technology and Space have also been given modest increase over BE 2014-15. In addition, outlays for Tribal

Affairs, SC and ST, Women and Child Development and Minorities have been maintained if not given some increase.

- 7.8 Another sector that has undergone major changes is Textiles. Textiles enjoys a central place as it is employment intensive and focusses as jobs. A number of activities under the National Handloom Development Programme has been shifted to the States and the Centre's participation through Central Sector interventions has been increased. Likewise, Sericulture has been supported mainly through support to the Central Silk Board. Power Loom Scheme, Technology Upgradation Scheme and the Integrated Catalytic Development Scheme have received a smaller share on account of several weaknesses in the scheme and their lack of effective impact.
- 7.9 Government's new programmes for Urban Rejuvenation, Ganga Rejuvenation, (Namami Gange) as well as Metro projects in urban cities have been kept to signal the critical importance of these programmes in the National Development Agenda. Clean rivers and urban rejuvenation are the lifelines of a growing economy that will also give a fillip to Tourism and other economic activities.
- 7.10 In sum, the Central Plan Outlay indicates that public investment in Energy, Transport, Tele-Communications, Urban Development, River Development, have been strongly supported leading to an increase in Capital expenditure under Plan from Rs. 87720 crore in 2014-15 RE to 120833 crore in 2015-16 (an increase of 38%).
- 7.11 In addition, in many of the Ministries that fall under these categories, the allocation in BE 2015-16 is significantly higher as compared to the Revised Estimates 2014-15. Thus the budgetary allocations match the capacity to spend as reflected in Revised Estimates 2014-15. For example outlays under Agriculture Research and Education, Rural Development, Power, Village and Small Industries, Atomic Energy Research, Space Research, Census, Metrology, Sports and Youth Affairs, Medical and Public Health and Police reflect considerable increase in B.E. 2015-16 compared with R.E. 2014-15.



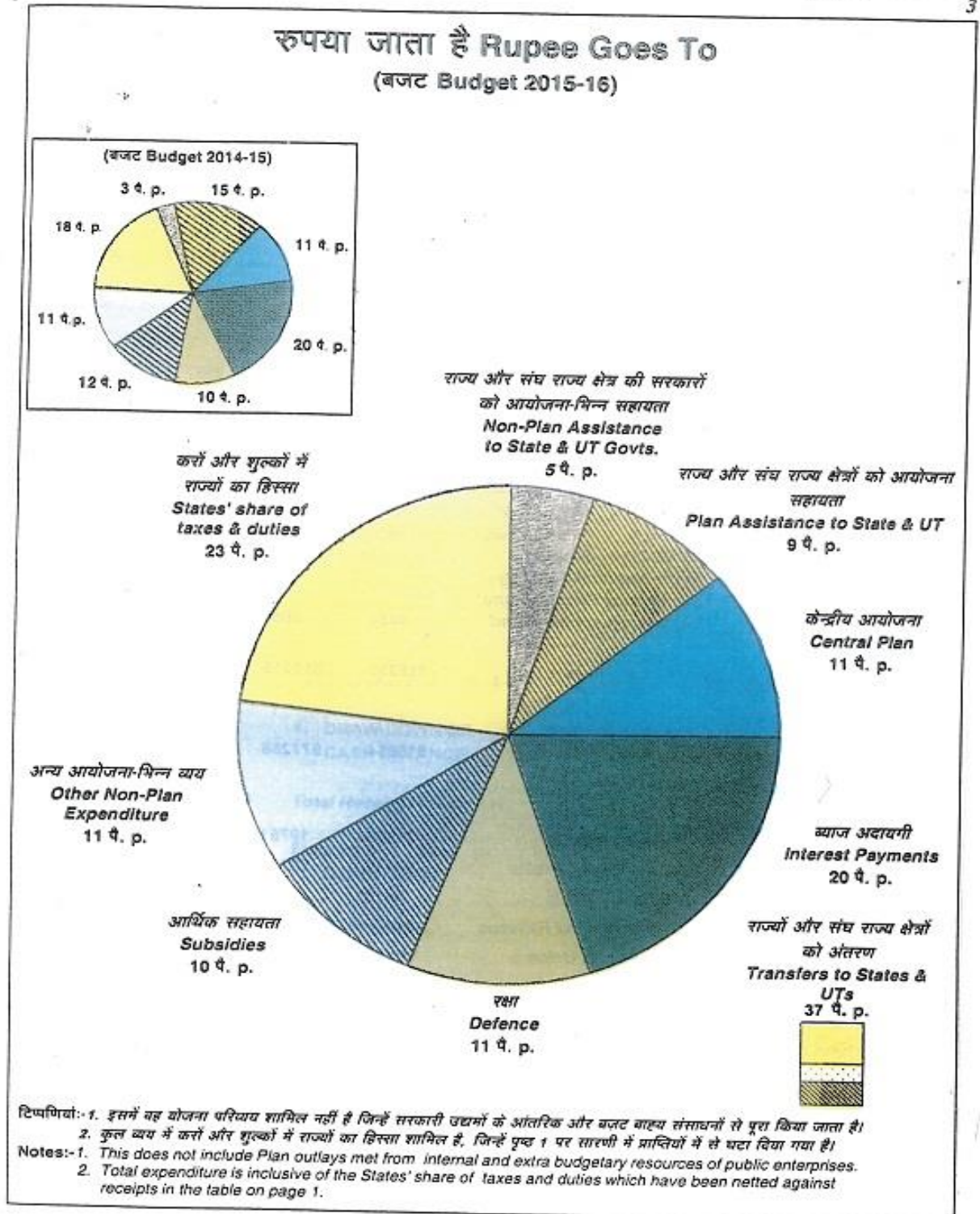
## **8. Outlays to Outcomes: Road ahead from April 2015 to March 2016 - Challenges**

