

Outcome of the review of the
trends in receipts and expenditure
in relation to the budget
at the end of the second quarter of
the financial year 2007-2008

and

Statement explaining deviations in meeting
the obligations of the Government under the
Fiscal Responsibility and Budget Management Act, 2003

(vide Section 7(1) and 7(3)(b) of the said Act)

Ministry of Finance

MID-YEAR REVIEW

CONTENTS

	Page no.
I. INTRODUCTION	1-43
1) Overview	1
2) Output and prices	5
(a) Agriculture	5
(b) Industry and Infrastructure	10
(c) Inflation	16
(d) International Trade and Capital Flows	23
3) Money and Banking	33
4) External Debt	39
5) Capital Markets	40
6) Social Sector	41
 II. CENTRAL GOVERNMENT FINANCES	 44-51
i) Overview of fiscal trends during April - September 2007-08	44
ii) Receipts	45
(a) Tax revenues	45
(b) Non-tax revenues	46
(c) Non-debt capital receipts	46
iii) Expenditure	46
(a) Plan expenditure	47
(b) Non-plan expenditure	47
iv) Net Resources transferred to States/ Union territories	48
v) Receipts and expenditure of Departmental Commercial undertakings	48
vi) Financing of deficit and position of liabilities	49
vii) Cash Management	50
viii) Assessment vis-a-vis mid-year FRBM bench-marks	50

III. ISSUES AND PRIORITIES	52-61
1) Macro perspective	52
2) Fiscal consolidation and reform of subsidies	55
3) Managing capital flows	56
4) Exports and the appreciation of the Rupee	57
5) Agriculture	58
6) Industry and Infrastructure - improving competitiveness and productivity	59
7) Inclusive growth	60
8) Conclusion	61

Annex I

Status of Implementation of Budget Announcements—2007-08	62-79
---	-------

Appendix Tables

I. Key Indicators	80
II. Balance of Payments: Summary	81
III. Monetary Survey	82
IV. Trends in growth rates of infrastructure sectors	83
V. Accounts at a Glance	84
VI. Tax Revenues	85
VII. Non-Tax Revenue	86
VIII. Capital Receipts	87
IX. Plan Expenditure	88-92
X. Non-Plan Expenditure	93-100
XI. Resources Transferred to State & UT Governments	101
XII. Outstanding Liabilities of the Central Government	102

I. INTRODUCTION

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 mandates a review of trends in receipts and expenditure in relation to the Budget on a quarterly basis. This mid-year review is the second quarterly review as required under Section 7(1) of the FRBM Act, 2003.

The mid-year review reports the developments in the economy in the first half of 2007-08. It focuses on the finances of the Central Government while outlining the performance in the real sector, the prospects for the economy and the issues and priorities for policy.

1.1 Overview

In 2006-07, the Indian economy continued on its robust growth path with the overall growth in real gross domestic product at factor cost estimated at 9.4 per cent. India was the second highest contributor to world growth in 2006 (in Purchasing Power Parity (PPP) weighted terms). Sustained high growth over the last four years has made India the third largest economy after USA and China (measured in PPP terms), with its share in world GDP rising from 5.5 per cent in 2002 to 6.4 per cent in 2006. Even with current dollar weights, its contribution to world growth was the fifth highest after the USA, EU, China and Japan. At the nominal exchange rate, India's GDP at market prices in 2006-07 increased to US\$ 912 billion and is expected to cross one trillion dollars in the current year, thus maintaining its rising contribution to the global economy.

1.1.1 The real GDP growth of 9.4 per cent in 2006-07 was given a boost by a double digit growth in industry and services. The real GDP growth averaged 7.6 per cent per annum during the Tenth Five year Plan (2002-03 – 2006-07) - the fastest increase in any Five Year Plan period so far. This is significantly higher than the growth of 5.5 per cent per annum achieved during the Ninth Five Year Plan period (1997-2002). The growth in per capita income averaged 6.1 per cent per annum during the Tenth Five Year Plan period which is significantly higher than 3.4 per cent achieved during the Ninth Five Year Plan period (1997 – 2002). According to the data released by the Central Statistical Organisation (CSO) on November 30, 2007, the GDP growth during the first half of 2007-08 continued to remain buoyant at 9.1 per cent. While the Services sector continues to be the mainstay of the economy, the resurgence in industrial activity has provided stability to the growth process. The Services sector maintained double digit growth and contributed 64 per cent. Within the Services sector, the sub sector "trade, hotel, transport and communication" with a growth of 11.7 per cent in the first half of 2007-08 contributed 34 per cent to the overall GDP growth. Industry, with a growth of 9.8 per cent contributed around 30 per cent to the overall growth. There was a significant acceleration in the growth of agricultural sector from 2.8 per cent in first half of 2006-07 to 3.7 per cent in the first half of 2007-08. On the demand side, GDP

growth was driven by domestic demand, particularly gross fixed capital formation, which contributed 48.8 per cent to the overall growth. Private final consumption contributed another 36.8 per cent to overall GDP growth of 9.0 per cent (at 1999-2000 market prices). **(Table 1)** While no national accounts data exists beyond 2005-06 on gross domestic capital formation, the information on gross fixed capital formation, change in stocks and valuables, that are the components of capital formation, indicate sustained buoyancy in investment. At 1999-2000 market prices, the share of these three components as a proportion of GDP increased from 30.7 per cent in 2005-06 to 32.2 per cent in 2006-07 and further to 34.6 per cent in the first half of 2007-08. At current prices, the share of these components in GDP increased from 32.4 per cent in 2005-06 to 33.9 per cent in 2006-07 and further to 36.5 per cent in first half of 2007-08.

Table 1: Growth of GDP (1999-2000 prices in per cent)

Sector(s)	2006-07			First half growth			First half point contribution		
	Relative Share	Rate of growth	Point Contribution	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Agriculture	18.5	2.7	5.6	4.0	2.8	3.7	9.1	5.1	6.8
Industry	26.6	10.9	30.6	9.1	10.9	9.8	29.8	29.9	29.5
Services	54.9	11.0	63.7	9.2	11.7	10.4	61.1	64.9	63.6
GDP at factor cost	100.0	9.4	100.0	8.2	9.9	9.1	100.0	100.0	100.0
Aggregate Demand based GDP									
Private Final Consumption Expenditure	57.2	6.2	39.0	7.3	6.4	5.6	53.6	41.2	36.8
Government Final Consumption Expenditure	10.7	9.0	10.4	10.9	15.8	11.1	13.2	17.3	13.5
Gross Fixed Capital Formation	27.9	14.6	41.7	14.0	14.5	15.5	43.1	41.5	48.8
GDP at Market Prices	100.0	9.4	100.0	8.4	9.4	9.0	100.0	100.0	100.0

Source: Central Statistical Organisation

1.1.2 Economic activity has expanded at a sustained pace during the first half of 2007-08. The rainfall during the 2007 south-west monsoon was 5 per cent above the long period average for the country as a whole. Of the 36 meteorological sub-divisions across the country, the rainfall was excess or normal in 30 sub-divisions. The favourable south-west monsoon conditions facilitated increase in area under Kharif by 1.1 million hectares for pulses and 1.0 million hectares for oilseeds. Overall area sown under Kharif crops was 104 per cent of the normal area. The first advance estimates released by the Ministry of Agriculture have placed Kharif production figures at 112.2 million

tonnes, higher than 110.5 million tonnes recorded last year. Initial estimates placed the production of oilseeds at 16.1 million tonnes in Kharif 2007 compared to the production of 13.9 million tonnes in Kharif 2006.

1.1.3 Industry has been one of the major drivers of growth of the Indian economy. After a period of low and indifferent growth since 2002-2003, the Manufacturing sector, with an almost 80 per cent weight in the Index of Industrial Production (IIP), witnessed a revival and achieved a high growth of 12.5 per cent in 2006-07. The overall industrial growth during April-September 2007 moderated to 9.2 per cent compared to 11.1 per cent in April- September 2006. A slowdown in consumer demand for some industries and a slackening of export demand in a few industries are among the possible contributors. A rise in interest rates and a depreciation of the US\$ vis-a-vis market determined currencies such as the Euro, pound, yen and Rupee could, theoretically, have contributed to a slackening of demand in interest sensitive and exchange sensitive sectors. However, the evidence is sketchy and it is difficult to separate the effect of broader factors such as domestic demand shifts and increased external competition.

1.1.4 Mining showed an improved performance during the first half of the year as compared to the corresponding period of the last year. Electricity production has similarly accelerated during the same period. However, the steep fall in electricity growth witnessed in September 2007, compared to September 2006, is a cautionary signal.

1.1.5 Both demand and supply factors contributed to the rise in inflation during 2006-07 and its deceleration during 2007-08. The high rate of growth of monetary aggregates such as reserve money (M_0), narrow money (M_1) and broad money (M_3) and credit were associated with higher inflation from second quarter of 2006-07 until the end of the first quarter of 2007-08. Stiffening of inflation in 2006-07 started with shortfalls in domestic supply of some agricultural commodities, mainly wheat, pulses, edible oils and were supported by hardened international prices of some essential commodities. Inflation, as measured by the Wholesale Price Index (WPI) of all commodities on a year-on-year basis, had remained above 6 per cent in sixteen of the seventeen weeks beginning the week ending January 6, 2007. However, inflation started moderating and declined to 3.2 per cent by November 17, 2007. The factors that contributed to this were with supply side improvements in some essential commodities like wheat and sugar; a depreciation of the US\$ (vis-a-vis the rupee) leading to a decline in rupee prices of imported goods; monetary measures initiated by Reserve Bank of India (RBI); and fiscal measures such as import duty reductions, implemented by the Government; and administrative measures including import of commodities like wheat and pulses through public sector agencies by the Government. Inflation measured in terms of the consumer price indices, averaging between 5.5 per cent for urban non-manual employees and 7.0 per cent for agricultural labourers in October 2007, on year-on-year basis remained higher than the inflation measured in terms of WPI.

1.1.6 Global supply constraints and an increase in global commodity prices have complicated supply management of agricultural consumer goods. Between 2004-05 to April-October 2007, the increase in prices of commodities globally was 14.5 per cent for agricultural raw materials; 26.3 per cent for food; 73.6 per cent for crude oil; 93.6 per cent for industrial raw materials; and 134.2 per cent for metals. There is evidence to show that commodity prices are increasingly getting interlinked. The increase in energy prices (crude oil) generates pressure on prices for energy intensive products (metals and fertilizers), energy substitutes (corn, edible oils) and food (as corn as a feed is replaced by wheat). The increase in domestic prices remained moderate largely because of fiscal concessions such as reduction in import duty on wheat, pulses and edible oils. However, as the economy proceeds with its integration with the rest of the world, aggregate inflation should converge to the lower trend rates of developed economies such as the EU, Japan and the USA.

1.1.7 Exports in dollar terms continued to maintain a healthy growth of 18.5 per cent in the first half of the current year, notwithstanding the appreciating rupee. Growth in merchandise imports at 25.5 per cent during the same period was higher than the growth of imports in the corresponding period of 2006-07. Non-POL imports valued at US \$ 77.8 billion were higher by 34.1 per cent. The trade deficit on customs basis for the period April-September, 2007 estimated at US\$ 36.9 billion was higher than the deficit at US \$ 26.0 billion during April-September, 2006.

1.1.8 The strong growth prospects of the Indian economy, high returns on equity and higher interest rates coupled with rise in global private capital flows, have resulted in the country receiving large capital inflows of late, including through direct investment, portfolio investments and external commercial borrowings. With current financing requirements for the country as measured by the current account deficit remaining modest at around 1.1 per cent of GDP, there was an increase in reserves, which reached US\$ 199.2 billion by end-March 2007. In the current year, there has been accretion to reserves of the order of US\$ 72.0 billion as on November 16, 2007. This, together with a depreciation of the US dollar against major currencies, has led to an appreciation of the rupee *vis-à-vis* the US dollar. Such appreciation was moderated to the extent the RBI intervened in the foreign exchange market to reduce volatility. The rupee has appreciated less against other major currencies like the Euro, the Pound Sterling and the Japanese Yen. The capital flows also led to a rise in the RBI's Net Foreign Exchange Assets (NFA) and to a rise in broad money (M_3) through reserve money (M_0).

1.1.9 While copious capital flows had occurred earlier in 2003-04, the rise observed since the second half of 2006-07 indicates an acceleration of the pace of flows of both debt and equity requiring a careful watch on their transmission to the monetary sector and impact on macroeconomic variables. The Government has acted swiftly with a slew of measures, both monetary and sectoral, to minimise the impact on the economy and exporters in particular with carefully calibrated policy responses.

1.1.10 Despite the rise in merchandise trade, the overall balance of goods and services trade was (-)3.5 per cent of GDP in 2006-07 and (-)4.8 per cent of GDP in the first quarter of 2007-08 (compared to (-)4.5 per cent in Q1 of 2006-07). The current account deficit was (-) 1.1 per cent of GDP in 2006-07 and (-)1.8 per cent of GDP in the first quarter of 2007-08 (compared to (-)2.3 per cent in Q1 of 2006-07). Private capital inflows were much higher at 4.0 per cent of GDP in 2006-07 and 5.6 per cent of GDP in Q1 of 2007-08 compared to 4.5 per cent in Q1 of 2006-07. Consequently, the country faced a problem of plenty with higher economic growth and the prospect of continued high growth attracting private capital inflows in excess of the current account deficit.

1.1.11. Such a situation puts pressure on the local currency to appreciate. Other emerging economies have managed with a different mix of foreign exchange reserve build up, monetary sterilisation and nominal appreciation. Two important considerations affect the trade-off between the costs of nominal appreciation (on export industries) and the costs of monetary expansion/sterilisation (through impact on the fiscal account and inflation). Firstly, the extent and quality of capital market integration leading to convergence of interest rates and lower costs of sterilisation; and secondly, the flexibility of labour markets, with less distorted and constrained labour markets adjusting more rapidly and efficiently to nominal appreciation. Financial policy and monetary management must continuously address such challenges.

2. Output and Prices

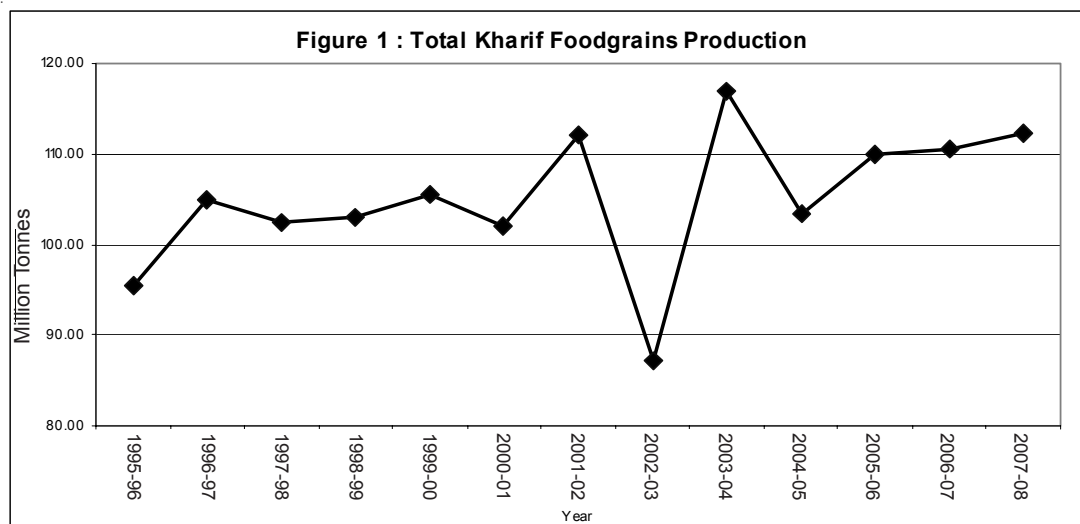
(a) Agriculture

2.1.1 The prospects for agriculture have improved during the current year. The first advance estimates of foodgrains production for 2007-08 has placed Kharif production at 112.2 million tonnes, i.e. 7 million tonnes higher than the first advance estimates of 2006-07 and 1.7 million tonnes higher than the fourth advance estimates for 2006-07 (Table 2). Kharif food grains production in 2007-08 is, however, estimated to be lower than the target of 114.2 million tonnes by 2.0 million tonnes (Figure 1).

Table 2 : Agriculture production (million tonnes/bales)

Crop	2003-04	2004-05	2005-06	2006-07@	Kharif		
					2006-07*	2007-08*	2007-08(T)
Rice	88.5	83.1	91.8	92.8	75.7	80.2	80.0
Wheat	72.2	68.6	69.4	74.9			
Coarse Cereals	37.6	33.5	34.1	34.3	24.5	26.6	28.7
Pulses	14.9	13.1	13.4	14.2	5.0	5.5	5.5
Total foodgrains	213.2	198.4	208.6	216.1			
(i) Kharif	117.0	103.3	109.9	110.5	105.2	112.2	114.2
(ii) Rabi	96.2	95.1	98.7	105.6			
Oilseeds	25.2	24.4	28.0	23.9	13.2	16.1	18.5
Sugarcane	233.9	237.1	281.2	345.3	283.4	345.6	310.0
Cotton	13.7	16.4	18.5	22.7	18.1	22.9	22.0
Jute & Mesta	11.2	10.3	10.8	11.3	10.9	11.3	11.0

@4th Advance Estimates (AE) * 1st AE by the Ministry of Agriculture. T - Target



2.1.2 Reducing the volatility and reversing the decelerating trend in growth of agriculture remains a high priority of the Government. The major factors that have caused deceleration in the agricultural growth include over exploitation of soil nutrients reserves and organic matter; poor rainfall and improper water management; imbalanced and sub-optimal use of fertilizers; continuous cultivation of same genetic material; non-availability of certified seeds and inability of law enforcement machinery to deter sale of spurious seeds; break-down of extension services; decreasing holding sizes; inadequate post-harvest management infrastructure including marketing. Lack of technological breakthroughs and development of agro climate specific seeds, particularly for rain-fed areas have also been causes for decelerating productivity in the sector. The reports of various Sub-groups/Committees set up by the National Development Council (NDC) on crop specific yield gap analysis indicate:

- a) In wheat, average yield in Punjab and Haryana (at 4.2 and 4.0 tonnes per ha) is significantly higher compared to Bihar and Madhya Pradesh (1.8 tonnes per ha), Maharashtra and Himachal Pradesh (at 1.3/1.4 tonnes per ha)
- b) There is a considerable gap between actual levels and levels under improved practices within the States with lower yields for wheat,
- c) In rice, even in irrigated areas, actual yield in 2003-04 varied significantly from 2.2 tonnes per ha in Uttar Pradesh to 1.5 tonnes per ha in Chhattisgarh. The actual yield was less than half compared to the yield with improved practices in most of the States.

2.1.3 Farm productivity and efficient/effective market linkage to paying consumers are the basic determinants of profitability of agriculture and higher farm incomes. The critical areas of concern include: investment intensity, improving the returns from investment, strengthening measures for transfer of technology, enhancement of seed

replacement rates and incentivised supply of micro nutrients and plant growth regulators. The Steering Committee on Agriculture set up by the Planning Commission for the Eleventh Five Year Plan (2007-12) assessed the elasticity of GDP growth in agriculture with respect to some important factors. The Committee observed that deceleration in productivity growth during 1992-2004 was on account of slower growth in technology, nutrient use and private investment. **(Table 3)**

Table 3: Elasticity of GDP(agri) with respect to selected variables and their growth rate

Factor	Elasticity 1981-2004	Growth rates in each factor		
		1981-2004	1981-91	1992-2004
Technology\$	0.31	2.7	2.9	1.8
Public Investment	0.17	-1.4	-4.1	1.8
Private Investment	0.13	3.9	4.1	2.8
Diversification*	0.46	2.8	3.1	2.3
Fertilizer	0.12	5.0	8.2	3.2
GDP agri		3.0	3.3	2.6

*- Measured as increase in area under fruits and vegetables

\$- Measured as yield potential of varieties (six crops) released since 1980

Source : Planning Commission

2.1.4 The NDC at its 53rd meeting held on May 29, 2007, adopted a resolution outlining strategies for rejuvenating agriculture and accelerating its growth. It identified the actions to be taken by the States and the Central Government to achieve focussed annual growth in agricultural sector during the Eleventh Plan. As mandated by the NDC, the Department of Agriculture & Cooperation launched a National Food Security Mission (NFSM) in 2007-08 to increase the production of rice, wheat and pulses by 10 million tonnes, 8 million tonnes and 2 million tonnes, respectively during the Eleventh Plan. The three components of the NFSM covering rice, wheat and pulses aim at increasing the production of these crops through area extension productivity enhancement in identified districts, restoring soil fertility at individual farm level, and creation of employment opportunities and enhancing farm level economy to restore confidence among farmers. Conceived as a Centrally Sponsored Scheme with an outlay of Rs.4882 crore during the Eleventh Plan, NFSM 2007-08 is expected to promote extensive use of improved technologies embodied in high yielding variety seeds, integrated nutrient management and resource conservation.

