

No. 3/10/2015-FRBM  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)

North Block, New Delhi.

Dated: June 16, 2015

**Medium Term Expenditure Framework Circular 2015-16**

**1. Background and Introduction:-**

1.1 The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 was enacted with a view to provide a legislative framework for reduction of deficit, and thereby debt, of the Government to sustainable levels over a medium term so as to ensure inter-generational equity in fiscal management and long term macro-economic stability. The FRBM framework provided a medium term perspective to fiscal management. The FRBM framework requires the Government to reduce the deficits to a prescribed level in a prescribed time following a laid out fiscal consolidation roadmap. It requires Government to place a medium terms fiscal framework laying down the projected fiscal aggregates to meet the fiscal targets as prescribed in Act/Rules. It also mandates the Government to spell out the strategy that it decides to adopt to meet the projected fiscal plan. The government has demonstrated its commitment to prudent fiscal and financial policies by notifying the Act and the Rules with effect from July 5, 2004.

1.2 The Medium Term Fiscal Framework plays a crucial role in laying down the medium term and long term fiscal policy of the Government. It provides a credible roadmap for the intention of the Government to contain the deficit to predefined levels. It has also acted as an effective standing point for preparation of next budget. Since it is a rolling plan, it adapts to the changes in overall macroeconomic conditions. An effective medium term fiscal plan is one that is tightly integrated with the budget and one which forms a credible foundation for the upcoming budgets.

1.3 This aspect was observed by the Thirteenth Finance Commission, which recommended that *“the Central Government revises the existing medium term fiscal policy statement with a more detailed medium term fiscal plan which contains three-year-formed estimates of revenues and expenditures, with*

*detailed breakup of major items that form a part of the revenues and expenditure, together with a narrative explanation of how these estimates have been generated. In other words, the estimates of revenues and expenditures should be arrived at as the sum of their parts and should be in conformity with the broad roadmap for fiscal parameters set out in the Act. Therefore, the Government could increase the time horizon of the MTFP by one year in each subsequent year and provide fresh estimates for the other years. The estimates of the first year would be converted into budget estimates, along-with a narrative explanation of such revisions. In effect, this would mean that the Central Government would provide a fiscal roadmap for three years into future. This would ensure tighter integration of the MTFP into the budget and make the MTFP more a statement of commitment rather than merely one of intent”.*

1.4 Through Finance Act 2012, amendments were made to the Fiscal Responsibility and Budget Management Act, 2003 and it was inter-alia decided that Central Government shall lay the Medium Term Expenditure Framework Statement (MTEF) before both the Houses of Parliament in the Session immediately following the Session of Parliament in which Medium-Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macroeconomic Framework Statement are laid. The Central Government in exercise of power conferred by Section 8 read with Sub-section (7) of Section 3 of FRBM Act, 2003 made rules to amend Fiscal Responsibility and Budget Management Rules, 2004 and Form F-4 of the amended rules specifies the format in which the statement shall be laid (Annexure-A).

1.5 Amended FRBM Rules provided format (Annexure-A) in which Government will lay before both the Houses of Parliament the Medium Term Expenditure Framework Statement along with assumption underlying the projections over medium term. The format provides an estimate of expenditure commitments for various Sections viz. Education, Health, Rural Development, Energy, Subsidies and Pension etc. Expenditure commitments are shown separately for Revenue and Capital expenditure. “Grants-in-aid for creation of capital assets” and its projection are also depicted as a part of Revenue expenditure.

1.6 The MTEF is essentially a vertical expansion of the aggregates of the expenditure projections in the fiscal framework presented along with the Annual Financial Statement and the Demands for Grants. Amendment to FRBM Act, 2003 envisaged that the Medium Term Expenditure Framework Statement shall set forth a three-year rolling target for prescribed expenditure indicators

with specification of underlying assumption and risk involved. MTEF shall inter alia contain:

- (i) The expenditure commitment of major policy changes involving new service, new instrument of service, new schemes and programmes;
- (ii) The explicit contingent liabilities, which are in the form of stipulated annuity payments over a multi-year time-frame;
- (iii) The detailed break-up of grants for creation of capital assets.