- 8.1 In view of the fact that the infrastructure deficit in the economy is huge and, moreover, the slow-down in the economy in the past few years has led to a pessimistic investment climate, the immediate task is to create an environment that is conducive to investment led growth. This will imply a wide-ranging set of reform measures across financing, taxation and removing constraints to move forward in the ease of doing business particularly in the States.
- 8.2 The Economic Survey 2014-15 analyses a further major issue that is dragging down the investment climate i.e. Stalled Projects and Debt overhang. The Survey notes that the largest number of projects that are being stalled are in Manufacturing due to unfavourable market conditions and, moreover, dominantly in the private sector. Highly leveraged corporate balance sheets, and a banking system under severe stress suggest that this [kickstarting stalled projects] will prove challenging. “Against this backdrop, public investment may need to be augmented to recreate an environment to crowd-in private sector investment”. (*Source: Economic Survey 2014-15*). This has been reiterated in the Budget Speech. The major challenge is to increase investment in general and public investment in particular in infrastructure because “with private investment in infrastructure via Public-Private-Partnership (PPP) model still weak, public investment needs to step in, to catalyse investment” (para 18).
- 8.3 Addressing the infrastructure deficit and creating a conducive environment for private investment is aimed to be achieved by leveraging public investment, predominantly from internal generation of Extra Budgetary Resources in key Ministries. (See Table II above). In order for the resources to be effectively utilised, particularly in Highways and Railways sectors will mean a strong emphasis on project management, execution and monitoring by public entities especially those functioning under the Ministry of Railways and under the Ministry of Road, Transport and Highways. In turn, this requires changes in governance processes greater delegation of functions accompanied by strict accountability for time and cost overruns and incentives for better performance at the project level. Priority needs to be accorded in this year to projects that are more than 70% complete by allocating adequate funds linked to projects. In other words, the immediate focus must shift from ribbon-cutting and foundation stones to inaugurations of completed projects.