2.1.5 The National Development Council also resolved to launch a Special Additional

Central Assistance Scheme – Rashtriya Krishi Vikas Yojana (RKVY) during the Eleventh Plan. The scheme envisages an expenditure of Rs.25,000 crore through public investment in agricultural sector in the next four years. The resolution outlined specific actions to be taken by the Centre and the States respectively

2.1.6 Minimum Support Price (MSP) mechanism provides an incentive for agricultural production, particularly of food grains. The MSP for wheat was increased from Rs 640 per quintal in 2005-06 to Rs 700 per quintal in 2006-07, Rs 850 per quintal for 2007-08 and Rs 1000 per quintal for 2008-09 seasons. Similarly, the MSP for common variety of paddy was raised from Rs 570 per quintal in 2005-06 to Rs 620 per quintal in 2006-07 and Rs 745 per quintal for 2007-08 seasons. While an increase in MSP did not result in a commensurate increase in procurement by the Food Corporation of India, it set the floor for even private operators for agricultural crops. However, to insulate the vulnerable sections of society from a price increase, consequent upon an increase in the MSP, the issue prices for wheat and rice under the Targeted Public Distribution System have been kept unchanged since June 30, 2002. This has increased the direct subsidy on wheat for BPL families from Rs. 215 per quintal in 2003-04 (34% of MSP) to Rs 435 per quintal in 2007-08 (51% of MSP). (Table 4)

Table 4: Minimum Support Price and Central Issue Price for Wheat and Rice (Rs per quintal)

Marketing season	Minimum Support Price (MSP)		Central Issue Price					
			Wheat			Rice		
	Wheat	Paddy	APL	BPL	AAY	APL	BPL	AAY
2002-03	620	550	610	415	200	795	565	300
2003-04	630	550	610	415	200	795	565	300
2004-05	630	560	610	415	200	795	565	300
2005-06	640	570	610	415	200	795	565	300
2006-07	700	620	610	415	200	795	565	300
2007-08	850	745	610	415	200	795	565	300
2008-09	1000							

From April 1, 2002 to June 30, 2002, Issue Price for APL for both wheat and rice was reduced by Rs 100 per quintal.

MSP and CIP (for APL families) for paddy/rice are for common grade.

APL- Above Poverty Line; BPL- Below Poverty Line; AAY- Antyodaya Anna Yojana

Food Management

2.1.7 The total procurement of rice and wheat during 2007-08 (up to October 16, 2007) aggregated to 19.5 million tonnes as compared to 19.8 million tonnes during the corresponding period of 2006-07. While wheat procurement increased to 11.1 million tonnes in 2007-08 so far, compared to 9.2 million tonnes in 2006-07, rice procurement declined. The off-take of foodgrains until the end of August 2007 under TPDS, welfare schemes and others amounted to 15.4 million tonnes. Though the stock position is better this year than it was last year, it remains below the buffer stock norms (Table 5).

Table 5: Food Stocks Management (Million Tonnes)

Months	Opening Stock		Procurement		Off take		Closing Stock		Buffer
	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	
April	16.6	17.8	10.3	8.7	2.8	2.8	22.8	25.1	16.2
May	22.8	25.1	2.2	4.0	3.0	3.0	22.3	25.9	
June	22.3	25.9	1.5	2.0	3.1	3.1	20.5	23.9	
July	20.5	23.9	0.8	0.8	3.1	3.3	17.1	21.2	26.9
August	17.1	21.2	0.5	0.1	3.1	3.1	15.5	17.9	
September	15.5	17.9	0.2	0.1	2.8		12.6		
October	12.6		8.0	3.8\$	2.7		18.7		16.2
November	18.7		2.0		2.9		17.8		
December	17.8		2.6		3.0		17.5		
January	17.5		4.3		3.1		18.1		20.0
February	18.1		2.4		3.1		19.1		
March	19.1		1.2		3.2		17.8		

\$ upto October 16, 2007

Agricultural Credit

2.1.8 The Government on June 18, 2004 had announced a package for doubling the flow of credit to agriculture and allied activities in a period of three years commencing from 2004-05 over the amount disbursed during the year 2003-04. The target and achievement of agricultural credit flow during 2004-05, 2005-06 and 2006-07 is indicated below (Table 6).

Table 6: Agriculture Credit Target and Achievement

Year	Target	Achievement
2004-05	1,05,000	1,25,309
2005-06	1,41,000	1,80,486
2006-07	1,75,000	2,03,296
2007-08	2,25,000	88,981*

* Provisional figures upto August, 2007

Kisan Credit Cards (KCC)

2.1.9 The KCC Scheme introduced in August 1998, has since stabilised, with the major share of crop loans being routed through it. KCCs limit can cover the crop loan, marketing credit, consumption loan and investment credit. As on 31.08.2007 a total of approximately 6.79 crore KCCs have been issued by Commercial Banks, Cooperative Banks and Regional Rural Banks with the sanctioned amount of Rs.2,37,880 crore.

Financial Inclusion

2.1.10 To bring the 'financially excluded' population within the formal financial system, many policy initiatives have been taken, such as making available a basic banking 'no frills' account either with 'nil' or very low minimum balances, issuing of General Credit Cards to eligible beneficiaries without insistence on security, purpose or end use of credit, introduction of KCCs to remove procedural hassles and ensure availability of credit, allowing banks to utilise the services of NGOs, SHGs, Micro Finance Institutions and other Civil Society Organisation as intermediaries in providing financial services, credit linking of SHGs, establishing Micro-Finance Development and Equity Fund of Rs.200 crore for support to MFIs and constitution of Financial Inclusion Fund and a Financial Inclusion Technology Fund of Rs.500 crore each have been constituted to strengthen the institutional and technological infrastructure for greater financial inclusion.

Rural Infrastructure Development Fund (RIDF)

2.1.11 The RIDF has been established with NABARD, contributions to which are made by such public and private sector banks having shortfall in their lending to the priority sector and/or agriculture. This fund is utilized to lend to State Governments to build rural infrastructure in the areas of roads, minor irrigation, soil conservation, drainage, forests, plantation, etc. NABARD has sanctioned RIDF projects involving loan of Rs.61,312 crore to State Governments under various tranches of RIDF-I to XII. Cumulative disbursement stood at Rs.39,270 crore as on August 2007. Allocation of Rs 12,000 crore has been made for the year 2007-08 under RIDF-XIII.

(b) Industry and infrastructure

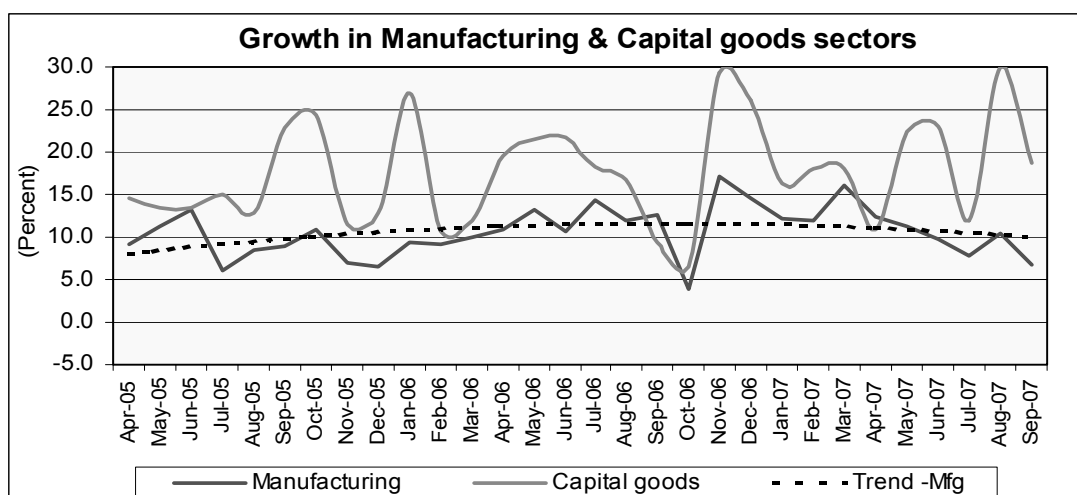
2.1.12 The growth of industry as measured by the Index of Industrial Production (IIP) improved from 7.0 per cent in 2003-04 to 11.6 per cent in 2006-07. All three components of the IIP have contributed to the acceleration in 2006-07. The overall industrial performance during the first half of 2007-08 is indicated below (Table 7).

Table 7 : Industrial performance- year-on-year growth (in per cent)

Industry Group	Weight	2004-05	2005-06	2006-07	April-September	
					2006-07	2007-08
Industries in terms of broad sectors						
Mining	10.5	4.4	1.0	5.4	3.1	5.3
Manufacturing	79.4	9.1	9.1	12.5	12.3	9.7
Electricity	10.2	5.2	5.2	7.3	6.6	7.7
As per the Use based classification of Industries						
Basic Goods	35.6	5.5	6.7	10.3	8.8	9.4
Capital Goods	9.3	14.0	15.8	18.2	17.5	19.6
Intermediate Goods	26.5	6.1	2.5	12.0	10.9	9.5
Consumer goods	28.7	11.7	12.0	10.1	11.5	5.3
Consumer durables	5.4	14.4	15.3	9.2	15.2	-3.2
Consumer non-durables	23.3	10.8	11.0	10.4	10.2	8.4
Overall	100.0	8.4	8.2	11.6	11.1	9.2

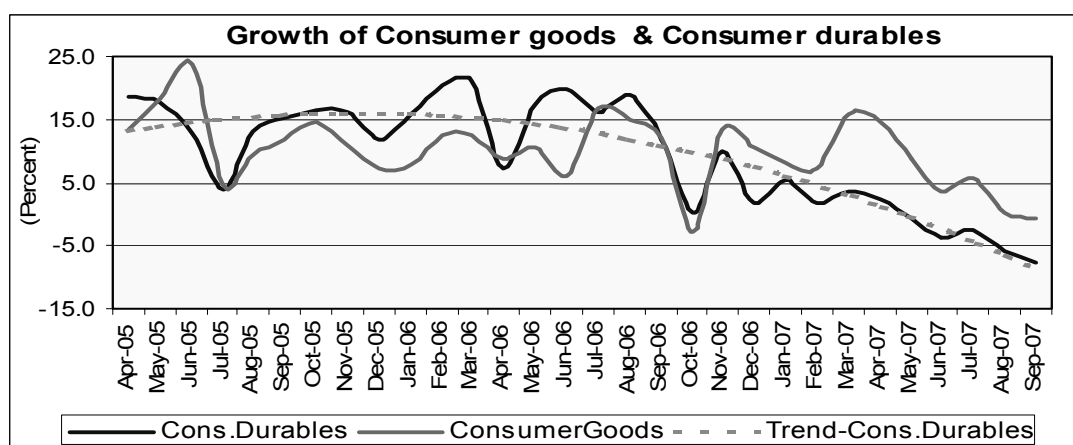
Source- Central Statistical Organisation

2.1.13 Growth of industry at 9.2 per cent during the first half of 2007-08 is indicative of a moderation in the industrial growth as compared to the corresponding period of 2006-07 when it grew at 11.1 per cent. Mining and electricity growth maintained their momentum during 2007-08, with the growth rate in the first half of 2007-08 being higher than that in the first half of 2006-07. In the case of mining, higher global demand and prices may have contributed to its acceleration. On the other hand, it is the manufacturing sector with a growth of 9.7 per cent that has clearly shown signs of moderation. Given its weight of 79.4 per cent in the IIP, the overall index broadly reflects the movements for the manufacturing sector (Figure - 2).

Figure 2

2.1.14 In terms of the use based categories the most visible deceleration has been in the case of consumer durables, with a drastic decline in items like telephone instruments, TV receivers, tape recorders, wrist watches, type writers, motor cycles, tractor tyres, metallic utensils and A.C. poly phase house service meters. The Consumer durables were showing robust rates of growth in double digits for three years in a row from 2003-04 to 2005-06. Consumer durables grew at 11.6 per cent, 14.4 per cent and 15.3 per cent, respectively during these three years. The growth during 2006-07 at 9.2 per cent, though lower, was nevertheless healthy. However, during the first half of 2007-08, the decline in consumer durables was 3.2 per cent. Tighter credit conditions and the relatively high interest rate sensitivity of this segment are likely to be some of the factors leading to the slowdown from the demand side (**Figure 3**)

Figure 3



2.1.15 The sharp step up in the growth of fixed capital formation seen in the National Accounts since 2002-03 is reflected in the production and import of capital goods. The production of capital goods and machinery equipments in these years remained considerably above the IIP growth. Import of capital goods, which maintained an annual growth of nearly twice as much as the domestic production, supplemented the domestic production. The performance of capital goods sector and imports has thus supported the ongoing capacity expansion. The capacity addition was generally well diversified across most sectors of the industry. Sustained growth of manufacturing kept the capacity utilisation in the industries fairly high. A redeeming aspect of the growth performance during the first half of 2007-08 is that the production of capital goods has been sustained. This augurs well for gross fixed investment. Growth of capital goods in fact accelerated in April-September 2007 compared to the corresponding period in 2006-07.

2.1.16 The manufacturing group is further subdivided into 17 sub- groups. As seen below, the growth during April-September 2007 remained in double digits for food products; jute textiles; wood products; rubber, plastic and petroleum products; basic metals; machinery and equipments; and other manufacturing. Among them, the performance of food products; jute textiles; rubber, plastic and petroleum products; and machinery and parts have declined considerably during September 2007. In some

industries such as paper products and leather, the decline may reflect a decline in competitiveness vis-à-vis external competitors, because of the latter's increased/improved access to cheaper and/or better quality raw material inputs. **(Table 8)**

2.1.17 Food products have, in the recent years, been showing fluctuating rates of growth; while its cumulative growth during April-September 2007 has been an impressive 13.3 per cent, it declined by 1.5 in September 2007. The outstanding growth in wood products and a healthy growth in heavy-weight groups like food products, basic metals and machinery and equipments have lightened the effect of indifferent performance of most of the other sub-groups.

2.1.18 The most dramatic decline in the growth in this year has been witnessed by the transport equipments. The growth of 1.7 per cent during the first half of the current year is a tenth of its growth of 17.7 per cent observed in the first half of last year. This suggests that cyclical factors may be responsible for the current trough, following the boom of recent years. As retail credit for personal automobile purchases has been undergoing a transformation during the past five years, there may be an emerging link between interest rates and consumer demand for this industry. However, the sharp 20.6 per cent increase in credit to this sector during the fiscal year 2007-08 (till August) compared to 0.9 per cent increase during FY 2006-07 (till September) indicates that the direct effect is limited **(Table 9)**

Table 8: Performance of Manufacturing Industries (Year-on-year growth in per cent)

Sl. No.	Industrial category	Weight	2005-06	2006-07	April-September		Point contribution	
					2006	2007	2006-07	2007-08
1	Food Products	9.1	2.0	8.6	1.9	13.3	1.0	7.5
2	Beverages & Tobacco	2.4	15.7	11.0	14.2	8.3	5.5	3.7
3	Cotton Textiles	5.5	8.5	14.8	12.8	6.1	4.1	2.4
4	Wool, Silk & MM Textiles	2.3	0.0	7.8	6.7	5.1	1.6	1.2
5	Jute Textiles	0.6	0.5	-15.8	-0.3	18.9	0.0	0.5
6	Textile Products	2.5	16.3	11.5	14.9	3.4	4.0	1.1
7	Wood Products	2.7	-5.7	29.1	-0.1	78.8	0.0	7.1
8	Paper Products	2.7	-0.9	8.7	8.1	1.1	2.1	0.4
9	Leather products	1.1	-4.8	0.6	-5.2	7.8	-0.4	0.6
10	Chemicals	14.0	8.3	9.6	10.5	7.8	16.5	14.0
11	Rubber & Petroleum	5.7	4.3	12.9	10.9	12.0	5.3	6.8
12	Non Metallic Minerals	4.4	11.0	12.8	13.7	8.3	6.6	4.8
13	Basic Metals	7.5	15.8	22.9	19.5	18.5	13.1	16.1
14	Metal Products	2.8	-1.1	11.4	5.0	-0.8	0.9	-0.1
15	Machinery & Equipments	9.6	11.9	14.2	16.3	10.9	19.1	17.4
16	Transport Equipments	4.0	12.7	15.0	17.7	1.7	8.9	1.0
17	Others	2.6	25.2	7.8	15.1	12.4	4.1	4.3
I	Mining	10.5	1.0	5.4	3.1	5.3	2.1	4.0
II	Manufacturing	79.4	9.1	12.5	12.3	9.7	92.7	88.8
III	Electricity	10.2	5.2	7.2	6.6	7.7	5.4	7.2
	Overall	100.0	8.2	11.6	11.1	9.2	100.0	100.0

Source- Central statistical Organisation

Industry wide deployment of bank credit

2.1.19 From the second half of 2006-07 and in the first half of 2007-08, taming the inflationary expectations became an important objective of monetary policy. This resulted in hardening of interest rates and selective credit moderation to industries. Data on overall outstanding bank credit to the industrial sector indicates that in the current fiscal (first four and half months) was only 2.8 per cent over the outstanding credit at the end of March 2007, compared to a growth of 8.5 per cent in April-September 2006. Almost all sectors of the industry were affected due to the moderation in credit growth with the exception of infrastructure and transport equipments. Together with the credit accommodation, there was also hardening of interest rates for industries with real interest rate (PLR less inflation rates) increasing by over 200 basis points (Table 9).

Table 9: Industry-wise Deployment of Gross Bank Credit (outstanding) (Rs in crore)

Industry	March 31, 2006	Sept. 29, 2006	March 30, 2007	August 17, 2007	Increase in credit in the fiscal year	
					Sept-06	Aug-07
Mining and Quarrying	4,146	5,728	7,582	7,385	38.2	-2.6
Food Processing	30,940	32,239	39,560	39,524	4.2	-0.1
Textiles	58,326	64,744	78,289	79,362	11.0	1.4
Paper and Paper Products	9,132	10,284	11,494	11,499	12.6	0.0
Petroleum, Coal and Nuclear Fuels	25,150	30,985	35,462	33,252	23.2	-6.2
Chemicals Products	48,588	51,986	55,480	55,360	7.0	-0.2
Rubber, Plastic and their Products	7,218	7,531	9,003	9,247	4.3	2.7
Cement and Cement Products	7,799	8,217	9,334	9,236	5.4	-1.0
Basic Metals and Metal Products	65,864	75,919	83,467	86,066	15.3	3.1
All Engineering	34,829	37,534	43,368	45,179	7.8	4.2
Transport & Equipments	18,622	18,791	20,673	24,923	0.9	20.6
Gems and Jewellery	20,549	22,416	23,789	23,417	9.1	-1.6
Construction	13,275	16,403	19,470	19,877	23.6	2.1
Infrastructure	1,12,830	1,18,504	1,43,116	1,54,300	5.0	7.8
Other Industries	92,672	95,613	1,11,396	1,12,357	3.2	0.9
INDUSTRY (Small, Medium and Large Scale)	5,49,940	5,96,894	6,91,483	7,10,984	8.5	2.8

Source- Reserve Bank of India

Note: Outstanding credit is of the Scheduled Commercial Banks only.

2.1.20 Sustenance of growth is fully contingent on the creation of supportive infrastructure. Hence the Government has been employing innovative options to develop infrastructure within the bounds put in by the clauses of Fiscal Responsibility and Budget Management (FRBM) Act 2003.

2.1.21 In the **power sector**, there has been an improvement in the growth in power generation over the last few years. The growth during 2006-07 and April-September 2007 was 7.3 per cent and 7.6 per cent respectively. The target for power generation has almost fully been achieved during April-September 2007, impressive performance of the hydro sources due to better rainfall contributed to this achievement. The target for plant load factor has also been achieved during April-September 2007. The power supply deficit vis-a-vis the requirement is placed at 7.0 per cent (provisional) during April-September 2007. In rural electrification, by the end of August 2007, 81.6 per cent of the villages are reported to have been electrified.

2.1.22 The **transport sector** has sustained its buoyancy during the first half of 2007-08. With entry of new market players, the domestic **airline market** is getting progressively more competitive, leading to phenomenal growth. The passengers handled at domestic terminals increased by 26.5 per cent in the first half of 2007-08 on top of a 40.2 per cent increase in the first half of 2006-07. At the same time passengers handled at international terminals maintained a growth of over 12 per cent. April-September 2007 also witnessed a considerable growth in import cargo handled at major airports and sea ports.