## **2. Components of Framework:-**

**2.1 Salaries and Pensions:** - Salaries and Pensions are one of the important elements of Government expenditure that have substantial fiscal impact. Salary expenditure of Government is spread across all demands for grants within the Government whereas pension provisions are centralized. The salary rules are also almost uniform all across Government, thereby ensuring that the trends in salary expenditure across all administrative units are the same to a large extent. For any exercise related to medium term projection of the expenditure of the Government, it would be helpful to segregate salary expenditure from non-salary expenditure and be projected as one aggregate item. However, it has to be noted that the risk related to this item of expenditure may differ within various administrative units, especially if they are related to significant changes in the workforce. If there any such exceptional risk related to a particular Department/Ministry, it has to be mentioned separately. For this purpose, it would be helpful to club grants-in-aid for salaries along with the salary expenditure to make the projections more realistic.

**2.2 Grants for Creation of Capital assets:** - Grants for creation of capital assets, as a concept, was introduced in the FRBM Act through the amendment in 2012. The Act defines grants for creation of capital assets as grants-in-aid given by the Central Government to state governments, autonomous bodies, local bodies and other scheme implementing agencies for creation of capital assets which are owned by these entities. These grants are relevant for the projection of the effective revenue deficit, which has been defined under the Act as the difference between revenue deficit as defined under the Act and grants for creation of capital assets. Effective Revenue Deficit signifies that amount of capital receipts that are being used for actual consumption expenditure of the Government. The Government is mandated to eliminate the effective revenue deficit and keep it at that level in the future. It is therefore essential that the expenditure of the Government in form of the grants for creation of capital assets is projected separately.

**2.3 Major programmes:** - Outlays for major programmes are another key determinant in the medium term expenditure projections of the Government. Normally, major programmes are designed and implemented to achieve a major public policy objective of the Government and any change in the scope or implementation modalities of the programme can have major impact on public finances. It is, therefore, essential that any medium term view of expenditure commitment of the Government factors in the expected changes in the programme implementation or new expenditure commitments arising out of fresh programmes.

2.4 While formulating the MTEF Statement information on expenditure commitments on salaries (including grants-in-aid for salaries) and pensions, grants-in-aid for creation of capital assets, major programme, interest payment, defense expenditure and major subsidies etc. and other commitments of Government, will be considered.

### **3. Information for Projections of Expenditure:-**

3.1 As required under the FRBM Act and the Rules framed thereunder, the MTEF is to be laid in the Session next to one in which the budget has been presented. Accordingly, for F.Y. 2015-16, MTEF shall be laid in both the Houses of Parliament in the Monsoon Session. The MTEF Statement to be laid will be consistent with the medium term fiscal policy framework laid in the Budget Session. While the Medium Term Fiscal Policy (MTFP) lays down the fiscal constraints of the Government in medium term, Medium Term Expenditure Framework (MTEF) will lay down the expenditure commitments for various sectors over a 3 years rolling framework.

3.2 Para 2.1 above may be referred. One of the components of the expenditure framework is expenditure commitment and projection on salaries and pensions. Departments may internally review their requirement for “Salaries” and “Grants-in-aid for salaries”. The information regarding “Salaries” and “Grants-in-aid for salaries” after review may be sent in Annexure ‘B’ to Budget Division.

3.3 Commitments on “Pension and retirement benefits” may be reviewed by Central Pension Accounting Office, M/o Defence, D/o Posts and D/o Telecom over a medium term framework. The same may be provided in the format at Annexure ‘C’ to Budget Division by Central Pension Accounting Office, M/o

Defence and D/o Telecom and D/o Posts for their respective Pension provisions.

3.4 To decide about the sectoral projections it has been decided that major programme / schemes of Government will be reviewed. List of the schemes / programmes to be reviewed for making medium term projections is provided at Annexure 'D'. Concerned Ministries / Departments may provide the necessary information in the format prescribed at Annexure 'E' to Budget Division after necessary discussions in the Ministry / Department.

3.5 Meetings under the Chairmanship of Finance Secretary / Secretary (Expenditure) may be held in the July, 2015, schedule for which will be communicated separately. Ministries / Departments are requested to have internal discussions and furnish information in the format prescribed in Annexures to undersigned at the earliest not later than 26<sup>th</sup> June, 2015.

This issues with the approval of Competent Authority.