- 8.4 The short-term challenge lies however in ensuring that publicly funded projects, at a minimum, do not suffer further time and cost over runs. The Online Computer Monitoring System (OCMS) platform maintained by Ministry of Statistics and Programme Implementation lists, as on date, approximately 700 plus projects valued at Rs. 150 crore or more that are currently not meeting timelines. Most of these projects are in the Railways and a large number are in the States. NITI proposes to actively monitor these projects to ensure that they meet the current revised completion milestones.
- 8.5 In addition to the above, a critical initiative is the trouble-shooting that is being undertaken by the Project Monitoring Group (PMG) in the Cabinet Secretariat by actively engages with Central and State Governments to de-bottleneck projects that are stuck on account of environment clearances, land acquisition or other State level / Central level clearances in the major infrastructure sectors, both Public and Private. As on date the PMG database lists 230 projects in which they are playing a pro-active role. The Projects are both in the public and private sector, as well as in the Centre and the States.
9. In conclusion, the Union Budget 2015-16 (Central Plan) signals a return to the core functions of the Union in general and, in particular, to public investment and creation of capital assets that have traditionally been the backbone of Plan outlays. In the last three Plan periods, there has been a focus on additional functions and responsibilities by the Central Government resulting in direct interventions by the Centre on sectors that comprise Merit Goods. Priority to these sectors, has, however, been retained by means of high visibility programmes such as Swacch Bharat, Beti Bachao Beti Padhao, Housing for All and Namami Gange. The challenge lies in re-orienting the public entities in the Central Government to take on the onerous responsibility of reviving investment and returning the economy to high growth trajectory.

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Annexure-I  
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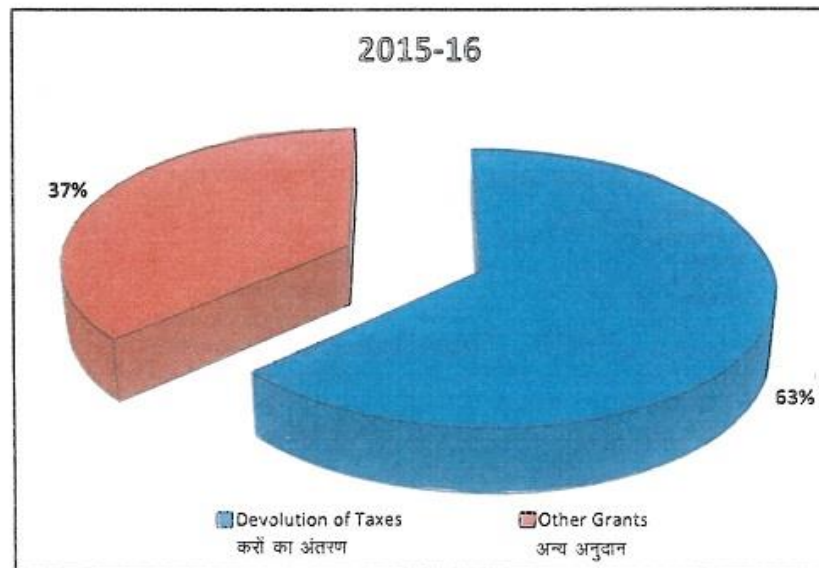
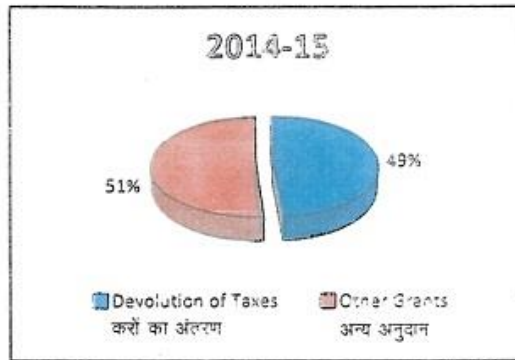


Source: Budget at a Glance 2015-16

राज्यों को संसाधनों के अन्तरण में संरचनात्मक परिवर्तन  
Compositional Shift in Transfer of Resources to States  
(बजट Budget 2015-16)

राज्यों को अन्तरित संसाधन  
Resources Transferred to State

		₹ Crore	
		बजट Budget 2014-15	बजट Budget 2015-16
1	करों और शुल्कों में राज्य हिस्से का अन्तरण Devolution of State share of taxes and duties	382216	523958
2	राज्य को आयोजना भिन्न अनुदान और ऋण Non-Plan Grants and Loans to State	69095	107566
3	राज्य को केंद्रीय आयोजना सहायता जोड़ Central Assistance to State	330764	196743
<b>Total</b>		<b>782075</b>	<b>828267</b>



Source: Budget at a Glance 2015-16