2.1.23 Data on earnings of **railways** has shown a double digit growth- both in the passenger (12.5 per cent) and freight (10.4 per cent) segments during April-September 2007. While the share of passenger earnings accounted for 29.2 per cent, freight earnings constituted 66.8 per cent of the total earnings during April-September 2007. In the **road sector**, the National Highway Development Programme (NHDP), is being implemented in 4 phases at present. The present phases I, II & IIIA envisage improving more than 25,785 km of arterial routes of National Highway network to international standards. NHDP Phase I & II are likely to be completed by December 2008. NHDP Phase IIIA is scheduled for completion by December 2009. The four laning the 5846 Km long Golden Quadrilateral (GQ) connecting Delhi, Mumbai, Chennai and Kolkata is nearing completion.

2.1.24 In **telecommunications**, the gross number of telephones by September 2007 increased to 249 million compared to 241 million in August 2007. The overall tele-density reached 21.9 per cent in September 2007. In the wireless segment, there was an addition of 7.8 million subscribers in September 2007 taking the subscriber base to 209 million. During April- September 2007, 42.8 million total telephone subscribers were added as compared to 29.7 million during the corresponding period in the previous year. Total broadband subscriber base reached 2.7 million by the end of September 2007.

2.1.25 Six industries which have a bearing on infrastructure comprising electricity, coal, steel, crude petroleum, refinery throughput and cement, having a weight of 26.7 per cent in IIP registered a growth of 6.6 per cent (provisional) as against 8.7 per cent during April-September 2006-07. Barring refinery throughput, none of the other industries kept pace with the overall industrial growth achieved during April-September 2007-08.

2.1.26 Public-private partnerships have emerged as one of the significant modes of infrastructural financing. The Government of India has taken several initiatives like viability gap funding, Public Private Partnership Appraisal Committee (PPPAC) and

India Infrastructure Finance Company Ltd. (IIFCL) to promote PPPs. Viability Gap Funding is available up to twenty per cent of the total project cost, normally in the form of a capital grant at the stage of project construction. Under the VGF scheme, twenty three projects with project cost of Rs. 11,114.7 crore have been given in principle/final approval involving an estimated Viability Gap Funding of Rs. 2,690.3 crore. IIFCL has so far approved 64 credit proposals involving assistance from IIFCL amounting to Rs.14,966 crore. For providing financial support for quality project development activities to the States and the Central Ministries, a corpus fund titled India Infrastructure Project Development Fund (IIPDF), with initial outlay of Rs. 100 crore is being set up.

(c) Inflation

2.1.27 Headline inflation measured in terms of the Wholesale Price Index, after remaining above 6 per cent level during January-April 2007, started decelerating. Inflation measured in terms of the Consumer Price Indices (CPIs), has however remained above the WPI in the last 19 months and has started decelerating only since September 2007 (Table 10).

Table 10 . Year-on-year inflation of monthly price indices

Period	WPI (1993- 94=100)		CPI-IW (1982=100)		CPI-UNME (1984-85=100)		CPI-AL (1986- 87=100)		CPI-RL (1986-87=100)	
	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08
April	3.9	6.3	5.0	6.7	5.0	7.7	5.6	9.4	5.2	9.1
May	4.7	5.5	6.3	6.6	5.8	6.8	6.4	8.2	6.4	7.9
June	5.1	4.5	7.7	5.7	6.5	6.1	7.3	7.8	7.2	7.5
July	4.8	4.7	6.7	6.5	5.7	6.9	6.3	8.6	6.0	8.0
August	5.1	4.1	6.3	7.3	6.1	6.4	6.5	8.8	6.2	8.5
September	5.4	3.3	6.8	6.4	6.6	5.7	7.3	7.9	7.0	7.6
October	5.5	3.0	7.3	5.5	7.2	5.5	8.4	7.0	8.1	6.7
November	5.5		6.3		6.7		8.3		8.0	
December	5.7		6.9		6.9		8.9		8.3	
January	6.4		6.7		7.4		9.5		8.9	
February	6.4		7.6		7.8		9.8		9.5	
March	6.6		6.7		7.6		9.5		9.2	
1st half (Apr-Sep)	4.8	4.7	6.5	6.5	6.0	6.6	6.6	8.5	6.3	8.1
2nd half (Oct-Mar)	6.0	-	6.9	-	7.3	-	9.1	-	8.7	-

WPI is provisional for the period of September and October, 2007.

2.1.28 From a long term perspective, inflation measured in terms of WPI and CPIs seems to be converging: The average difference between the monthly rate of inflation measured in terms of WPI and CPI-IW during 2001-02 to 2007-08 was only 13 basis points and between WPI and CPI-UNME was less than 5 basis points. While inflation measured in terms of WPI remained above CPIs during 2003-04, 2004-05 and most of 2005-06, it has been ruling below CPIs since November 2005. The difference in the rates of inflation based on WPI and CPIs is primarily because of the differences in their commodity basket and the weighting diagram (Figures 4 and 5).

Figure 4: The difference between WPI and CPIs- IW and UNME

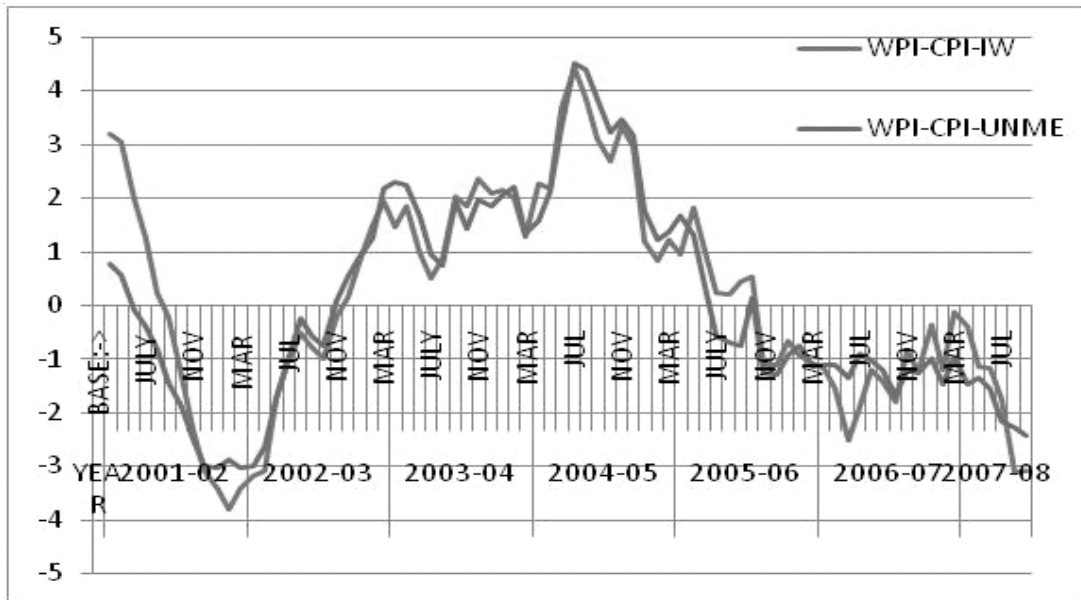
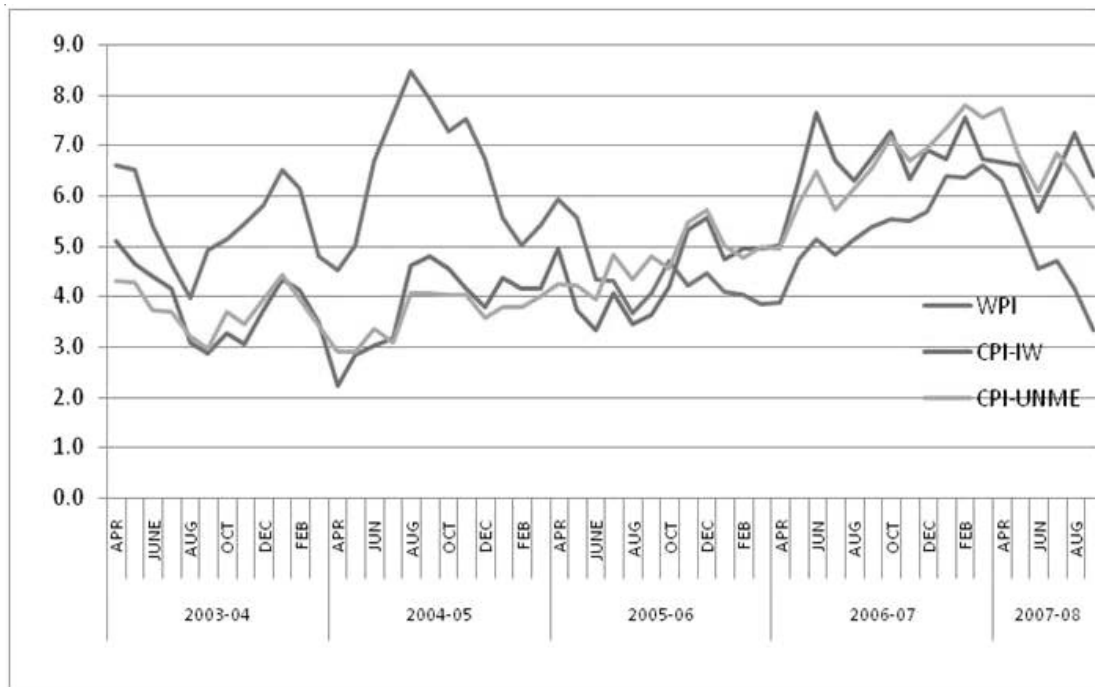


Figure 5: Rate of inflation based on WPI, CPI-IW and CPI-UNME



Wholesale Price Index

2.1.29 WPI based year-on-year headline inflation as on November 17, 2007 at 3.2 per cent was lower than 5.6 per cent recorded a year ago. The inflation rate for primary articles decelerated to 5.0 per cent from 7.2 per cent recorded a year ago. Inflation for all the three broad groups as on week ending November 17, 2007 was lower than the inflation at the end March 2007 and also on November 18, 2006. (Table 11).

Table 11: Annual WPI inflation rate (per cent) as on November 17, 2007

Year	Annual Point to point Inflation rate (per cent)					52-week Average All items)
	Essential Comm.	Primary Articles	Fuel and Power	Manufactured Products	All Comm.	
Weights (per cent)	17.6	22.0	14.2	63.8	100.0	100.0
2000-01	0.7	1.5	15.1	4.0	5.5	7.2
2001-02	4.5	3.9	3.9	0.0	1.6	3.6
2002-03	-0.8	6.1	10.8	5.1	6.5	3.4
2003-04	5.7	1.6	2.5	6.7	4.6	5.5
2004-05	3.3	1.3	10.5	4.6	5.1	6.5
2005-06	6.2	5.4	8.9	1.7	4.1	4.4
2006-07	3.6	10.7	1.0	6.1	5.9	5.4
2007-08 on 17.11.07	1.0	5.0	-0.2	3.9	3.2	5.0
2006-07 on 18.11.06	6.3	7.2	4.6	5.2	5.6	4.7
Contribution to annual inflation (per cent)						
2007-08 on 17.11.07	5.2	35.2	-1.3	66.6	100.0	100.0
2006-07 on 18.11.06	19.6	28.6	18.8	52.2	100.0	100.0

2.1.30 Year-on-year inflation (as on November 17, 2007) by major heads indicates the following (Table 12):

- Primary articles: Food articles (3.4 per cent), non-food articles (10.8 per cent), minerals (-1.4 per cent). A major factor in the rise in the relative price of non-food articles was the rise in global demand for cotton and its consequential impact on cotton prices.
- Power, light & lubricants: Coal mining (no increase), mineral oils (0.6 per cent), electricity (-1.7 per cent). With low pass through of global oil prices, prices of related products are marking time.
- Manufactured products (high inflation): Edible oils (11.2 per cent), beverages, tobacco and tobacco products (6.3 per cent), wood & wood products (7.2 per cent), non-metallic mineral products (9.2 per cent), machinery and machine tools (7.0 per cent). Because of a rise in world prices of edible oils and related products, domestic prices of edible oils and oil cakes have also risen, contributing

substantially to the rise of manufactured goods prices. The rise in relative price of the last three has probably been driven by an increase in domestic demand. In the case of non-metallic minerals, cement was the main driver and its price increase has already decelerated, because of moderated demand and increased supply.

- Manufactured products (rest): Food products (2.5 per cent), textiles (declined 0.5 per cent), paper & paper products (1.4 per cent), leather & leather products (5.0 per cent), rubber and plastic products (5.0 per cent), chemicals and chemical products (5.4 per cent), basic metals-alloys and metal products (3.7 per cent), and transport equipment and parts (1.4 per cent).

Table 12: Inflation (fiscal & annual) vis-à-vis contribution by major head of WPI (%) As on November 17, 2007

Items	Weight (%)	On end March to Nov. 17, 2007 (First 33 weeks)				Nov.18, 2006 to Nov. 17, 2007 (Year-on-Year)			
		Fiscal Inflation		Contribution		Annual Inflation		Contribution	
		07-08	06-07	07-08	06-07	07-08	06-07	07-08	06-07
All Commodities	100.00	2.52	5.98	100.00	100.00	3.21	5.56	100.00	100.00
Primary Article	22.03	3.89	10.50	34.91	37.89	5.01	7.18	35.17	28.63
Food Articles	15.40	4.67	10.73	29.06	27.41	3.41	7.70	17.01	21.70
Non-Food Articles	6.14	2.31	8.22	5.44	7.44	10.78	3.52	18.60	3.57
Minerals	0.48	1.05	20.41	0.40	3.00	-1.37	20.75	-0.43	3.26
Fuel and Power	14.23	1.87	3.29	16.11	12.54	-0.18	4.64	-1.27	18.75
Coal Mining	1.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Minerals Oils	6.99	3.13	3.26	15.69	7.29	0.64	4.62	2.61	10.93
Electricity	5.48	0.11	4.21	0.31	5.20	-1.73	6.00	-3.93	7.83
Manufactured Products	63.75	2.23	5.35	49.31	49.70	3.87	5.23	66.60	52.16
Food Products	11.54	2.96	6.43	11.97	11.05	2.46	4.94	7.92	9.23
Edible Oils	2.76	7.16	9.45	6.08	3.18	11.24	7.80	7.28	2.86
Beverages Tobacco	1.34	3.43	6.17	2.22	1.65	6.30	8.48	3.14	2.37
Textiles	9.80	-1.05	1.61	-2.59	1.74	-0.53	3.59	-1.02	4.10
Wood & Wood Products	0.17	0.00	-3.08	0.00	-0.09	7.15	-3.08	0.37	-0.10
Paper & Paper Products	2.04	1.19	3.22	0.89	1.04	1.41	8.90	0.82	2.92
Leather & Products	1.02	1.58	2.12	0.50	0.29	5.02	-6.18	1.22	-0.97
Rubber & Plastic Products	2.39	3.36	8.93	2.34	2.53	4.98	8.00	2.71	2.45
Chemicals & Products	11.93	2.61	0.83	11.71	1.62	5.42	2.32	18.70	4.77
Non-Metallic Mineral Pdt.	2.52	4.31	5.36	4.13	2.09	9.24	14.30	6.68	5.51
Metal products	8.34	2.10	14.88	8.03	21.84	3.69	7.62	10.96	12.82
Machinery & Tools	8.36	3.27	4.75	8.36	5.03	7.02	6.89	13.73	7.68
Transport Equipment	4.29	1.41	1.81	1.86	1.06	1.41	2.32	1.47	1.44

Essential commodities

2.1.31 Thirty commodities are identified as essential commodities being the common commodities in WPI and CPI-IW with a weight of 17.63 per cent in the WPI. The contribution of these commodities to annual inflation was 5.15 per cent as on November 17, 2007, which

was significantly lower than a contribution of 19.60 per cent on November 18, 2006. These essential items include 16 primary articles, 12 manufactured products and 2 items from fuel group, which form a significant part of the consumption basket of the common man. Out of 30 essential commodities on a year on year basis, 16 items witnessed either no-change or decline in prices and 7 items recorded inflation of more than 10 per cent. (Table 13).

Table-13: Essential Items according to price rise (November 17, 2007)

1. Decline of absolute prices over last year or no increase	Coking coal; kerosene; long cloth/sheeting; dhoties, sarees & voils; safety matches; wheat; atta; chillies(dry); gur; fish-inland; tea; coconut oil; gram; sugar; moong and urad.
2. Positive inflation: up to 5 per cent	Salt, vanaspati, potatoes, bajra.
3. Annual inflation: 5 per cent to 10 per cent	Milk, rice, mutton
4. Annual inflation: above 10 per cent	Onions (91.68 per cent), Masur (30.99 per cent), Jowar (20.80 per cent), Arhar (15.88 per cent), Laundry soap (15.33 per cent), Groundnut Oil (15.07 per cent) and Rape & Mustard Oil (14.20 per cent).

Retail prices:

2.1.32 Ministry of Consumer Affairs and Public Distribution, (Department of Consumer Affairs) monitors the prices of 14 commodities. Actual price of these commodities and inflation are indicated below (Table 14).

Table 14 . Zone wise Average Retail Prices of Essential Commodities (Rs. /Kg.)

	North Zone		West Zone		East Zone		South Zone		Country		
	31-10-2007	31-10-2006	31-10-2007	31-10-2006	31-10-2007	31-10-2006	31-10-2007	31-10-2006	31-10-2007	31-10-2006	Per cent increase
Rice	14.32	13.15	13.97	11.78	13.12	11.31	12.81	12.56	13.63	12.24	11.4
Wheat	11.00	10.56	12.73	12.14	13.38	12.83	15.25	15.31	13.06	12.67	3.1
Atta	13.09	11.95	13.98	13.26	14.75	13.94	17.38	17.00	14.63	13.89	5.3
Gram	34.00	41.75	32.39	39.44	32.43	39.57	36.19	42.12	33.77	40.78	-17.2
Tur	40.95	33.65	39.17	30.67	37.88	30.88	42.38	34.50	40.14	32.44	23.7
Sugar	16.45	20.68	15.50	20.00	17.06	21.38	14.75	18.75	15.97	20.22	-21.0
Gur	17.32	17.05	17.94	21.06	18.43	20.14	16.06	19.19	17.40	19.25	-9.6
Groundnut Oil	93.60	74.10	81.00	65.89	86.50	73.33	72.25	64.06	83.31	68.88	20.9
Mustard Oil	63.45	51.80	58.29	53.36	61.50	51.88	81.50	72.44	64.13	55.04	16.5
Vanaspati	55.64	52.20	54.72	51.89	56.50	52.50	58.72	53.91	56.28	52.58	7.0
Tea (Loose)	125.00	130.94	109.33	109.78	127.14	117.14	153.14	130.14	127.22	121.80	4.4
Milk	19.55	17.70	18.11	17.56	22.57	20.43	16.44	14.81	19.07	17.55	8.7
Potato	12.14	11.00	11.33	10.47	11.69	9.38	13.75	12.94	12.19	10.94	11.4
Onion	20.36	8.65	16.00	6.83	19.25	9.12	15.88	9.12	18.03	8.40	114.6
Salt (Loose)	3.67	2.92	2.80	2.71	3.25	3.08	3.47	3.28	3.33	3.01	10.6

Reasons for Price increase of select commodities

2.1.33 Both supply and demand factors had contributed to the inflationary pressures in 2006-07. On the supply side, two factors contributed to the inflationary pressures. First, the problem of inflation in 2006-07 started with shortfalls in domestic supply of some agricultural commodities, mainly wheat, pulses and edible oils. Second, there has been a sharp upsurge in world commodity prices in the last three years (Table 15). While the IMF, in their World Economic Outlook, October 2007 have indicated a moderation in the inflation for metals and near stability for others, general expectations are of further hardening of prices for food, fats and oils, though the hardening may be of a moderate nature.

**Table 15: Year-on-year increase in prices (in per cent)
(IMF Commodity Price Indices 1993-94 =100)**

Annual Average	Non-fuel Commodities	Food and beverages	Food and Edible Oils	Beverages	Industrial inputs	Agriculture Raw materials	Metals	Crude oil
2001-02	-5.7	-1.7	-0.5	-12.0	-9.2	-7.1	-10.7	-18.0
2002-03	6.1	8.3	6.8	23.0	4.1	7.8	1.3	19.6
2003-04	9.3	5.9	6.9	-2.3	12.5	2.0	20.7	5.6
2004-05	15.5	9.4	9.1	12.5	21.0	4.3	31.9	41.8
2005-06	12.3	2.6	1.5	13.2	20.2	3.1	29.0	38.3
2006-07	30.0	11.0	11.5	7.3	43.4	11.8	56.4	10.9
2007-08 (April-October)	15.0	13.7	13.8	12.7	15.7	1.2	20.1	6.8

2.1.34 On the demand side also, following two factors contributed to inflationary pressures and inflationary expectations. Firstly, the step up in growth of the economy to a higher trajectory of 9 per cent plus, with growth at 9.0 per cent in 2005-06 and 9.4 per cent in 2006-07 was not anticipated in 2003-04 or even fully anticipated in 2004-05 when growth accelerated to 8.4 per cent. As a result, capacity build-up in industry initially lagged behind demand growth, resulting in rising capacity utilization rates. In addition because of its more inclusive nature, including the effect of programs like NREGA, the demand for consumption items, essential goods and agricultural products increased rapidly. With the continuous rise in the investment rate since then, industrial capacity is no longer a constraint. Second, money growth and credit expanded rapidly in 2006-07, reflecting the positive investor sentiments, rising demand for credit and buoyant inflows of foreign exchange reserves. Consequently both money supply and credit grew significantly faster than nominal GDP. Since then monetary measures have moderated the growth of credit and M_1 . The supply and demand side measures together have tamed expectations and brought inflation under control.