**(Sunil Chaudhari)**

Dy. Director (Budget)

Room No 164, North Block, New Delhi

Telefax: 23095764

To:

1. All Ministries/Departments;
2. All FA's (by name) and all Pr. CCA/CCA/CAs (by name) in Ministries/Departments;
3. Chief Controller (Pensions);
4. CGA, CGDA (For information)

Form F-4  
Medium Term Expenditure Framework

(₹ Crore)

	Previous Years RE (Y-1)	Current year BE (Y)	Projection for next 2 years	
			Y+1	Y+2

**Revenue Expenditure**

01. Salary
02. Interest
03. Pension
04. Subsidies
  - a. Food
  - b. Fertiliser
  - c. Petroleum
05. Centralised provision for Grants to States
06. Defence
07. Postal Deficit
08. External Affairs
09. Home Affairs
10. Tax Administration
11. Finance
12. Education
13. Health
14. Social Welfare
15. Agriculture and Allied
16. Commerce and Industry
17. Urban Development
18. Rural Development
19. Development of NE region
20. Planning and Statistics
21. Scientific Departments
22. Energy
23. Transport
24. Information Technology and Telecom
25. Union Territories
26. Others

**Total-Revenue Expenditure**

of which Grants for Capital assets

**Capital Expenditure**

01. Defence
02. Home Affairs
03. Finance
04. Education
05. Health
06. Commerce and Industry

- 07. Urban Development
- 08. Planning and Statistics
- 09. Scientific Departments
- 10. Energy
- 11. Transport
- 12. IT & Telecom
- 13. Loans to States
- 14. Union Territories
- 15. Others
- Total- Capital Expenditure**

**Total Expenditure**

**Expenditure estimates on Salaries**

(₹ Crore)

Item	Actuals 2013-14	B.E. 2014-15	R.E. 2014-15	B.E. 2015-16	B.E. 2016-17 (projections)	B.E. 2017-18 (projections)
<b>Salaries</b>						
<b>Grants-in-aid For Salaries</b>						

*Note: Provisions for Plan and Non-Plan to be shown separately.*

**Expenditure estimates on Pensions**

(₹ Crore)

Item	Actuals 2013-14	B.E. 2014-15	R.E. 2014-15	B.E. 2015-16	B.E. 2016-17 (projections)	B.E. 2017-18 (projections)
<b>Pension and Other retirement benefits</b>						

**LIST OF PROGRAMMES / SCHEMES TO BE REVIEWED**

<b>Name of Ministry / Department</b>	<b>Name of the Programme/ Scheme to be reviewed</b>
<b>D/o Agriculture &amp; Cooperation</b>	National Crop Insurance Scheme National Horticulture Missions National Mission for Sustainable Agriculture Mission for Development of Horticulture National Food Security Mission National Agricultural Insurance Scheme (NAIS) Weather-based Crop Insurance Scheme Modified National Agricultural Insurance Scheme (MNAIS) Integrated Scheme on Agricultural Marketing Pradhan Mantri Krishi Sinchai Yojana Rashtriya Krishi Vikas Yojana
<b>D/o Animal Husbandry, Dairying and Fisheries</b>	Dairy Vikas Abhiyan Blue Revolution
<b>Ministry of AYUSH</b>	AYUSH Promotion
<b>M/o Civil Aviation</b>	Subsidy for Operations of Haj Charters Equity Infusion in Air India Limited
<b>M/o Commerce and Industry</b>	Export Subsidy Interest Subsidy to Banks for Export Promotion Delhi Mumbai Industrial Corridor (DMIC) Make in India
<b>D/o Telecommunications</b>	Network for Defence Services Schemes under Universal Service Obligation Fund and National Optical Fiber Network
<b>D/o Electronics and Information Technology</b>	Digital India Programme & Electronics Governance Telecommunications and Electronic Industries
<b>D/o Drinking Water &amp; Sanitation</b>	National Rural Drinking Water Programme Swachh Bharat Abhiyan
<b>D/o Economic Affairs</b>	Transfer to NSSF for Unorganized Sector Workers Nirbhaya Fund for Safety of Women National Clean Energy Fund for promoting clean energy initiatives
<b>D/o Financial Services</b>	Recapitalization of PSBs
<b>D/o Revenue</b>	Compensation to States/UT Governments for Revenue