Inflation- monthly trends

2.1.35 Overall, month over month inflation for all commodities indicate that first half of the year usually experiences higher inflation. Cumulative increase in prices in first half of the year in 2004-05, 2005-06, and 2006-07 was 5.3 per cent, 4.0 per cent, and 5.5 per cent, respectively. In the second half of these years this increase was only 0.0 per cent, (-) 0.2 per cent, and 1.0 per cent, respectively. In the case of primary articles, cumulative increase in prices in first half of the year in 2004-05; 2005-06, and 2006-07 was 6.5 per cent, 6.4 per cent, and 10.0 per cent, respectively. In the second half, this increase was only (-) 4.7 per cent, (-) 2.1 per cent, and 1.4 per cent, in 2004-05, 2005-06, and 2006-07, respectively. (Table 16)

Table 16 . Month-over-month rate of inflation (in per cent)

Period	All commodities				Primary articles			
	2004-05	2005-06	2006-07	2007-08	2004-05	2005-06	2006-07	2007-08
September	0.6	1.0	1.2	0.4	0.3	1.1	3.3	1.4
October	-0.3	0.3	0.4	0.1	-0.8	1.0	0.8	-0.9
1st Halh (Apr-Sep)	5.3	4.0	5.5	2.3	6.5	6.4	10.0	5.6
2nd Half (Oct-Mar)	0.01	-0.2	1.0		-4.7	-2.1	1.4	

Provisional inflation for the period of September and October, 2007.

Box 1: Measures taken by Government to contain the price rise

Monetary Policy Measures taken for containing Inflation:

- Increasing the cash reserve ratio from 5.0 per cent till December 23, 2006 to make it 7.5% by November 10, 2007.
- Upward revision in repo rates from 6.0 per cent prior to January 24, 2006 to 7.75 per cent by March 31, 2007.
- Increasing the limits under MSS to 250,000 crore in November 2007.

Selective reduction in import duties of supply-constrained items

- Allowing private import of wheat at zero duty.
- Reduction of customs duty on import of pulses to zero in June 2006.
- Reduction in import duty on edible oils and removal of additional customs duty of 4 per cent on edible oils.
- Reduction in the customs duty on portland cement, various metals, machinery items and project imports.

- Reduction in the basic customs duty on non-agricultural products, selected raw materials, intermediate and capital goods.
- Reduction in the excise duty on petrol and diesel, umbrellas and footwear and cement.

Measures for augmenting domestic availability

- Import of wheat to supplement domestic availability.
- Release of wheat under the Open Market Sale Scheme.
- Ban on export of pulses, wheat and non-basmati rice.
- Import of pulses through National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) and other public sector undertakings like STC and PEC.

Administrative measures for containing inflation

- Maintaining the prices of petrol and diesel at February 2007 levels.
- Suspension of futures trading in tur, urad, wheat and rice and constitution of an Expert Committee to look into all the issues relating to futures trading.
- Extension up to August 28, 2007, the order enabling States to prescribe stock limits, etc., for wheat and pulses under the Essential Commodities Act.
- Strengthening the monitoring mechanism of the public distribution system.

(d) International Trade and Capital Flows

2.1.36 The robust broad-based growth and strong macroeconomic fundamentals of the Indian economy, in conjunction with rapid growth in many emerging market economies, helped in keeping up the global growth momentum. The world economy grew by 5.4 per cent in 2006; this has been followed up in first half of 2007 as revealed by the upward revision in the IMF initially projecting a growth of 4.9 per cent in April 2007, which was subsequently placed even higher at 5.2 per cent in July 2007 update of World Economic Outlook. This update places the growth projection at 5.2 per cent for 2008. However, following the crisis triggered in the subprime mortgage market in U.S. and the fears of wider financial market turbulence, IMF has in its World Economic Outlook (October 2007) revised, the projections for 2008 downwards to 4.8 per cent. The World Economic Outlook October 2007 has placed growth in trade volumes at 9.2 per cent in 2006, moderating to 6.6 per cent in 2007.

Trade performance- April to September 2007-08

2.1.37 During the year 2007-08 (April to September), the total value of exports was US \$ 72.3 billion as against US \$ 61.0 billion in the corresponding period of the previous

year thus registering a reasonably good growth of 18.5 per cent in dollar terms. This performance was despite the appreciation of the rupee and over and above the high growth rates of 26.3 per cent and 34.6 per cent in the corresponding period of the previous years. Total value of imports for the same period was US \$ 109.2 billion as against US \$ 87.0 billion during the corresponding period of the previous year, thus registering a growth of 25.5 per cent in dollar terms. POL imports valued at US \$31.4 billion grew by only 8.3 per cent compared to a growth of 38.5 per cent and 42.8 per cent in the corresponding period of previous two years, reflecting relatively lower growth in crude oil prices (Indian Basket) at 2.7 per cent in the first half of 2007-08 compared to the 24.6 per cent growth in corresponding period in the previous year. The growth in quantity of POL imports at 12.6 per cent remained almost same in first half of 2007-08 and 2006-07. Non-POL imports valued at US \$ 77.8 billion were higher by 34.1 per cent than the corresponding period of 2006-07. This was partly due to the growth of gold and silver imports (around 65 per cent), also reflecting the high prices of gold and silver. Other imports (other than POL, gold and silver) grew by around 30 per cent reflecting the growth in import of capital goods and industrial inputs. The trade deficit, on customs basis, for the period April-September, 2007 estimated at US\$ 36.9 billion was higher than the deficit at US \$ 26.0 billion during April-September, 2006. This was the result of a fall in export growth to 18.5 per cent (Table 17)

Table 17: Year-on-year growth rate of Exports and Imports (per cent)

	2005-06			2006-07			2007-08		
	Q1	Q2	Half-Yearly	Q1	Q2	Half-Yearly	Q1	Q2	Half-Yearly
Exports	35.4	33.9	34.6	23.7	29.8	26.3	18.1	18.9	18.5
Imports	45.9	49.5	47.8	19.5	26.9	23.3	34.3	17.7	25.5
POL	31.0	54.1	42.8	50.7	28.4	38.5	4.2	12.2	8.3
Non-POL	52.5	46.6	49.5	9.7	22.0	16.9	39.4	20.0	34.1
Net POL	42.2	84.1	61.9	34.2	5.1	18.6	-5.7	NA	NA

Source - DGCI&S, Kolkata

2.1.38 Significant export growth has been observed during 2007-08 (April-June) in items like petroleum products, gems & jewellery, transport equipments, manufactures of metals, non ferrous metals, machinery and instruments and ores and minerals. Negative growth has been recorded in cotton readymade garments, cotton yarn fabrics made ups etc., drugs, pharmaceutical and fine chemicals, marine products, handicrafts, carpets, etc. Significant export share of 15.9 per cent has been observed in respect of petroleum (crude and products). (Table 18)

Table 18: Export of Principal Commodities

Commodity	%Share		%Growth			%Growth		
	2006-07	2007-08	2004-05	2005-06	2006-07	2005-06	2006-07	2007-08
	Q1					Q1	Q1	Q1
A) PLANTATION	0.7	0.5	9.3	15.8	15.7	24.4	11.3	-12.9
B) AGRI & ALLIED PRDTS	6.8	6.3	16.4	14.7	18.5	11.6	19.0	9.5
C) MARINE PRODUCTS	1.4	0.8	8.4	10.4	9.7	33.0	-2.3	-12.1
D) ORES & MINERALS	5.6	5.1	114.4	21.4	14.1	77.9	10.0	11.5
E) LEATHER & MNFRS	2.3	1.9	12.0	11.4	8.7	16.8	2.7	2.4
F) GEMS & JEWELLERY	12.3	12.2	30.2	12.8	0.4	26.4	0.7	21.0
G) SPORTS GOODS	0.1	0.1	3.2	31.6	-6.5	34.0	27.1	-17.3
H) CHEMICALS & RELATED PRODUCTS	14.0	12.4	32.2	18.7	13.4	28.6	14.0	5.3
I) ENGINEERING GOODS	20.7	20.0	46.3	25.5	35.5	55.9	26.0	20.3
J) ELECTRONIC GOODS	2.2	2.0	4.7	20.0	23.3	5.2	36.6	5.5
K) PROJECT GOODS	0.1	0.0	-10.8	97.2	-11.0	255.9	-21.2	-79.1
L) TEXTILES	12.8	10.5	5.9	20.3	3.7	19.9	13.8	-10.4
M) HANDICRAFTS	0.3	0.2	-24.5	22.4	-19.5	29.7	-6.2	-43.5
N) CARPETS	0.7	0.5	8.7	34.0	4.1	51.8	18.0	-24.7
O) COTTON RAW INCL WASTE	1.1	0.3	-54.1	597.5	105.6	92.9	182.5	-53.6
P) PETROLEUM PRODUCTS	14.7	15.9	95.9	66.5	59.4	61.7	106.7	26.2
Q) UNCLASSIFIED EXPORTS	4.3	11.4	20.3	11.2	115.4	37.2	21.8	303.7
Total	100.0	100.0	30.9	23.4	22.5	34.5	23.6	20.7

Source: Department of Commerce & DGCI&S, Kolkata

2.1.39 The top 10 destinations of exports for the period 2007-08 (April-June) accounted for 53.2 per cent of the total exports. USA continued to be the top-most destination of exports with 13.3 per cent share followed by UAE (10.9 per cent) and China (5.5 per cent). Among the top 10 export destinations, the highest export growth was recorded for Saudi Arabia (61.5 per cent), mainly due to a 186 times increase in exports of petroleum crude and products and increase in exports of basmati rice, followed by Belgium (43.9

per cent) mainly due to primary and semi-finished iron & steel and non ferrous metals. However, the growth of exports to USA was low at 6.8 per cent. Negative growth of 11.4 per cent was observed in respect of export to Singapore mainly due to fall in exports of petroleum and crude products; machinery and instruments; and transport equipment.

2.1.40 As there was widespread concern on possible adverse impact of Rupee appreciation on exports, Government had announced many relief measures (Box 2).

Box 2 : Recent measures to help exports in the light of Rupee Appreciation

- . Enhancement by 3 per cent of the DEPB rates for 9 sectors i.e., textiles (including handloom), readymade garments, leather products, handicrafts, engineering products, processed agricultural products, marine products, sports goods and toys; and by 2 per cent for others.
- . Reduction in ECGC premium by 10 per cent.
- . Release of around Rs.600 crore to clear all arrears of terminal excise duties and CST reimbursement.
- . Enhancement of the rates of duty drawback by around 10 per cent to 40 per cent. The drawback was increased in most of the cases which have been made effective retrospectively from 1.4.2007. In few cases, such as, primary steel, dyes and chemicals, where the drawback rates have been reduced, this has been done prospectively from 18.7.2007.
- . Interest subvention of 2% for pre-shipment and post-shipment credit for the 9 sectors and all exporters from the SME sector which was further extended from 31.12.2007 to 31.3.2008. Additional subvention of 2% from 1.11.2007 to 31.3.2008 for pre-shipment and post-shipment credit for leather & leather manufacturers, marine products, handicrafts and all categories of textiles under existing scheme including RMG and Carpets but excluding man-made fibre.
- . Refund of Service Tax to Exporters for use of Services not in the nature of “input services”.
- . Provision to pay interest on EEFC balances for outstanding balances.
- . Widening the list of interest subvention of 2% for pre-shipment and post-shipment credit to include jute textiles and carpets; processed cashew, coffee and tea; solvent extracted de-oiled cake; and plastics & linoleum.
- . Raising the revenue ceiling for Vishesh Krishi and Gram Udyog Yojana by Rs.300 crore (from Rs.200 crore to Rs.500 crore)
- . Reduction in customs duty on some items relating to textiles sector.

Besides the above, the recent measures to stem capital inflows have also helped in checking appreciation of the rupee.

2.1.41 During the period 2007-08 (April-June), petroleum crude and products accounted for about 23.8 per cent of India's total imports. Other import items recording a high growth during this period included metalliferous ores and metal scraps, gold and silver, iron & steel, electrical and non-electrical machinery (except electronic), coal, coke and briquettes, pearls, precious and semi precious stones, electronic goods, organic chemicals, transport equipment etc. (Table 19) China remained the major source of imports with a share of 10.7 per cent in India's total imports followed by Switzerland (7.0 per cent), UAE (6.0 per cent), Saudi Arabia (5.8 per cent) and USA (4.9 per cent) .

Table 19 : Import of Principal Commodities

Commodity	%Share		%Growth			%Growth		
	2006-07	2007-08	2004-05	2005-06	2006-07	2005-06	2006-07	2007-08
	Q1					Q1	Q1	Q1
A) BULK IMPORTS (including POL)	43.6	43.7	44.8	44.0	36.2	38.9	40.6	30.4
B) PEARLS, PRECIOUS & SEMI-PRECIOUS STONES	3.9	4.1	32.2	-3.1	-18.0	59.1	-34.1	27.6
C) MACHINERY	17.2	11.5	39.3	65.3	52.6	78.2	34.9	37.5
D) PROJECT GOODS	0.9	0.5	50.6	48.1	98.8	138.4	137.1	-43.9
E) OTHERS	34.4	40.2	44.0	22.9	15.6	43.8	3.1	53.1
Total	100.0	100.0	42.7	33.8	27.8	46.2	19.0	38.3

Source: Department of Commerce & DGCI&S, Kolkata

2.1.42 With India's merchandise imports much higher than its merchandise exports, India provided a much larger market for China's exporters than China provided for Indian exporters. Conversely the USA provided a larger market for our exports than we did for US exports. The highest import growth rate of 132.1 per cent was recorded from Switzerland followed by Australia (69.8 per cent), China (66.6 per cent), and Iran (51.1 per cent). Lower import growth of 0.8 per cent was recorded from Saudi Arabia.

Balance of payments

2.1.43 The global phenomenon of surge in capital flows to emerging market economies continued and reflected on the external sector. Notwithstanding the fears of turbulence in global financial markets following the subprime crisis, the policy response of monetary authorities concerned resulted in acceleration in the pace of flows through global liquidity surge. With the extent of financing of current account deficits at much lower levels, there has been a partial pass through to exchange rate and reserve build-up, particularly in the current financial year (Table 20).

Table 20: Balance of Payments (BOP)-Summary (US \$ millions)

	2005-06 PR	2006-07 P	2006-07 Q1	2007-08 Q1
Exports, f.o.b	1,05,152	1,27,090	29,674	34,960
Imports, c.i.f	1,56,993	1,91,995	46,620	56,540
TRADE BALANCE	-51,841	-64,905	-16,946	-21,580
Invisibles (net)	42,655	55,296	12,379	16,883
G&S balance	-27,960	-32,178	-8,981	-12,430
CURRENT A/C BALANCE	-9,186	-9,609	-4,567	-4,697
Commercial Borrowings (net)	2,723	16,084	3,959	7,048
Foreign Investment (net)	17,224	15,499	911	7,919
Non-Resident Deposits (net)	2,789	3,895	1,231	-447
Other capital flows (net)	392	9,129	4,863	1,162
TOTAL CAPITAL A/C (net)	24,238	46,215	10,946	15,897
RESERVE MOVEMENT				
(-) increase	-15,052	-36,606	-6379	-11,200

Goods and services balance

2.1.44 BoP data for the current year is available only for the period April-June 2007. On BoP basis, exports at US\$ 35.0 billion in April-June 2007 grew by 17.8 per cent over the corresponding period of the previous year. Imports at US\$ 56.5 billion in April-June 2007 grew by 21.3 per cent in the same time period. Trade deficit was placed at US\$ 21.6 billion in April-June 2007, which was 8.4 per cent of first quarter GDP. Thus the trade deficit during Q1 has remained unchanged from the previous year. However the (first quarter) trade deficit has been increasing over the last three years, along with the upswing in economic growth. (Table 21).

Table 21 : BoP quarterly data as proportion to GDP from 2004-05 to 2007-08(Q1)

Items	2004-05				2005-06				2006-07				2007-08
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Trade deficit	-3.3	-6.1	-6.3	-3.6	-7.6	-7.0	-6.2	-5.3	-8.4	-7.7	-6.9	-5.8	-8.4
Goods & Services													
Balance	-0.9	-4.8	-4.5	-0.5	-4.5	-3.8	-3.9	-1.9	-4.5	-4.2	-3.8	-2.0	-4.8
Current A/C													
Balance	2.3	-2.8	-3.1	2.1	-1.9	-1.9	-2.3	1.2	-2.3	-2.3	-1.1	1.0	-1.8

Non-factor services

2.1.45 Non-factor services, a part of invisibles account, comprising of travel, transportation, insurance, Government not included elsewhere (G.n.i.e.), software comprising of both information technology (IT) and IT enabled services (ITES) and business services (like financial services, communication services) constitute an important part of the growing services trade. While software (both IT & ITES) to a great extent and business services to a lesser extent have helped in moderating the deficits in merchandise trade and services account, the other major components posted growth in both receipts and payments on a gross basis, but there has been no substantial contribution on a net basis as observed during the first quarter (Table 22).

Table 22: Non-Factor services (net) in the first quarter for the last five years(US\$ million)

Items	2003-04	2004-05	2005-06	2006-07	2007-08
Travel	7	-62	87	220	207
Transportation	132	249	-396	-314	-484
Insurance	-13	-40	-14	111	233
G.n.i.e.	6	30	-26	-24	-16
Software Services & ITES	3030	3821	4853	6601	7884
Business Services		-521	572	1391	869

2.1.46 Growth in software (both IT and ITES) has decelerated sharply to 19.4 per cent in the first quarter of 2007-8 from an average of 29.7 per cent in first quarters of the last three years. Goods and services deficit as a whole was at US\$ 12.4 billion in the first quarter of 2007-08 (4.8 per cent of GDP) as compared to US\$ 9.0 billion (4.5 per cent of GDP) in the corresponding period of the previous year.

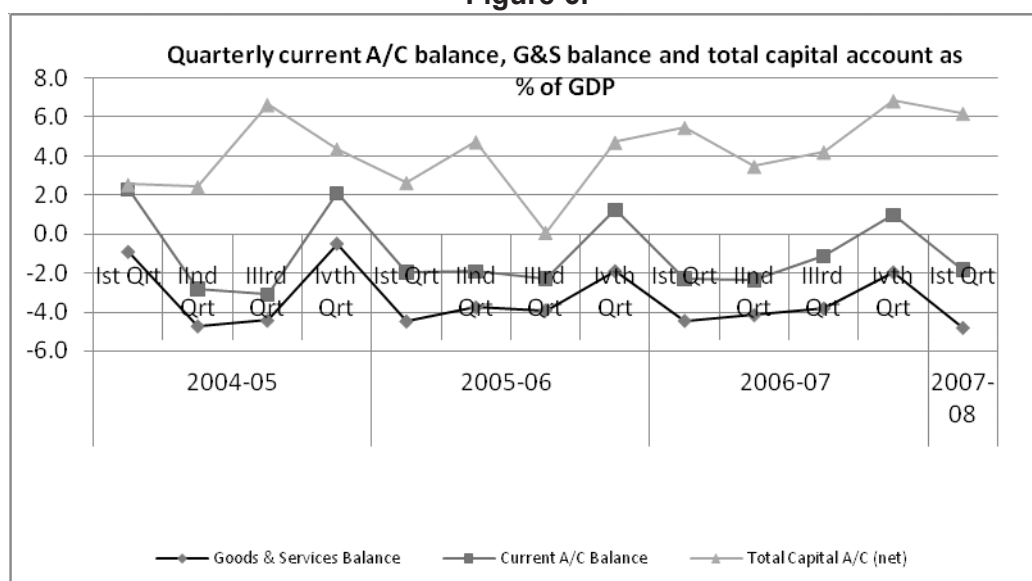
Net invisibles

2.1.47 Apart from non-factor services, other major components of invisibles account are private transfers, investment income and official grants. During the first quarter of current year, net inflows on account of private transfers were US\$ 8.3 billion. Net Investment income reflecting gross interest payments on the capital flows continued to remain negative, albeit getting increasingly offset by interest earned on foreign currency assets, including reserves. In the first quarter, the net outgo on this account was US\$ 0.6 billion, a decline from a level of US\$ 1.3 billion in first quarter of previous year. On an overall basis (including non-factor services), net invisibles surplus for the first quarter of the current financial year is placed at US\$ 16.9 billion. This could partly offset the high levels of trade deficit resulting in an overall current account deficit of US\$ 4.7 billion in the first quarter of 2007-08 which is marginally higher than level of deficit in 2006-07 (Appendix Table II).

Capital account

2.1.48 The economy's absorptive capacity of capital flows, which is indicated by the level of current account deficit, has been much lower than the capital inflows. The step-up in inflows in the fourth quarter of 2006-07 has continued in the first quarter of the current year (Figure 6). The consequential accretion to reserves and exchange rate pass through has macroeconomic implications.

Figure 6:

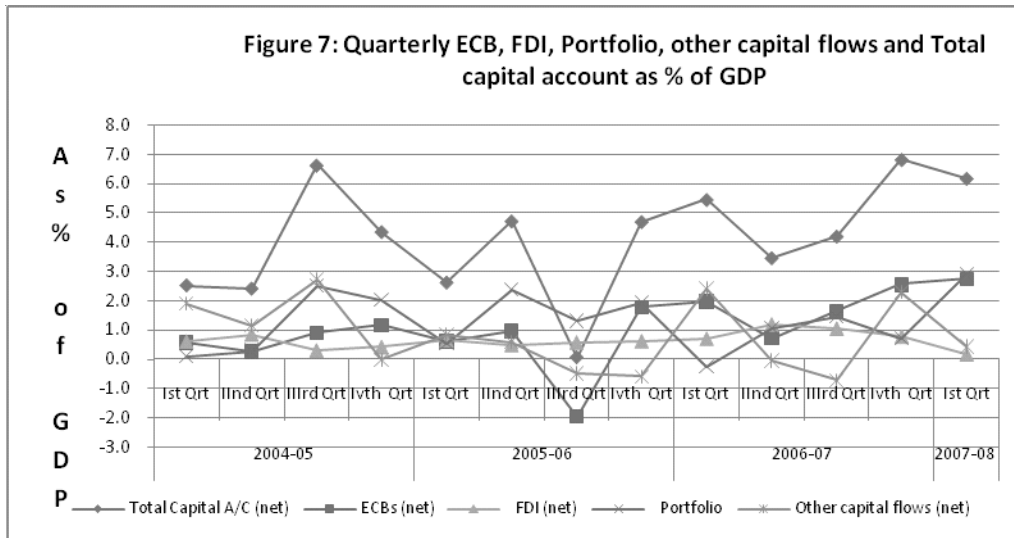


2.1.49 Total net capital inflows were placed at US\$ 15.9 billion in the first quarter of 2007-08 (US\$ 10.9 billion in the first quarter of 2006-07). Sustained inflows, primarily external commercial borrowings (ECBs) and foreign investment have been observed in the last two years (Table 23).

Table 23 : Capital Account Profile (in US\$ million)

	2005-06 PR	2006-07 P	2006-07 Q1	2007-08 Q1
External Assistance (net)	1,682	1,770	49	258
Commercial Borrowings (net)	2,723	16,084	3,959	7,048
FDI (net)	4,730	8,437	1,416	461
Portfolio investment	12,494	7,062	-505	7,458
Non-Resident Deposits (net)	2,789	3,895	1,231	-447
Rupee Debt Service	-572	-162	-67	-43
Short-Term Credits (net)	1,708	3,275	417	1,048
Banking Capital (net)	-1,416	-1,808	3,759	-1,673
Errors & Omissions	838	1,271	382	635
Others (net)	-738	6,391	305	1,152
TOTAL CAPITAL A/C (net)	24,238	46,215	10,946	15,897

2.1.50 The composition of surging inflows changed somewhat in the first quarter of 2007-08 with portfolio flows attaining greater prominence than FDI, but with continuing increase in debt flows (Figure 7).

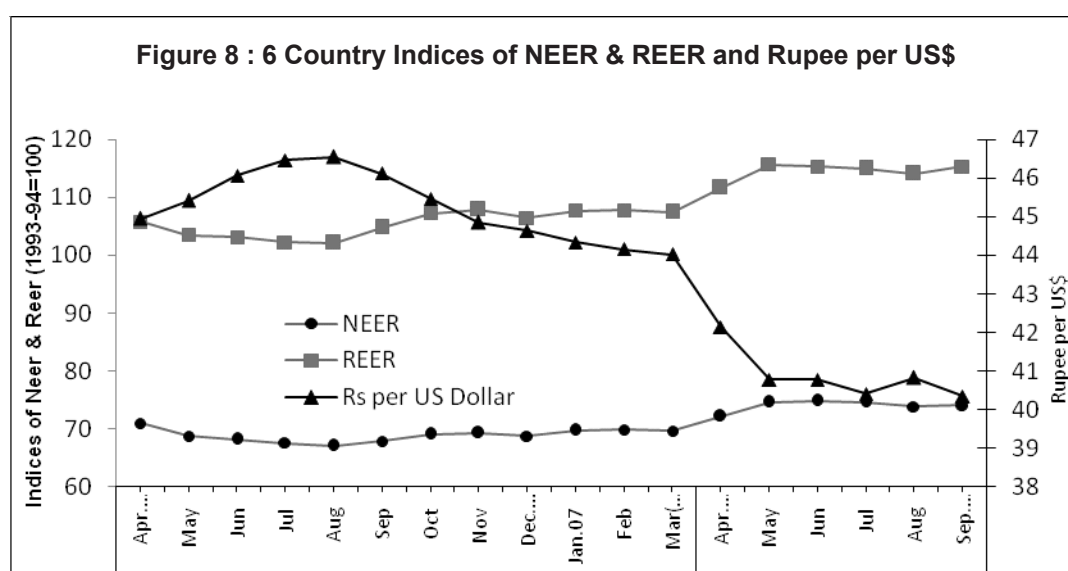


2.1.51 The growth in portfolio investment is on account of two factors viz., (i) First, in the first quarter of 2006-07 there was a net outflow and hence it has provided a base effect for the first quarter of 2007-08 and (ii) the continuance of rapid growth, buoyant corporate sector results and the booming capital market have made India a major destination for such flows.

2.1.52 In recent years, exchange rate movement has been driven more by capital flows than the trade deficit. Though the trade deficit remains an important determinant in the long run, with a relatively open capital account, daily capital inflows and outflows have a large impact on the exchange rate on a day to day basis. In view of this, the development of futures and forward foreign exchange markets is important to complement the RBI's exchange management policy, which emphasises moderating volatility. As per the RBI Bulletin (September 2007), the volume of transactions (demand as well as supply) in the foreign exchange market was over US\$10 billion on a single day on July 31, 2007. Consequent to steady increase in forex flows, there has been a strong bout of appreciation of 8.0 per cent in the first quarter of the current financial year. During the current financial year, the rupee appreciated by 9.7 per cent against the US dollar between April 3, 2007 and October 31, 2007. The rupee appreciation against the US dollar on year-on-year basis (October 2006 over October 2007) was 15.1 per cent.

2.1.53 While real appreciation/depreciation of the rupee clearly has an effect on trade performance in the medium term, this depends not only on the nominal exchange rate

but also on the level of protection and on inflation effects and feedbacks. Thus it is difficult to establish a one-to-one correspondence between appreciation/depreciation in the nominal value of the Rupee and decline in growth in exports in the short run. The real impact is often inferred through the movement of the indices of nominal effective exchange rate (NEER) and real effective exchange rate (REER). The appreciation of the rupee in terms of NEER and REER indices was somewhat lower than the movement in nominal exchange rates (Graph). Because international trade in several agriculture items has historically been constrained by QRs and remains prone to active policy intervention, besides petroleum products being subject to varying degrees of administered pricing, the medium term impact of REER changes can best be discerned on manufactured goods (Figure 8).



2.1.54 Capital flows, in excess of financing requirements, as is happening at present, would result not only in the appreciation of the Rupee but would have macro economic implications through reserve build up. Foreign exchange reserves (including gold, SDRs and reserve tranche position in IMF) rose from US\$ 199.2 billion at end-March 2007 to a level of US\$ 247.8 billion as on September 30, 2007 and further to US\$ 271.1 billion as on November 16, 2007.

2.1.55 With a view to ameliorate the pressures of increased forex inflows, based on a comprehensive review of existing regulations, certain tighter prudential norms for external commercial borrowings and portfolio investment and further liberalisation of outflows on capital account were made. These include, *inter alia*: modifications to the ECB policy like end-use restrictions and foreign currency expenditure conditionality for borrowing above the threshold of US \$20 billion per borrower per financial year and requiring RBI

approval for borrowing up to US\$ 20 billion for Rupee expenditure; permission to overseas joint ventures / wholly owned subsidiaries to invest in by Indian companies up to 400 per cent of the net worth of the Indian company under the automatic route. The enhanced limit has also been made available to registered partnership firms; greater opportunities to listed Indian companies for portfolio investment abroad by extending the existing limit of 35 per cent of the net worth for portfolio investments by listed companies to 50 per cent. Further, the requirement of 10 per cent reciprocal share holding in the listed Indian companies by overseas companies for the purpose of portfolio investment outside India by Indian listed companies has been dispensed with; enhancing the existing limit for prepayment of external commercial borrowings (ECBs) without the Reserve Bank approval from US\$ 400 million to US\$ 500 million, subject to compliance with the minimum average maturity period as applicable to the loan; enhancing the existing limit under liberalised remittance scheme from US\$ 100,000 to US\$ 200,000 per financial year. As the full pass through of the accretion to reserves, would have implications for the liquidity in the economy and the domestic price level, the management of external sector was considered in tandem with the monetary policy.

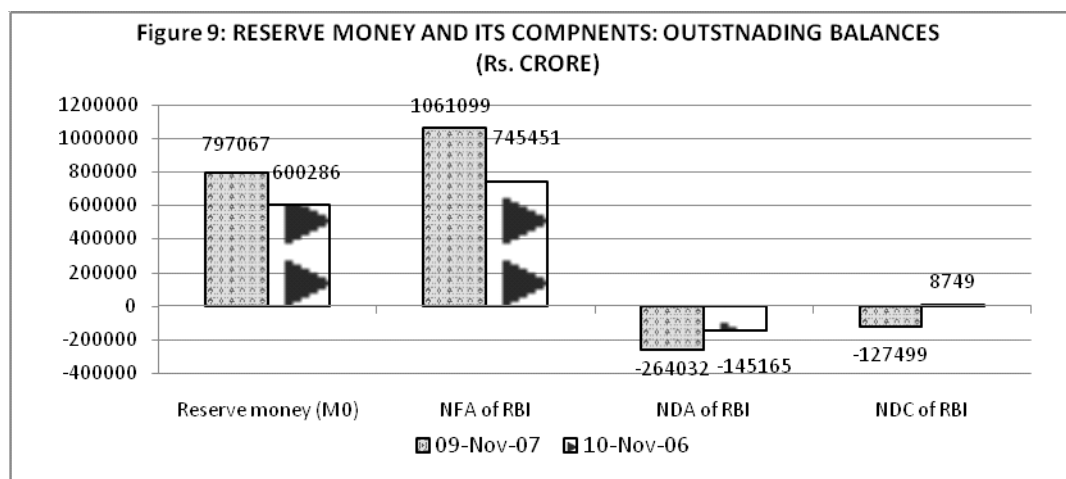
3. Money and Banking

3.1 Reserve money (M_0): The growth in reserve money (M_0) during 2007-08 so far has been steady. During April-September, 2007 it grew by 10.3 per cent as compared to 5.6 per cent in April-September, 2006. On a year-on-year (y-o-y) basis, the growth as at end September 2007 was 29.2 per cent compared to 21.7 per cent on the corresponding date of the previous year. The growth in M_0 for the period up to November 9, 2007 indicates that on financial year basis it was 12.4 per cent compared to 4.8 per cent during the corresponding period of the previous year. The year-on-year growth, as on November 9, 2007, was still higher at 32.8 per cent compared to 14.3 per cent on the corresponding date of the previous year. Considered in terms of two individual quarters, the growth in reserve money in the second quarter of the current year has been higher than the first quarter, which is consistent with the trend observed in the past years as well. It is however noticed that in QI as well as in QII of 2007-08, M_0 growth has been higher than the growth rates observed in the past (Table 24).

Table 24: Quarterly growth rates of select monetary aggregates

Items	Percentage change over the corresponding quarter of the previous year													
	2004-05				2005-06				2006-07				2007-08	
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II
M0	11.5	15.3	16.3	12.1	15.5	17.5	14.9	17.2	18.2	21.7	18.6	23.7	23.0	29.2
M1	15.4	17.6	15.6	11.9	17.6	23.1	21.1	21.1	18.7	19.2	16.0	16.8	16.7	15.3
M3	15.2	14.2	13.2	12.3	13.7	18.6	17.8	17.0	18.0	19.0	19.3	21.3	21.7	21.0

3.1.2 Of the two main sources of reserve money viz., net foreign exchange assets(NFA) and the net domestic assets(NDA) of RBI, the former has grown at a rapid phase in the current year on year-on-year basis (September 28, 2007 over September 29, 2006 level) by 30.0 per cent; on the other hand, NDA has decreased during the periods. In terms of point contribution on year-on-year basis, NFA contributed as much as 37.4 percentage points (September 28, 2007 over the corresponding date of the previous year); as of November 9, 2007 the growth of reserve money was 32.8 per cent and the point contribution of NFA to the overall growth of reserve money had increased to 52.6 percentage points. The negative contribution of NDA to growth in M_0 owes to substantial decline in the credit to the Central Government, both on year-on-year basis and during the current financial year (Figure 9).

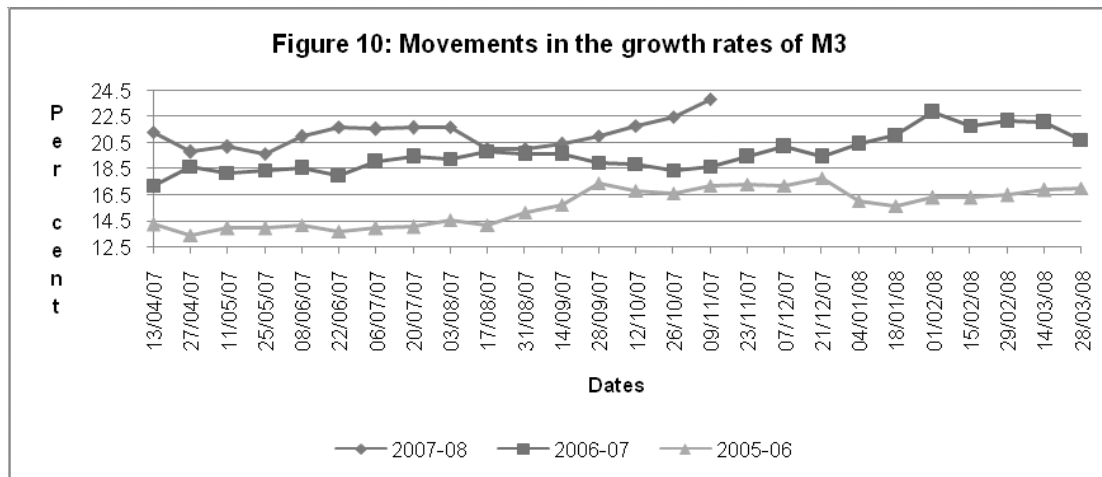


3.1.3 The ratios of NFA of the RBI to M_0 and currency in circulation during the current financial year as on November 9, 2007 (September 28, 2007) were substantially higher at 133(126) per cent and 193 (194) per cent respectively compared to 124 (125) per cent and 158 (168) per cent on the corresponding date of the previous year. The growth in NFA owes to the steady capital flows being experienced during the year so far.

3.1.4 **Broad money (M_3):** The growth in M_0 , through the money multiplier, has led to the growth in broad money supply (M_3). The money multiplier-ratio of M_3 to M_0 - during 2007-08 has shown variations. From a high of 4.80 on April 13, 2007 it was at the lowest level of 4.48 on August 3, 2007. However, as on November 9, 2007 it was 4.61 compared to 4.94 per cent on the corresponding date of the previous year.

3.1.5 RBI in its Annual Policy Statement (April 2007) had projected the growth of real GDP at around 8.5 per cent for 2007-08 and inflation at close to 5.0 per cent; correspondingly, it envisaged money supply (M_3) growth at round 17.0-17.5 per cent. It is observed that M_3 growth so far, has been above the target levels. The

Policy had also envisaged the gradual deceleration of non-food credit (including investments in bonds/debentures of public sector undertakings and private corporate sector and commercial papers) to 24-25 per cent in 2007-08. It has been observed that in spite of undershooting of the growth of bank credit to commercial sector as on November 9, 2007 at 21.9 per cent (20.5 per cent as on September 28, 2007) compared to 25.4 per cent (26.8 per cent) on the corresponding date of the previous year, the y-o-y growth of M_3 on November 9, 2007 was still significantly higher at 23.8 per cent (21.0 per cent) compared to 18.7 per cent (19.0 per cent) on the corresponding date of the previous year. This largely owes to the strong growth in the NFA of the banking sector at 37.7 per cent on November 9, 2007 (26.1 per cent as on September 28, 2007) as compared to 16.4 per cent on November 10, 2006. (21.9 per cent on September 29, 2006) (Figure 10).



3.1.6 Credit extended by the scheduled commercial banks: With regard to the trend in the operations of the scheduled commercial banks (SCBs), it was observed that the aggregate deposits on y-o-y basis as on November 9, 2007 grew at 26.7 per cent (23.9 per cent as on September 28, 2007) compared to 20.6 per cent (20.2 per cent) on the corresponding date of the previous year, mainly due to robust growth in time deposits. Credit extended by the SCBs, had on y-o-y basis, decelerated to 23.5 per cent as on November 9, 2007 (21.9 per cent as on September 28, 2007) compared to 28.4 per cent (30.2 per cent) on the corresponding date of the previous year. Non food credit growth on y-o-y basis as on November 9, 2007 (September 28, 2007) was also lower at 24.1 per cent (22.1 per cent) compared to 29.6 per cent (31.6 per cent) on the corresponding date of the previous year. Credit-deposit ratio as on November 9, 2007 (September 28, 2007) declined to 70.7 per cent (70.7 per cent) compared to 72.5 per cent (71.9 per cent) on November 10, 2006. The non-food credit extended by the SCBs during the first two quarters of the current year has shown a deceleration as compared to the faster growth in the last two years. During 2007-08, it grew in the QI

(quarter over quarter) by 25.1 per cent and in QII by 22.1 per cent. This is partly explained by the slew of monetary measures initiated by the RBI, as a part of its policy to regulate liquidity and the inflationary expectations. These policy measures need to modulate credit expansion without hurting growth.

3.1.7 The sectoral deployment of the non-food credit by the SCBs during the current financial year (up to August 17, 2007) revealed that of the incremental expansion of Rs. 341,920 crore, share of the credit to industry (inclusive of small, medium and large) was the highest at 41.1 per cent followed by credit to services sector at 23.8 per cent; personal loans and credit to agriculture and allied sectors constituted 22.4 per cent and 12.7 per cent respectively.

3.1.8 The SLR investment on this date increased by 24.8 per cent (20.9 per cent) compared to 2.6 per cent (-0.8 per cent) on the corresponding date of the previous year. As on November 9, 2007 investment in Government securities grew even higher at 24.9 per cent (20.9 per cent as on September 28, 2007) compared to 3.1 per cent (-0.3 per cent) on the corresponding date of the previous year.

3.1.9 **Narrow money (M_1):** An important monetary parameter viz narrow money (M_1) has however shown a restrained expansion during the current financial year; M_1 grew by just 4.7 per cent up to November 9, 2007 (1.4 per cent up to September 28, 2007) compared to 3.0 per cent (2.6 per cent) during the corresponding period of the previous year. The y-o-y growth of M_1 , on November 9, 2007, was only marginally higher at 18.8 per cent (14.6 per cent) compared to 18.5 per cent (19.2 per cent) on the corresponding date of the previous year.

3.1.10. Of the components of narrow money, currency with the public grew at a lower rate of 9.5 per cent during the current financial year so far up to November 9, 2007 (0.7 per cent up to September 28, 2007) compared to 9.9 per cent (5.1 per cent) during the corresponding period of the previous year. Demand deposits with banks during this period marginally increased by a very small measure of 0.5 per cent up to November 9, 2007 (increase of 2.1 per cent in the first six months of the current year) compared to the decline of 3.6 per cent (increase of 0.3 per cent) during the same period of the previous year. Thus, the course of movement of M_1 during the year reflects the impact of monetary measures of the RBI. The relationship of narrow money to the movements in the inflation rate as measured by the WPI also have been reflected in as much as on a point-on-point basis, as on November 3, 2007, the rate of inflation was 3.11 per cent (3.26 per cent as on September 29, 2007) as compared to 5.35 per cent (5.43 per cent) on the corresponding date of the previous year.