	losses due to phasing out of CST
<b>D/o Health &amp; Family Welfare</b>	National Health Mission Establishment of AIIMS type Super Specialty Hospitals-cum-Teaching Institutions and Upgrading of State Govt. Hospitals
<b>D/o AIDS Control</b>	National AIDS and STD Control Programme
<b>M/o Home Affairs</b>	National Scheme for Modernisation of Police and other Forces Construction of Residential Accommodation for Police Construction of Office Buildings
<b>M/o Housing and Urban Poverty Alleviation</b>	National livelihood Mission (Urban) Jawahar Lal Nehru National Urban Renewal Mission Sardar Patel Urban Housing Scheme
<b>D/o School Education and Literacy</b>	Sarava Shiksha Abhiyan National Programme of Mid-Day Meals in School Rashtriya Madhyamik Shiksha Abhiyan (RMSA) Support to Educational Development including Teacher Training and Adult Education Scheme for providing Education to Madrasas / Minorities
<b>D/o Higher Education</b>	Rashtriya Uchcha Shiksha Abhiyan (RUSA) Provisions for projects/schemes for the benefit of North Eastern Areas and Sikkim Interest Subsidy & Contribution for Guarantee Fund Support to IITs / IIMs / NITs including setting up new IITs, IIMs
<b>M/o Labour &amp; Employment</b>	Social Security for Unorganized Workers Skill Development Mission
<b>M/o Micro Small &amp; Medium Enterprises</b>	Prime Minister's Employment Generation Programme
<b>M/o Minority Affairs</b>	Multi Sectoral Development Programme for Minorities Pre Matric Scholarship for Minorities Post Matric Scholarship for Minorities
<b>M/o Planning</b>	Unique Identification Authority of India
<b>M/o Power</b>	Rural Electrification- Deen Dayal Upadhyaya Gram Jyoti Yojana / RGGVY Debt Restructuring of DISCOMs Smart Grid

<b>M/o Road Transport and Highways</b>	National Highway Authority of India
<b>D/o Rural Development</b>	Mahatma Gandhi National Rural Employment Guarantee Scheme National Livelihood Mission (Rural) (NRLM) Housing for all (Rural)- Indira Awaas Yojana Pradhan Mantri Gram Sadak Yojana (PMGSY) RURBAN Mission
<b>D/o Science &amp; Technology</b>	Science and Engineering Research Board
<b>M/o Shipping</b>	Sagar Mala Project and Major Ports
<b>M/o Skill Development and Entrepreneurship</b>	Kaushal Vikas Yojana
<b>D/o Social Justice &amp; Empowerment</b>	Special Assistance to SC Sub Plan Pre Matric Scholarship Scheme to SC students Post Matric Scholarship Scheme to OBC students Self-Employment Scheme of Liberation and Rehabilitation of Scavengers Pradhan Mantri Adarsha Gram Yojana
<b>M/o Textile</b>	Technology Upgradation Fund Scheme
<b>M/o Tribal Affairs</b>	Post Matric Scholarship for ST students Van Bandhu Kalyan Yojana
<b>D/o Urban Development</b>	Metro Projects Mission for Development of 100 Smart Cities Urban Rejuvenation Mission- 500 Habitations
<b>M/o Railways</b>	Bullet Train Project
<b>M/o Water Resources, River Development and Ganga Rejuvenation</b>	National Ganga Plan- Namami Gange National River Conservation Plan Accelerated Irrigation Benefit and Flood Management Programme
<b>M/o Women &amp; Child Development</b>	ICDS ICPS IGMSY Beti Bachao Beti Padhao Campaign

**Physical outcomes against budgetary outlays for major schemes**  
**Ministry/Department**

**Part A:** Physical outcomes against financial outlays

Scheme:

(₹ in crore)

2012-13		2013-14		2014-15		2015-16	
Name of the scheme:							
Financial Outlays	Physical Outcomes	Financial Outlays	Physical Outcomes	Financial Outlays	Physical Outcomes	Financial Outlays	Physical Outcomes
B.E. ....	Target .....	B.E. ....	Target .....	B.E. ....	Target .....	B.E. ....	Target .....
R.E. ....	Achieved ...	R.E. ....	Achieved .....	R.E. ....	Achieved .....		
Actuals ....		Actuals .....		Actuals.....			

**Part B:** Future projections for the scheme

For 2016-17 &amp; 2017-18

Name of the scheme:

Expansion if any likely in the Scope of the scheme	2016-17 .....	2017-18 .....
Likely financial impact (₹ Crore)	.....	.....