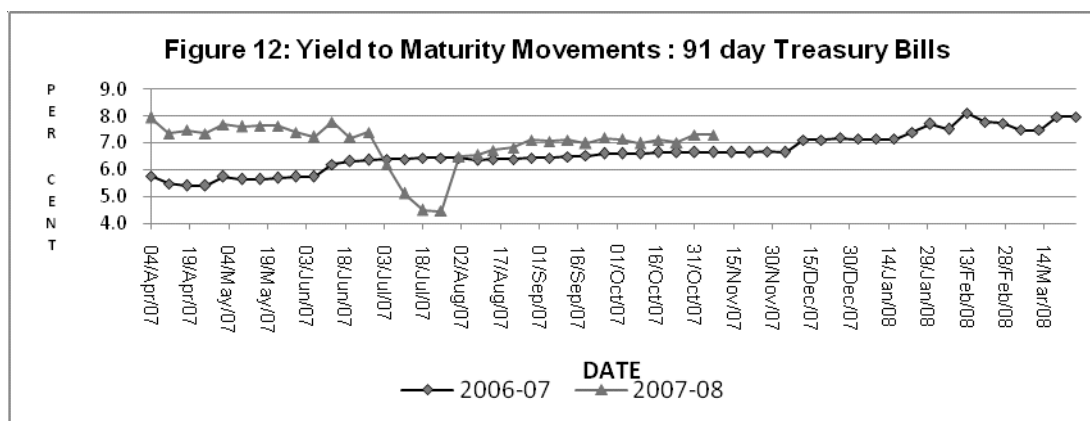
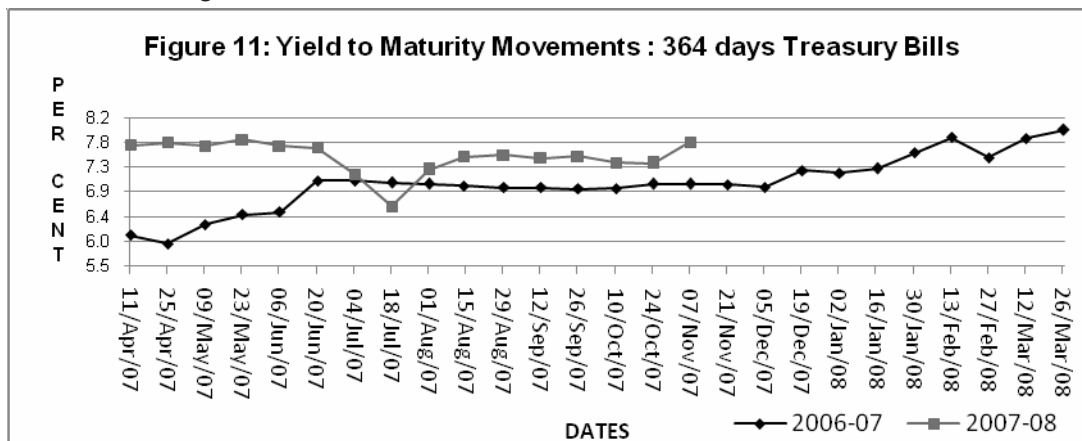
3.1.11 It is observed that of the three monetary aggregates, the growth in reserve money has shown a consistent upward trend since Q IV of 2006-07 which has been followed up in the first two quarters of the current financial year. This reflects the steady growth in forex flows from the later half of the last year which has continued in this year as well, and which has found its way into the NFA of the RBI.

3.1.12 Use of Monetary Instruments: The predominant issue that continues to confront the monetary authority during the current year has been the steady increase of forex flows and the policy response thereto. A full or even a partial pass through of such inflows impacts not only the exchange rate of the rupee but also the liquidity and the price level as well. Hence RBI has been utilising various conventional as well as innovative monetary instruments like CRR, Repo rate, Reverse-repo rate and the Market Stabilisation Scheme (MSS) to modulate the money supply. The cash reserve ratio (CRR) was hiked (from a level of 6 per cent on March 3, 2007) by 25 basis points on April 14, 2007 to reach 6.25 per cent; again on April 28 by 25 basis points to reach 6.50 per cent; further it was increased by 50 basis points each on August 4 and November 10, 2007, thereby bringing the CRR to a level of 7.50 per cent. As the banks do not earn any interest on the CRR balances kept with the RBI, this leads to a sobering effect on credit expansion by the banking system.

3.1.13 As a measure for sterilising the impact of capital flows, the instrument of Market Stabilisation Scheme (MSS) was extensively used during the year. The MSS ceiling during the year has been successively hiked four times so far, from Rs. 80,000 crore on March 30, 2007 to Rs. 1,10,000 crore on April 27, 2007, to Rs. 1,50,000 crore on August 8, 2007, to Rs. 2,00,000 crore on October 4, 2007. The MSS ceiling has again been revised upward to Rs. 2,50,000 crore on November 7, 2007 (with threshold limit at Rs. 2,35,000 crore). The absorption under MSS during the current year up to November 9, 2007 was Rs. 1,14,309 crore thereby raising the outstanding balances under MSS on this date to Rs. 1,77,284 crore. As MSS operations entails impact on the interest payments expenditure booked to the Union Government budget, it has underlined the importance attached by the Government to the need for anti inflationary initiatives under such strong flows. In addition to the monetary policy instruments, ECB guidelines have been revised and prudential stipulations have been put in place by SEBI for tackling the inflows and encouraging outflows.

3.1.14 Interest rate regime: Large capital inflows are also encouraged by the higher interest rate regime in the country. This in return has exerted pressure on the exchange rate by overshooting the long run equilibrium level. During the current financial year so far (Up to November 9, 2007) rupee has appreciated by 10.80 per cent and on y-o-y basis by 12.99 per cent against the US dollar. The financial year 2007-08 started with some monetary tightening as the weighted call money rate was as high as 55.6 per cent on April 4, 2007. But later on, there was some smoothening of the rates and eventually it reached the lowest level at 0.13 per cent on August 2, 2007. With the withdrawal of the ceiling of Rs. 3,000 crore on the daily reverse-repo under liquidity adjustment facility (LAF) and the discontinuation of the second LAF with effect of August 6, 2007, the weighted call money rate has moved within the informal corridor of the reverse repo and repo rates of 6.00-7.75 per cent. As on November 16, 2007 the weighted call money rate was 7.97 per cent.

3.1.15 Yields in the primary market on Treasury Bills (TBs) during the current financial year opened on a high note and were quoted at 7.94 per cent (91 Day TBs), 7.9869 per cent (182 Day TBs) and 7.6985 per cent (364 Day TBs) on the first auction of the year. Movements in yields for these TBs during the last year and current financial year so far are shown in Figures 11 and 12.



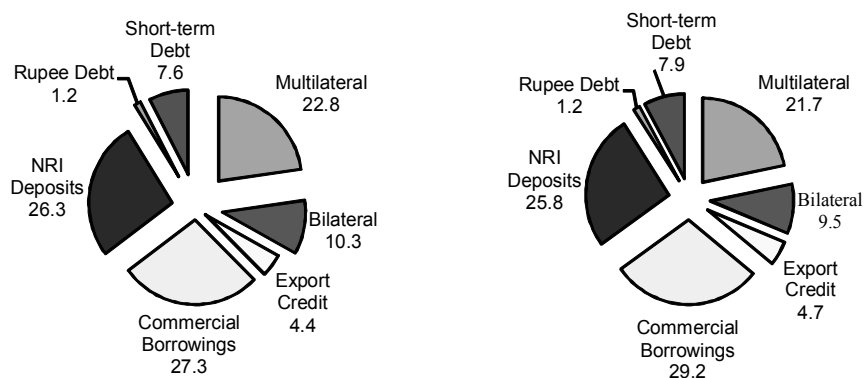
But subsequently, with the comfortable liquidity situation in the system, yields on these TBs reached the lowest levels on July 25, 2007 (4.46 per cent, 91-Day TBs) and (5.82 per cent, 182-Day TBs). The lowest yield for 364-Day TBs was 6.58 per cent on July 18, 2007. But the removal of ceiling of Rs.3,000 crore on the reverse-repo under LAF has had a salutary impact on the yields of TBs, 91-Day TBs and 364-Day TBs yields which hardened gradually. On November 14, 2007, yield on 91-Day TBs was 7.52 per cent and for 182-Day TBs yield it was 7.60 per cent. Yield on 364-Day TBs also hardened to 7.76 per cent on November 7, 2007.

3.1.16 The present monetary management has so far ensured liquidity and has reigned in the inflationary expectations. However, the sustained capital inflows pose a challenge to the monetary management which warrants constant attention in the short and medium terms.

4. External Debt

4.1.1 Latest available data for the quarter-ending June 2007 places the country's, external debt stock at US \$ 165.4 billion. This represents an increase of US \$ 8.8 billion over the level of US\$ 156.6 billion at end-March 2007. Long-term debt stood at US\$ 152.4 billion and short term debt amounted to US \$ 13.0 billion at end-June 2007. As at end-June 2007, the shares of long term and short term debt broadly remained the same as it obtained at end-March 2007. The composition of external debt for end-March 2007 and end-June 2007 is given in Figures 13 and 14, respectively.

Figure 13: Share in External Debt (%) at end-March 2007 **Figure 14: Share in External Debt (%) at end-June 2007**



4.1.2 While the short term debt accounts for a little less than 8 per cent of the debt stock, long term debt constituted around 92 per cent of the external debt stock. The sub components of long term debt, which account for a major share, comprise commercial borrowings, NRI deposits and multilateral credits.

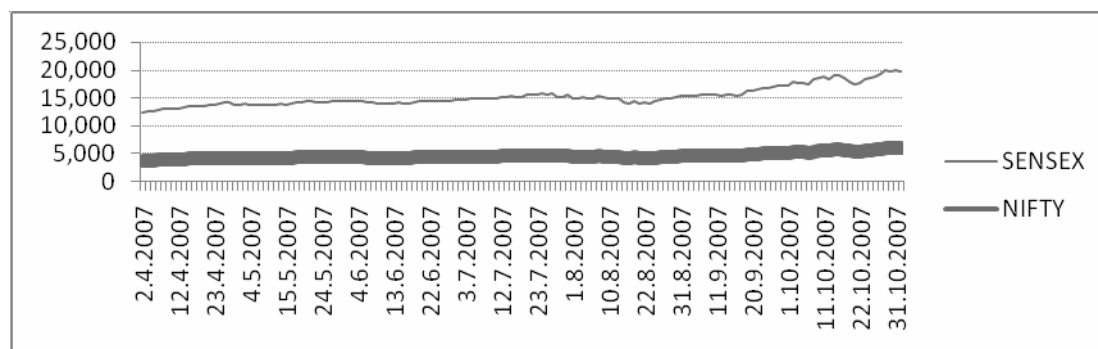
4.1.3 In respect of debt sustainability, it is observed that the key indicators continue to remain comfortable. The cover of foreign exchange reserves to total external debt went up from 127.1 per cent at end-March 2007 to 129.0 per cent at end-June 2007. The share of concessional debt in total external debt was at a significant level of 23.8 per cent at end-June 2007. The publication *Global Development Finance 2007*, of the World Bank has noted in a cross-country comparison among top ten debtor countries for the year 2005, India's share of concessional debt was the highest. The external debt-to-GDP ratio was 16.6 per cent and the proportion of total debt service payments to external current receipts (debt service ratio), was 4.8 per cent in the financial year 2006-07.

5. Capital Markets

5.1.1 The buoyant conditions witnessed in different segments of India's capital market during the last few years, continued in the first half of 2007-08. During April-September 2007, the resources mobilised from the *primary market* (both equity and debt) amounted to Rs. 134,549 crore, as against Rs. 84,921 crore mobilised during the corresponding period of 2006-07.

5.1.2 During April-September of the current financial year, mutual funds mobilised Rs. 1,05,614 crore, which was 76 per cent more than that during the corresponding period of the previous year. The private sector mutual funds accounted for as much as 91 per cent of the net resources mobilised during this financial year. The *secondary market* witnessed bullish trends during the first half of the financial year. Both the benchmark indices, viz. BSE (Sensex) and NSE (S&P CNX Nifty) gained during the first half of the year to peak at 17,291 and 5,021, respectively on September 28, 2007. The indices further climbed up to 19,978 and 5,906, respectively on October 29, 2007 (Figure 15).

Figure 15: Trend Of SENSEX & NIFTY INDICES



5.1.3 The journey of the Sensex from 18,000 to 19,000 mark, achieved in just 4 trading sessions, was one of the fastest-ever climbs. The Sensex crossed the 20,000 mark in an intra-day trading on October 29, 2007. Even after taking into account the marginal fall in Sensex and Nifty since then by way of correction, the two indices gained 51 and 54 per cent, respectively between April 01 and October 30, 2007, in comparison to gain recorded by indices of some of the other emerging markets like Indonesia (48 per cent), Korea (42 per cent), Thailand (34 per cent) and Taiwan (22 per cent).

5.1.4 The continued upbeat mood in Indian capital market during the first half of 2007-08 can be mainly attributed to favourable macroeconomic conditions, strong corporate results, more-than-average monsoon rainfall, and interest rate differentials between domestic and international markets. This is reflected in the surging levels of (net) investment by Foreign Institutional Investors (FIIs) during the first six months of the current financial year in the equity market at Rs. 44,516 crore or US \$10.7 billion.

5.1.5 This is twice the level of such inflows of US \$5.5 billion during the entire year of 2006-07. This trend has continued in the first two months of the second half of the current financial year as well. The net investment between October 1 and November 1, 2007 amounted to Rs. 20,819 crore or US \$5.1 billion.

5.1.6 The buoyant capital market underscores the need for transparency in its operations and as also the importance of protecting the interest of the investors. Therefore, in pursuance of Budget (2007-08) announcement of making Permanent Account Number (PAN) the sole identification number for all participants in the securities market with an alpha-numeric prefix or suffix to distinguish a particular kind of account, SEBI issued the circular which came into effect from July 2, 2007. In the wake of continuing inflows of portfolio investment mainly from overseas investors and the pronounced rise in transactions in derivatives, it was felt necessary to pay attention to such flows and enhance the transparency regarding the source of inflows into the economy. SEBI has in October 2007, prohibited FIIs and their sub-accounts from issuing or renewing PNs using off-shore derivative instruments like futures and options. The regulator has further announced that with effect from October 25, 2007, sub-accounts set up by Foreign Institutional Investors (FIIs) cannot issue Participatory Notes (PNs) and that FIIs have to unwind off-shore derivative instruments positions in 18 months. The date for calculating asset under custody for PNs for this purpose has been fixed as September 30, 2007.

5.1.7 The country's debt market is still in a nascent stage as compared to the equity market. Having regard to the fact that the present debt market has limited reach, and the potential of a vibrant debt market as an important part of the financial architecture of the country, its deepening and broadening is of critical importance. To facilitate the emergence of a single, unified exchange-traded market for corporate bonds, the Securities Contracts (Regulation) Amendment Bill, 2007 was passed in May 2007 to provide a legal framework for trading of securitised debt. The trading platforms for corporate bonds at the major exchanges were operationalised from July 1, 2007.

6. Social Sector

6.1.1 **Sarva Shiksha Abhiyan:** An amount of Rs. 3892.2 crore has been sanctioned to States and Union Territories upto 30th September, 2007 constituting 36.5 per cent of the total budgeted outlay of Rs 10,671 crore for Sarva Shiksha Abhiyan. Further, as against a yearly target to appoint 200,000 more teachers and constructing 500,000 more class rooms, 23,629 teachers were recruited and 69,919 additional classrooms were constructed during the quarter ending June 2007.

6.1.2 **National Rural Health Mission (NRHM):** The NRHM was allocated Rs. 9947 crore in 2007-08 as against 8207 crore in 2006-07. District Health Action Plan is the key strategy for integrated action under NRHM. The first integrated District Health Action Plans have been prepared in over 500 districts and the remaining districts would

be covered by December, 2007. In order to achieve convergence among various programmes such as immunisation, ante-natal care, nutrition and sanitation, 19.54 lakh Monthly Health Days at Anganwadi centres have been conducted all over the country in 2006-07 and 35,254 in 2007-08 with the involvement of ICDS workers.

6.1.3 Integrated Child Development Services (ICDS): In order to expand the Integrated Child Development Services (ICDS) to cover all habitations and settlements during the Eleventh plan and reach out to all children below the age of six as well as expecting and lactating mothers, the allocation to ICDS was increased from Rs. 4087 crore in 2006-07 to Rs. 4,761 crore in 2007-08. Action has been initiated for the third phase of expansion of ICDS.

6.1.4 National Rural Employment Guarantee Scheme: Launched on February 2, 2006 in 200 most backward districts in the first phase, the NREGS has been expanded to 330 districts in the second phase during 2007-08. The remaining 266 districts have been notified on 28th September, 2007 where the scheme will come into effect from 1st April, 2008. As against the employment demanded by 1.98 crore rural households, 1.88 crore households have been provided wage employment during 2007-08. As against the budget allocation of Rs. 12000 crore, an amount of Rs. 7763.7 crore has been released till 26th October, 2007 and a total of 891856 works have been taken up till September, 2007 (Table 25).

Table 25: Category-wise Break-up of Works

Activity	Number	Per cent share
Water Conservation	485,385	54.42
Irrigation facilities in land owned by SC/ST	104,977	11.77
Land Development	119,754	13.43
Rural Connectivity	136,565	15.31
Others	45,175	5.07
Total	891,856	100.00

6.1.5 Bharat Nirman: Bharat Nirman, which is an important edifice of Government's policy received a budgetary outlay of Rs. 24,603 crore in 2007-08 as against Rs. 18,696 crore (including NER component) in 2006-07. Rural housing is one of the six components of Bharat Nirman programme being implemented through the Indira Awas Yojana (IAY). Under Bharat Nirman, 60 lakh houses are envisaged to be constructed during a period of four years from 2005-06 to 2008-09 and 30.50 lakh houses have been constructed during the first two years of this programme. During 2007-08, 6.13 lakh houses have been completed and 7.92 lakh houses are at various stages of

completion as against the target of 21.27 lakh houses. Under Bharat Nirman, 21,422.8 kms of rural roads have been constructed during 2006-07. In pursuance to the suggestion made by the National Rural Infrastructure Committee (NRIC), a separate window in NABARD was opened with a provision of Rs.4,000 crore during 2006-07 to augment the funding of rural road projects under Bharat Nirman. However, funds could not be drawn from this window during 2006-07 in the absence of an enabling provision in the Central Road Fund Act, 2000. During 2007-08, this window continues with an outlay of Rs.4500 crore. A Bill to amend the Central Road Fund Act, 2000, has now been passed in the Budget Session of Parliament and Rs.900 crore have already been drawn from this special window of RIDF during October, 2007. As per reports received from states, drinking water has been provided to 1,07,152 habitations till March, 2007 against a target of 73,120 habitations. As against the target of 66,822 uncovered villages to be connected by telephone under Bharat Nirman programme, 22,282 villages have been covered during 2006-07. Till September 30, 2007, 50,520 villages have been covered. As on 30.9.07, 43,403 villages have been electrified so far under the Rajiv Gandhi Grameen Vidyutikaran Yojana. The irrigation potential created under Bharat Nirman so far as reported by the States during 2006-07 is 12.6 lakh hectares.

6.1.6 Aam Admi Bima Yojana: A new scheme called 'Aam Admi Bima Yojana' (AABY) was launched on 2nd October, 2007. Under the scheme, insurance to the head of the family of rural landless households in the country will be provided against natural death as well as accidental death and partial/permanent disability. This cover will be for Rs. 75,000 on death due to accident and permanent disability due to accident. In case of partial permanent disability due to accident, the insurance cover would be Rs. 37,500. Upon death of a member, prior to terminal date, Rs. 30,000 is the insurance amount. The premium to be charged under the scheme will be Rs. 200 per annum per member of which 50 per cent will be contributed by the Central Government and remaining by the State Governments.

6.1.7 Rashtriya Swasthya Bima Yojana: The Rashtriya Swasthya Bima Yojana, was formally launched in October, 2007, under which all BPL families in the unorganized sector will be covered progressively in the next 5 years. The scheme has a provision of smart card to be issued to the beneficiaries to enable cashless transaction for health care. Total sum insured would be Rs. 30,000 per family per annum. All pre-existing diseases will be covered under the scheme. Government of India will contribute 75 per cent of the annual premium amount while State Governments are expected to contribute the remainder 25 per cent. Projects are to be prepared by the State Governments and submitted to the approval committee constituted by the Central Government for approval. State Governments are also expected to put in place an institution for implementing the Health Insurance Programme.

II CENTRAL GOVERNMENT FINANCES

i. Over view of fiscal trends during April-September, 2007-08

In general the pace of expenditure as well as receipts during the first half of the year was higher as compared to the relative period of the previous year. Reflecting the overall buoyancy in the economy, the flow of revenue receipts of the first six months of the current fiscal year signalled the opportunities far higher than historically experienced receipts during the year. On a year on year basis, the net Tax Revenue to the Centre at Rs.1,60,500 crore has increased by 23 per cent in 2007-08, in line with the budget estimates for whole year. Excluding the amount of Rs.34,308.6 crore on account of transfer of profit on sale of RBI stake in SBI as a one off transaction, the non-debt receipts during April-September 2007 was marginally higher at 41 per cent of BE 2007-08 (Non-Debt receipts minus Rs.40,000 crore on account of SBI transaction) at the end of second quarter target of 40 per cent of BE as envisaged in the FRBM Rules. The focus on expenditure management continues to be on spending as per approved allocations and spending better as articulated in the Fiscal Policy Strategy Statement for 2007-08.

The total expenditure in the first half of the 2007-08 at Rs. 3,17,892 crore, is 46.7 per cent of what is estimated for whole of the year, as against Rs. 2,51,944 crore (44.7 per cent) during relative period of the previous year (2006-07), signalling a relatively higher pace of expenditure, as in preceding years, on account of both Plan and non-Plan expenditure. On a year on year basis, while the Plan expenditure has increased to 42.3 per cent in April-September 2007 from 39.9 per cent of Budget Estimates during the relative period of the previous year (2006-07), the non-Plan expenditure has increased to 48.6 per cent from 46.8 per cent during the same period. Historical factors associated with the seasonality of expenditure in certain sectors notably Rural Development and pattern of fund releases in various sector programmes notably in Health and Family Welfare, School Education and Literacy, and the embedded institutional factors relating to Transfers to State and Union Territory Governments in the first half of the financial year contribute to a higher fiscal impact reflecting front loading of expenditure by the concerned Ministries and Departments and resulting in higher fiscal deficit (53.8 per cent of BE 2007-08) as compared to target (45 per cent of BE) prescribed under FRBM Rules at the end of the second quarter.

In order to better manage the expenditure, the Modified Exchequer Control Based Expenditure Management Scheme has been extended to cover 23 Demands in 2007-08. Notwithstanding the front loading of expenditure by certain Ministries and Departments the fiscal deficit as proportion of BE 2007-08 was marginally lower at 53.8 per cent compared to 58 per cent in the corresponding period of previous year. Revenue

Deficit at 85.5 per cent as a proportion of BE 2007-08 also breached the target prescribed under the FRBM Rules at the end of second quarter indicating in part accelerated pace of non-plan expenditure by various Departments.

The fiscal indicators for April-September 2007 are given in Appendix V-XI. The data on Central Government finances therein are un-audited, and hence subject to post-audit revision. Further, the receipts and recoveries, wherever directly linked to expenditure, have been netted against expenditure.

ii. Receipts

(a) Tax Revenues

In the first half of the year 2007-08, the net tax revenue to centre at Rs. 1,60,500 crore was 39.7 per cent of BE, which is comparable to that registered during the corresponding period of the previous year (Appendix-VI). Year-on-year growth of gross and net tax revenues is 24.5 per cent and 23.5 per cent, respectively in the first half of the current year while it was 30.5 per cent and 35.1 per cent respectively, in the corresponding period of the previous year. The achievement in gross tax collection was 41 per cent of BE 2007-08 at par with the performance in the corresponding period of previous year. However, in absolute terms gross tax collections during April-September 2007 increased to Rs. 2,23,491 crore from Rs. 1,79,478 crore during the corresponding period of the previous year.

Salient features of revenue performance during the first half of 2007-08:

- Corporation tax grew by 38.6 per cent. Taxes on income other than Corporation tax grew by 35 per cent.
- Collections of Rs. 2,237 crore under the fringe benefit tax (introduced from 2005-06) displayed buoyant growth of 94 per cent.
- Revenues from securities transactions tax (Rs. 3,099 crore) and banking cash transaction tax (Rs. 276 crore) grew at 45.3 per cent and 17.9 per cent respectively during the first half of 2007-08.
- Customs collections grew by 15.9 per cent during the first half of 2007-08 as compared to the corresponding period of the previous year.
- Central excise duties grew by 3.4 per cent from Rs. 43,396 crore in 2006-07 to Rs. 44,889 crore in 2007-08
- Service tax collections at Rs. 18,342 crore were up by 37.2 per cent from Rs. 13,368 crore during the same period of the previous year.

In the first half of the year, of the total gross tax revenue, Rs. 61,851 crore was transferred to the States as their provisional share in Union taxes and duties, which is subject to

adjustment at the end of the year. After transferring Rs.1,140 crore to the national Calamity Contingency Fund, the net tax revenue of the Central Government was Rs.1,60,500 (39.7 per cent of BE) up by Rs. 30,514 crore from the corresponding period of the last year.

(b) Non-tax revenues

Non tax revenues comprising of Interest receipts, Dividends and Profits, Non-Tax Revenues of UTs and Other Non-Tax Revenue, are far less buoyant than tax revenues. In the first half of the current year, non-tax revenue grew by 19.2 per cent year-on-year, and at Rs. 37,456 crore was 45.4 per cent of BE, up from 41.2 per cent of BE mobilized during the first half of the previous year (Appendix Table VII). The net interest receipts of the Centre were Rs. 8,318 crore in 2007-08 as compared to Rs. 6,297 crore in 2006-07. The receipts on account of dividends & profits and other non-tax revenue from Fiscal, Social, Economic and Other General Services were Rs. 18,062 crore and Rs. 14,815 crore respectively.

Revenue receipts of the Centre – comprising net tax and non-tax revenues –during April-September 2007 grew by 22.6 per cent to Rs. 1,97,956 crore (41 per cent of BE 2007-08) from Rs. 1,61,406 crore (40 per cent of BE 2006-07) in the corresponding period of the previous year.

c) Non-debt capital receipts

Non-debt capital receipts, comprising recoveries of loans and advances and other receipts in the first half of the current year was placed at Rs. 38,736 crore and included Rs.34,309 crore on account of transfer of profit on sales of RBI's stake in SBI. Share of Capital receipts of the Centre has been declining since 2005-06. Disinvestment receipts are almost negligible while the combined effect of the Twelfth Finance Commission Debt Relief/Debt Waiver Award, the financial disintermediation by the Centre and the earlier debt swap schemes for State Governments during 2002-03 and 2004-05 on the receipts from the payment of loans is evident in the BE of Rs.1,500 crore projected in 2007-08 for this item as compared to Rs.12,046 crore in fiscal year 2000-01. (Appendix Table VIII).

iii. Expenditure

Total expenditure during April-September 2007 at Rs. 3,17,892 crore (46.7 per cent of BE) was up 26.2 per cent from Rs. 2,51,944 crore (44.7 per cent of BE) during the corresponding period of the previous year. Year-on-year, while revenue expenditure grew by 12.31 per cent to Rs. 2,59,080 crore (46.4 per cent of BE) from Rs. 2,30,683 crore (47.3 per cent of BE) in the corresponding period of previous year, capital expenditure grew by 176.6 per cent to Rs. 58,812 crore (48.0 per cent of BE) from Rs. 21,261 crore compared to 28.0 per cent of BE in the corresponding period of previous year. This capital expenditure includes expenditure for acquiring shares of RBI stake in SBI.

(a) Plan expenditure

Plan expenditure during April-September 2007 was Rs. 86,758 crore (42.3 per cent of BE). Plan expenditure in the first half of 2007-08 shows an increase of Rs.17,879 crore as compared to that of April-September 2006. Higher spending was largely accounted for under Transfers to States and Union Territories (Rs.20,671 crore), Department of Rural Development (Rs.15,834 crore) and Department of Road Transport and Highways (Rs.7,970 crore) (Appendix IX). Year-on-year, within plan expenditure also, while revenue expenditure grew by 23.9 per cent to Rs. 71,571 crore (41 per cent of BE) from Rs. 57,752 crore (40.2 per cent of BE of the corresponding period of previous year), capital expenditure grew by 36.5 per cent to Rs. 15,187 crore (49.4 per cent of BE) from Rs. 11,122 crore (38.4 per cent of BE of the corresponding period of previous year).

(b) Non-plan expenditure

Non-plan expenditure during the first half of the current year at Rs. 2,31,134 crore (48.6 per cent of BE) was 26.3 per cent higher than Rs. 1,83,065 crore (46.8 per cent of BE) during the corresponding period of the previous year (Appendix Table X). Of the total Non-Plan expenditure of Rs.2,31,134 crore incurred during April-September, 2007, Interest Payments accounted for 31 per cent of the non-Plan expenditure, Subsidies accounted for 15 per cent, Defence expenditure accounted for 14 per cent and Pensions for 5 per cent. (Table 26)

Table- 26 Major Variations under non-plan expenditure

Item	BE 2007-08	Apr-Sept 2007	BE 2006-07	Apr-Sept 2006	(Rs. In crore)
					Increase (+) Decrease (-)
Interest payments	158995	72820	139823	64003	(+)8817
Defence	96000	31512	89000	32097	(-)585
Grants & loans to States/UTs	38498	16257	35461	17892	(-)1635
Major Subsidies	50987	34954	44573	28861	(+)6093
Pensions	23488	10,685	20047	9,507	1,178

Year-on-year, in the first half of 2007-08, expenditure on major subsidies grew by 21.1 per cent. Of this, subsidies on account of fertilizer grew by 61.3 per cent. Interest payments increased by 13.8 per cent reflecting in part, hardening of interest rates and growing liabilities on account of sterilization operations under MSS undertaken in the current year.

Forty two per cent of BE 2007-08 on non-Plan Grants and Loans to States and Union Territories was released by September 2007 compared to 50 per cent of the BE in the corresponding period of previous year. Similarly, Defence expenditure was 33 per cent of BE 2007-08 compared to 36 of BE in the corresponding period of previous year.

iv. Net Resources Transferred to States/Union Territories

Net resources transferred to States/UTs, stand at 44 per cent of BE (Rs. 1,10,222 crore) in the first half of 2007-08 which, as a percentage of BE was same as that of corresponding period of the previous year (Rs.87,474 crore) (Appendix Table XI). The net resources transferred during the period April-September 2007-08 to States and Union Territories represent a 26 per cent increase compared to corresponding period of the previous year. Constituents of the resources transferred include Grants (Rs.45,943 crore), Loans (Rs.2,428 crore) and States share of Taxes and Duties (Rs.61,851 crore). In the first half of 2007-08, of the total gross tax revenues, Rs.61,851 crore was transferred to the States as compared to Rs. 48,683 crore in the corresponding period of the previous year, on the basis of the Twelfth Finance Commission (TFC) award as their provisional share in Union taxes and duties, which is subject to final adjustment at the end of the year.

v. Receipts and expenditure of Departmental Commercial Undertakings

The Central Government budget includes only the net difference in the receipts and expenditure of the Departmental Commercial Undertakings (DCUs) of the Government as they are expected to meet their expenditure requirement, to the extent possible, from their own receipts. However, intra-year, these undertakings sometimes face short-term mismatches in the flow of receipts and expenditure affecting the Central fiscal variables. In the first half of the current financial year, expenditure on DCUs exceeded receipts by Rs.2,093 crore as against BE 2007-08 of Rs. 826 crore for entire year (Table - 27).

Table 27: Receipts and expenditure of Departmental Commercial Undertakings

Item	2007-08			2006-07		
	BE 2007-08	Apr-Sept 2007	As per cent of BE	BE 2006-07	Apr-Sept 2006	As per cent of BE
Revenue Expenditure	15,031	6,189	41.0	15,243	5,941	39.0
Receipts	14,205	4,096	29.0	14,604	4,245	29.0
Net	826	2,093	25.4	639	1,696	266.0

vi. Financing of deficit and position of liabilities

Fiscal deficit at Rs. 81,200 crore during the first half of the 2007-08 was 53.8 per cent of the BE. The fiscal deficit on Consolidated Fund of India and deficit of Rs. 25,586 crore in public account were financed mainly by raising internal debt of Rs. 84,048 crore, external assistance Rs. 2,478 crore and cash draw down of Rs. 20,260 crore. (Table -28).

Table 28: Financing of deficit

	<i>(Rs. In crore)</i>	
	Apr-Sept 2007	Apr-Sept 2006
Fiscal deficit	81,200	86,461
Sources of financing		
Internal debt	84,048	61,310
Market loans & short term borrowings	98,543	64,664
Treasury bills	-4,422	4,700
Compensation and other bonds	-4,661	-4,123
others	-5,412	-3,931
External assistance including revolving funds	2,478	2,433
Cash drawdown Decrease (+)/Increase (-)	20,260	24,473
Investment of surplus cash (-) /WMA & disinvestment (+)		
Borrowings (-) Surplus (+) on Public Account*	-25,586	-1,755

**includes Suspense and Remittances*

The figures shown in Table-28 do not include market borrowings and issue of treasury bills under Market Stabilization Scheme(MSS). The borrowings under MSS are not utilized for financing fiscal deficit and are kept in a sequestered account with RBI and utilized for the purpose of redemption of borrowings resorted to under MSS. During April-September, 2007 the Government has raised Rs. 68,499 crore (net) through issue of dated securities and treasury bills of 364 days, 182 days, and 91 days maturity for absorbing excess liquidity from the market under MSS. The closing balance at the end of September 2007 under MSS was Rs. 1,31,473 crore.

The weighted average yield and average maturity of Central Government securities issued during the year 2007-08 (upto October 26,2007) at 8.20 per cent and 14.41 years, respectively, as compared with 7.91 per cent and 14.08 years for those issued during the corresponding period of previous year.

vii. Cash management

The Central Government started the current year with a surplus of Rs. 50,092 crore (investment of Rs. 20,000 crore and cash balance of Rs. 30,092 crore) largely as a result of the investment of State Governments' cash surplus of Rs. 39,217 crore invested in the 14-day Intermediate Treasury Bills (ITBs) of the Central Government. However, the Centre's cash balances eroded rapidly during April 2007 and turned into a deficit by April 27, 2007 reflecting a sharp reduction in the Central Government Treasury Bills by the States, higher than anticipated spending and lower collections under the National Small Savings Fund (NSSF). The cash balance persisted in deficit mode till June 17, 2007. With the transfer of State Bank of India (SBI) stake from the Reserve Bank of India (RBI) to the Government involving a cash outgo of Rs. 35,531 crore, Central Government cash balances again fell in deficit from June 29, 2007 to August 8, 2007. Following the transfer of RBI surplus on August 9, 2007, cash balance of Central Government returned to a surplus mode. The Government resorted to overdraft on three occasions during 2007-08 (upto end-September, 2007) in contrast with the previous year when it did not resort to any overdraft. WMA was availed on 90 days as against 39 days during the previous year. As on September 29, 2007, Central Government had a cash surplus of Rs. 31,814 crore (including investment of Rs. 20,000 crore) with the State Governments' cash surplus invested in 14-day ITBs on the said date being Rs. 34,734 crore.

viii. Assessment vis-à-vis mid year FRBM bench-marks

With respect to end of second quarter fiscal performance bench marks show a mixed outcome. As in the previous year, the fiscal and revenue deficit indicators at the end of second quarter of the Financial Year were higher than the targets prescribed under the FRBM Rules, as a proportion to BE 2007-08 (Table -29).

However, Government has comfortably met the half yearly target on total non-debt receipts (tax, non-tax revenues plus capital receipts like repayment of loans and miscellaneous capital receipts) which stands at 44.5 per cent as a proportion to BE against FRBM target of 40 per cent. Even excluding the transfer of the RBI stake in SBI to the Government, non-debt receipts are 41.8 per cent of BE 2007-08. Besides, improved performance on non-debt receipts, fiscal deficit at 53.8 per cent of BE 2007-08 compared to 58.2 per cent of BE 2006-07 also shows some improvement. However, there is a slippage in terms of revenue deficit as a proportion to BE 2007-08 at 85.5 per cent, vis-à-vis 81.8 per cent in the corresponding period of previous year.

Higher expenditure pressures were partly due to increased requirements of fertilizer and food subsidy and on interest payments as a result of higher borrowing under MSS. The Exchequer control based cash management system which has been extended to cover 23 Demands for Grants during 2007-08 and expenditure management guidelines that stipulate restricting expenditure to not more than 33 per cent of the BE during the

last quarter to avoid parking of funds and rush of expenditure in March, has had some effect in causing Ministries/Departments to “front load” expenditure resulting in higher releases during the first half of the year. On the other hand, the taxes/duties have more back-loaded payment schedules, which further highlights the difference between expenditures and receipts during the first half of the year.

The deficit targets envisaged under the FRBM Rules at the end of the second quarter were based on the historical trends experienced over a period of time. However, with various cash management initiatives being introduced for achieving greater evenness in the spread of expenditure over the financial year, to avoid bunching of expenditure in the later half, the fiscal deficit target as a proportion to BE at the end of the second quarter, should be optimally closer to 50 per cent and to that end, the slippage in target as compared to FRBM prescriptions need not necessarily be viewed as a result of poor fiscal management. (Table-29)

Table 29: Outcome versus mid-year benchmarks under FRBM Rules

Variable	Performance bench Marks under FRBM Rules	April-September	
		2007	2006
	As a proportion of BE		
Total non-debt receipts	Not less than 40 per cent	44.8	39.9
Fiscal deficit	Not more than 45 per cent	53.8	58.2
Revenue deficit	Not more than 45 per cent	85.5	81.8

The outlook for receipts in the subsequent part of the year looks more optimistic than anticipated at the time of budget estimates. Thus, by the end of the year, and notwithstanding the deviations witnessed in the first half of the year, the Government is confident of successfully navigating through the FRBM road map and ensuring compliance of the end-of-the-year fiscal targets on the strength of determined pursuit of various fiscal consolidation measures in conjunction with growth dividends.

III. ISSUES AND PRIORITIES

The improved competitiveness of the Indian economy now on a trajectory of sustained high growth bears testimony to the success of the reform measures. The high growth rates of 9.4 per cent in 2006-07 have been sustained at the level of 9.1 per cent in the first half of the current year 2007-2008. There was a moderation in inflationary pressure and inflationary expectations from the middle of August 2007, with inflation measured in terms of WPI declining to below 4 per cent, after 68 weeks. The moderation in domestic inflation is all the more significant because it happened despite a continued firmness in global commodity prices. International commodity prices, particularly for food, fuel, metals and other industrial raw materials were higher by 28.8 per cent, 34.8 per cent, 41.0 per cent, and 29.7 per cent respectively in October 2007 compared to their levels in March 2006.

The growth has generally been inclusive. First, the percentage of persons below poverty line has declined from around 36 per cent of the population in 1993-94 to 28 per cent in 2004-05 (this is based on uniform recall period; on mixed recall period, the persons below poverty line are estimated to have declined to 22 per cent). Second, the 61st round of NSSO survey has unequivocally revealed that economic growth was associated with an increase in employment opportunities. Measured in terms of Current Daily Status (CDS), 47 million additional work opportunities were created during 1999-2000 to 2004-05.

Therefore, critical challenges at the current juncture relate to sustaining this growth momentum with macroeconomic stability and improving the competitiveness of industry and services sectors. With a four per cent annual growth in agriculture, the per capita income of people dependant on agriculture will grow by less than the growth in income of persons engaged in other activities. Further, most of the additional job opportunities during the Eleventh Plan are expected to come in trade, transport and construction sectors. Given an unchanged labour policy, most of these jobs will be in the informal sector characterised by relatively poor working conditions and lower wages than in the formal sector. As the aggregate poverty level declines, greater attention has to be paid to disadvantaged groups that are not sharing the economic opportunities opened up by growth.

1. Macro Perspective

1.1 One of the questions that is repeatedly asked by analysts and the public is whether Indian growth is sustainable. There are many different ways to frame this question. Another way is to ask how much of the recent growth is part of a shift in trend and how much of it is cyclical. In other words is growth running above the trend? To answer this question we must first define the trend growth rate, which in turn requires a specification of the period over which this trend is being estimated or specified!

1.2 Over the medium to long term, there is clearly a structural break in the rate of growth of the economy following the wide and deep reforms initiated in the early 1990's. One of the important reasons for the structural break is on account of opening the economy to foreign competition along with the access that this opening provides to goods, capital and technology of global quality at international prices. After an initial period of adjustment and slow growth, Indian entrepreneurs have clearly responded to increased global competition by improving productivity and efficiency of their operations. This has put the economy on a rising growth path since the middle of the 1990's. However, if this period is observed in greater detail, one can discern several sub-periods. In particular, there is a pause in the rising growth scenario at the end of the 1990s-beginning of the millennium. One reason for this is that the reduction in protection to industry was divided into two phases. In the initial phase, protection was reduced for capital & intermediate goods and raw materials. In the second phase, from around 1997-1998, protection was reduced for consumer goods. This in turn has had two effects: First, it increased the relative protection of consumer goods leading to a boom in consumer durables that was in excess of immediately sustainable levels. Second, the reduction in protection in late 1990s-early 2000s unleashed competition that required some time to adjust. These two features were complemented to some extent by a monetary cycle that was perhaps a little expansionary in the first sub-phase and a little tighter in the second sub-phase. Together, this resulted in the economy performing some-what below the rising medium-long term trend during the second sub-phase. Once this correction was over, the economy was poised to resume the rising trend. This happened in 2003-04, aided by a rebound in rainfall and agricultural growth (after a very poor 2002-03). By 2004-05 the economy was firmly back on this rising trend.

1.3 Though this rising trend can explain a growth rate of 8 to 8.5 per cent since 2003-2004, it appears inadequate to explain the shift to a 8.5 - 9.5 per cent growth rate during the last two years. A change in domestic and global perceptions of the medium term potential of the Indian economy seems to have been a factor. This has been reflected in sharp and sustained upswing in the rate of gross domestic investment and a step up in both gross FDI inflows and gross outward FDI to levels that were unimaginable in 2002. The fact that few economic agents anticipated this sustained increase in economic activity gave rise to temporary tightening of capacity in some sectors and a revival of inflationary pressures in 2006-07. These pressures were accentuated by a general surge in global demand and rising prices, particularly of natural resources and agricultural commodities.

1.4 Looking into the future, it is important to distinguish between sectors such as manufacturing that do not have inherent difficulties in expanding capacity (constant returns to scale, limited dependence on land) and those like agriculture and real estate, which are constrained by certain factor inputs, policy distortions, monopoly or non-existence of markets, that preclude rapid expansion. The latter includes urban real estate which is heavily

dependent on provision of urban public goods and crop agriculture that is heavily dependent on rural public goods including improvement of imperfect markets and/or creation of markets. In sectors like manufacturing, capacity is rapidly catching up with demand possibly indicating that the adjustment to a new growth plateau has largely been completed. However, greater attention will have to be paid to agriculture policy (including production) and domestic and international trade, if inflationary pressures are to be avoided. There is also a need for a drastic overhaul of urban development systems and procedures so that the severe and debilitating shortage of urban land is converted into a surplus thereby minimizing asset price inflation as a source of inflationary pressure and converting it into a driver of growth. Since infrastructure has been universally recognised as a source of competitive disadvantage to the manufacturing sector, it is necessary to remove all policy and regulatory road blocks to its development including in the Public-Private Partnership (PPP) mode. It is however, important to distinguish between infrastructure that is in the nature of public goods and the rest ('private good' infrastructure) as the former is more likely to be a source of inflationary pressure and a binding constraint in sustaining growth at levels of 9 per cent or higher. Further, the private sector can and has substituted to a certain extent for the lack of private good infrastructure (such as electricity). But only government can really provide public good infrastructure, such as urban planning and zoning, roads, water mains, sewers, drains, waste water treatment and water storage and purification, collection and disposal of solid waste and basic rural infrastructure of all types.

1.5 The other problem of higher growth that will require sustained attention is that of capital inflows. Higher economic growth and the prospect of continued high growth has attracted private capital inflows in excess of the current account deficit. In the medium term, all these flows will play a role in the development of markets for capital (intermediation), risk and entrepreneurship and thus help in raising the efficiency and competitiveness and growth potential of the entire economy. However, in the short term, these excess flows put pressure on the local currency to appreciate. This is a situation that many high growth economies have faced in the past and have managed in different ways. In particular, most emerging economies have used a mix of foreign exchange reserve build up, monetary sterilisation and nominal appreciation. Two important considerations affect the trade-off between the costs of nominal appreciation (on export industries) and the cost of monetary expansion/sterilisation (fiscal and inflation). Firstly, the extent and quality of capital market integration, with higher levels of integration leads to convergence of interest rates and lower costs of sterilisation. The second is the flexibility of labour markets, with less distorted and constrained labour markets adjusting more rapidly and efficiently to nominal appreciation. Financial policy and monetary management must adjust continuously to such challenges.

1.6 Management of inflows is a complex problem as it is interlinked, with monetary management and inflation, trade policy, capital market development (and related reform issues), the issues relating to production, investment and growth. An integrated view has to be taken so as to maximise the benefits of capital flows and to minimise the potential short term costs and risks to the economy.

2. Fiscal Consolidation and reform of subsidies

2.1 For greater emphasis on inclusive growth there is a clear need to create fiscal space. The sustained high economic growth in last four years clearly points to the dividends from fiscal rectitude under the Fiscal Responsibility and Budget Management Act (FRBMA). Since 2003-04, public savings have remained positive and overall investment, public and private, generally buoyant. Given the increased demand on resources, more fiscal space needs to be created. Keeping this in view, another review of subsidies is warranted. The primary justification for commodity specific subsidies (as against income transfers) is better targeting of subsidies to those who need them most. For instance, if cereal prices rise unexpectedly sharply, it can be argued that the poor are most affected and that a subsidy on cereals is the best way to reach them. To the extent that targeting proves ineffective the justification is undermined. By definition, poverty results in under-consumption of vital goods and services by the BPL population and consequently subsidies have emerged as a fiscal instrument for providing minimum consumption entitlement to vulnerable sections of society. However, good intentions alone are not enough. The benefits can be maximized if the subsidies are transparent, well targeted and suitably designed for effective implementation. A number of reports on the effectiveness of the subsidy programmes have brought out the high costs involved in reaching the beneficiaries and excessive leakages. There is a burgeoning of the subsidy bill. This has a negative impact on government finances, including its ability to enhance public investment to promote sustainable employment, income growth and development of economic and social infrastructure. The overall explicit subsidies according to the Expenditure Budget (2007-08) increased from Rs. 43,533 crore in 2002-03 to Rs. 53,463 crore in 2006-07 (RE). Though as a proportion to GDP, it declined by 47 basis points in last five years, it had pre-empted 12.6 per cent of the current receipts.

2.2 Besides explicit subsidies indicated above, the Central Government has also supported the oil companies and FCI through issue of dated securities. In 2006-07, special securities worth Rs. 24,121 crore were issued for 'Compensation to oil companies for under recoveries on account of sale of sensitive petroleum products'. In the current year also, bonds are being issued to oil companies, FCI and fertilizer units. These transactions are considered deficit neutral as there is no immediate cash outgo, but have fiscal implications as these add to the fiscal liabilities.

2.3 The main objective of reform of the subsidy regime is to make them explicit, transparent and work for the poor and the needy as per the NCMP mandate. Reform can unleash a virtuous cycle of enhancing the consumption of specific essential items by the poor, reorient public expenditure for investment and infrastructure, and raise the growth of income and employment thereby reducing the number of poor and so on. Targeting the three major subsidies on food, fertilizer and petroleum products is, therefore, an imperative. As the needs of the poor extend beyond these products, a non-commodity specific cash transfer also merits consideration. Such cash transfers could overcome the intractable problem of universal subsidies where benefits are

appropriated by relatively non-poor sections. Policy options for reforms in the existing subsidy regime could broadly be of two kinds: firstly, policy initiatives which will affect the delivery system of the subsidy in general to better target it and secondly, initiatives which would be sector specific. While a consensus needs to be evolved for sector specific subsidies, changes in the delivery mechanism could be made immediately.

2.4 The Working Group set up by the Planning Commission on Integrated Smart Card System titled “Entitlement Reform for Empowering the Poor” has recommended use of Multi-Application Smart Cards (MASCs) for administering various schemes of the government including subsidies. The MASCs is a technological breakthrough as it facilitates simplification of procedures and enhances the efficiency. The MASCs are based on unique identity number (UIDN), sharing of ID, multi application and access control. MASCs reduce the inclusion and exclusion error over time and make the task of verification simpler, once the records are digitized. Along with the MASCs government may consider setting up a web enabled management information and public accountability system. The subsidy implementing agency/Department should create a digital data base of all the beneficiaries and benefit related characteristics. This information should be made accessible through the web site of the agency/Department and other means. The benefits received by each beneficiary may be updated periodically (monthly, quarterly, annually or on real time basis) depending on the nature of information. The management information system should:

- (a) Separate out subsidies that are going to producer /supplier (e.g. FCI, fertiliser companies) from those going to user/consumer (e.g. PDS household, farmer).
- (b) Calculate and have a data base that gives the exact subsidy going to each producer/supplier and each user/consumer.
- (c) Calculate a unit cost and unit subsidy for each item supplied to the user/consumer (Price charged = unit cost – unit subsidy).

3. Managing capital flows

3.1 In an increasingly globalised economic milieu, the strong growth prospects of the Indian economy have been manifest in high corporate profitability, rising investment rates, higher GDP growth and rising capital inflows. However, the economy’s capacity to absorb such capital flows, as indicated by the level of current account deficit, has not risen as fast as the inflows. Increased capital inflows can impact macroeconomic aggregates through the exchange rate, trade and monetary variables. This was particularly manifest in the first half of the current financial year and thus the management of capital inflows has been and is likely to remain an important issue.

3.2 The management of capital flows is a complex process encompassing a spectrum of policy choices, which *inter alia*, include: the appropriate level of reserves; monetary policy objectives related to liquidity management and interest rates and maintenance of healthy financial market conditions with financial stability. The monetary policy stance requires

an assessment of the nature and extent of surplus foreign exchange flows. In the face of sustained capital flows, the foreign exchange market has been characterised by excess supply conditions. As in any other market this would tend to reduce the rupee price of foreign exchange, i.e. lead to an appreciation of the rupee. Such appreciation has been moderated by the build up of foreign exchange reserves. This in turn necessitates calibrated sterilization of the reserves acquired by RBI so as to meet the monetary targets and objective of the RBI. In the first half of the current financial year, the depreciation of the US dollar against major world currencies such as the Euro, Yen and Pound added to the complexities of exchange rate management, resulting in substantial pass through to exchange rate of the rupee (appreciation) against US dollar; and to the extent that Reserve Bank of India (RBI), with a view to reduce undue volatility, intervened in the foreign exchange market, such appreciation was moderated and a part of the capital flows has been absorbed through intervention and subsequently sterilised through MSS, hike in CRR and RBI's open market operations. RBI's overall monetary policy stance factors in the objective of price stability, reducing inflationary expectations while remaining supportive of growth, ensuring regular flow of credit and maintaining orderly conditions in financial markets. Besides, a slew of measures have been taken to address this multi-faceted problem like: providing due relief to exporters; successively raising the MSS limits; modifying end-use guidelines on external commercial borrowings; liberalising capital outflows; and prescribing prudential norms.

3.3 The problem of plentiful capital flows is an inexorable part of the process of successful capital account liberalisation and has to be managed actively in the context of likely persistence of positive macroeconomic fundamentals, and prevailing interest differentials. The policy choices involve trade-offs and appropriate mix of responses. Each such mix has costs. The fiscal cost of sterilisation envisaged at Rs.3,700 crore in the Budget Estimates of 2007-08 is now being supplemented with Rs.4,500 crore. While there are international experiences in this regard with some successful and painful adjustment process, the specific Indian context requires innovative policy responses. Going forward, this would be a major challenge.

4. Exports and the appreciation of the Rupee

4.1 One of the important issues in the trade sector is the appreciation of the rupee against the US dollar (the main invoicing currency for trade) by 9.7 per cent between April 3, 2007 and November 20, 2007 and 15.1 per cent between October 2007 over October 2006. Over the medium-long term, there is no one to one relationship between appreciation and exports. Relative appreciation of the currencies of major competitors; the import intensity of the major export sectors; combination of exchange rate and inflation reflected in Real Effective Exchange Rates (REERs); and slowdown in growth of world economy/ world trade affect exports. The sectors such as textiles, handicrafts and leather, which have low import intensity, have experienced a lower export growth. On the other hand, sectors such as gems & jewellery and POL, with higher import intensity, have witnessed higher export growth.

4.2 The effect of appreciation, however, also needs to be seen from a broader perspective, as it also makes imports cheaper but at the same time could lead to temporary job losses in the export sectors by moderating their growth. Government has taken many measures to help exporters, particularly in those sectors likely to have been affected more by appreciation of the rupee as adjustment in terms of competitiveness may not be possible in the short-run. However, medium and long term solutions lie in improving productivity in exports for India to be more competitive vis-à-vis its competitors.

5. Agriculture

5.1 Four factors are considered most critical for improving farm incomes: Land productivity, market linkage, risk management and value addition (including non-crop agriculture and allied activities). The first includes augmenting the cropped area by increasing irrigation and reclamation of waste land, generation and transfer of technology and management practices and a revamped training and visit system to improve the yield levels and to reduce spread across farms and regions in productivity. The second relates to the efficiency and quality of markets for input delivery consisting of fertilizers, certified seeds, institutional credit and links to consumers and markets which have a demand for what is produced, and issues of agro processing, marketing and storage organised retailing and supply chain development. The third critical factor is the special risks that agriculture faces such as rainfall variation and domestic and global price fluctuation and the uncertainty this creates for farmer's income and livelihood. Traditional instruments such as support prices, agriculture insurance need to be supplemented by modern markets for rainfall and price derivatives. The fourth is value addition and development of farm activities plus activities like animal husbandry, horticulture and other related activities, which are essential to long term profitability of farming. Under new National Food Security Mission and Rashtriya Krishi Vikas Yojana , attempts are being made for rejuvenating agriculture and reverse the trend of decelerating growth rates. A continued focus may be necessary for achieving a sustained four per cent growth in this sector.

5.2 Certain structural shifts that have taken place in Indian agriculture, which have a bearing on technology transfer and its adoption, need to be noted. First, with growing urbanization there has been a continuous flow of labour from agriculture to non-agriculture. Further, agricultural labourers and marginal farmers from the relatively slow growing States have migrated to prosperous regions of Punjab, Haryana, Western UP and Andhra Pradesh. This migration has affected the agriculture in States like Bihar, Orissa, etc. To the extent migrants are younger and better educated it reinforces subsistence low yielding practices. A large number of small and marginal farmers in these regions have limited capacity and resources to adopt new improved practices.

5.3 Second, average operational holdings have declined to 1.32 ha in 2000-01. Only about 18 per cent of the 120 million operational holdings are above 2 ha. The traditional within box methods of intervention may be inadequate. Most of these small farmers

may in fact be the net purchasers of food grains, and as such MSP based incentive system may have its limitations.

5.4 Though prices have been the single most important determinant of an area response in agriculture, as has been demonstrated by an increase in acreage for wheat and gram in 2006-07, production is still dependant on weather. Further, combined impact of weather and acreage response, may lead to occurrence of years of plenty and severe scarcity. Identification of a durable pan-India solution is an imperative.

6. Industry and infrastructure-improving competitiveness and productivity

6.1 The current phase of high growth is made possible by resurgence in industry complemented by high growth in services sector. With the build up of new capacity, increased supply has caught up with the spurt in demand and this has reflected in the softening wholesale prices of manufactured products in the recent months. The rate of manufacturing inflation declined from its 6-7 per cent range during March 2007 to 3.9 per cent in the week ending November 17, 2007.

6.2 The decline in the growth of consumer durables during April-September 2007 is notable and needs to be addressed. This sector is generally more sensitive to interest rates and credit availability. The continued growth of the economy is expected to give necessary impetus to this sector. To the extent that some of the new and fast moving items may not have been included in the Index of Industrial Production (IIP) basket, updation of the base year of the IIP (which is true for other sectors as well) assumes urgency. The inclusion of items in the allotment of weights to them were based on the Annual Survey of Industries 1993-94. The growth in consumer durables as reflected in the IIP needs to be revisited to take into account the post-reform dynamics of this segment. The process of updating the base of IIP to the year 1999-2000 is underway. This needs to be expedited so that information flow about this sector is consistent with ground realities.

6.3 While the labour intensive product groups like food products and leather products have gained some momentum during April-September 2007, others such as textile industry have failed to step up their growth. This must be viewed along with the inadequate growth of employment in the organized manufacturing. The issues of reassessing labour laws, rules and procedures and stepping up the quality and quantity of vocational training are very important.

6.4 One of the important factors that has affected the competitiveness of the industrial sector is the cross subsidies that it is forced to provide in administered price sectors such as power. The high cost of power alone may be affecting the competitiveness of the domestic industry by 3-5 per cent. Together with high infrastructure costs, delays and other transaction costs, the disadvantages that domestic manufacturing may be suffering can be significant.

6.5 Preliminary exercises in Planning Commission suggest that investment in infrastructure would need to increase from 5 per cent to around 9 per cent of GDP in the Eleventh Plan period. In order to assess the impediments to private sector investment in infrastructure, the Government had set up a Committee under the Chairmanship of Shri Deepak Parekh. The Committee has submitted its report, which is being examined by the Government. PPPs as a mechanism of creating infrastructure are growing in size and importance, but are yet to find a balanced sectoral and regional spread.

6.6 On the energy front, Planning Commission has estimated that, given the projected growth of the economy, electrical energy generation is required to grow at 9 per cent per annum during the Eleventh Plan. The capacity creation during April-September 2007, however, lagged behind the targeted programme. The plant load factor has shown improvement over the years 2002-03 to 2007-08. It is due to the bright performance of the central sector and more of the private sector that the target in plant load factor could be achieved; the state sector lagged behind. The power supply deficit has declined; yet it has shown strong regional variations during April-September 2007; it varied from 12.2 per cent in the western region to 2.2 per cent in the southern region. The transmission and distribution losses in the power sector at 30-35 per cent in India are among the highest. While a part of these losses may be due to long haulage of power and technical factors, faulty metering, non-billing and theft are the factors which could be controlled with better monitoring. A unit of power loss arrested would be equal to a unit of power generated.

7. Inclusive growth

7.1 Emphasis of the Government has been on inclusive growth so that benefits are shared by all sections of society. This has resulted in a large number of programmes for the needy. Special attention is being paid towards the requirements of rural population. These efforts include provision of employment guarantee, drinking water and sanitation, public health, besides facilities like rural roads, electricity and telephones. However, there is need for greater attention on the following:

7.2 A large percentage of people among the population above poverty line are also in a vulnerable position and require social security measures.

7.3 Infant mortality rate at 58 per thousand live births in 2005 is still high and needs to be brought down. While number of households having safe water facilities has gone up from 62.30 per cent in 1991 to 77.90 per cent in 2001, we also need to make faster progress towards improving nutritional status of children below three years of age.

7.4 India is fortunate to have a favourable dependency ratio. The number of persons in the age group of 15-64 is expected to reach 68 per cent of population by 2026. But this demographic dividend will be realised only if this labour force is provided with gainful

employment. The NSSO rounds on sectoral deployment of workforce (based on current daily status) indicate the structural shift that is taking place in deployment of workers. While there has been a decline in workforce engaged in agriculture between 1983-2005, the increase has largely been in construction, trade and transport and communication sectors. Most of these jobs are informal sector jobs with low wages and poor working conditions. Manufacturing sector has been able to add just 1.6 per cent to its share of persons deployed. This is largely attributed to a skill mis-match. It would be a challenge to equip the workers, particularly the new entrants to the workforce with the skill sets that are in demand. This may require reshaping the industrial training institutes, their course contents and upgradation of faculties in these institutes. Government has initiated a programme of upgradation of 500 Industrial Training Institute (ITIs) over five years beginning 2005. Revised courses were started in the first lot of 100 ITIs in August 2005, in second lot of 100 ITIs in August 2006 and another 300 ITIs were expected to be covered by August 2009. The remaining 1396 Government ITIs were proposed to be upgraded into centres of excellence in specific trades and skills under public-private partnership. However, efforts are needed to cover all sectors of the economy where additional skills formation is necessary especially for the unorganised workers and self employed people as well as people in the rural areas.

7.5 A comparison of average monthly per capita expenditure (MPCE) at constant prices between 1993-94 and 2004-05 as given in 61st round of NSSO indicates a somewhat equitable improvement in the command over consumer expenditure with the population in the rural and urban areas. It is noticeable that a higher generalised Lorenz curve in the latter period for both urban and rural areas is indicative of a better level of living for poor sections of the population.

7.6 A comparison of gross enrolment ratio (GER) between 1990-91 and 2004-05 indicates an upward trend at all levels of school education. Literacy rates, although at improved levels still need more efforts. Efforts are needed to ensure improvement of quality at elementary education levels while providing necessary infrastructure under Sarva Shiksha Abhiyan. At the same time, GER at higher educational levels needs to be raised at a faster pace through efficiently regulated private participation.

8. Conclusion

8.1 The Indian economy is witnessing a robust growth for four years in a row. The buoyant growth in the first half of the current year reaffirms continuation of this momentum. There are short term challenges of managing inflows without endangering the growth and price stability. Growth, however, needs to become even more inclusive. While impetus to growth will continue to be provided by industry and services, which will become increasingly competitive, growth in agriculture and absorption of labour in productive areas will need focussed attention.

Status of Implementation of Major Budget Announcements-2007-08

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
1.	9	Progress under different components of Bharat Nirman programme.	<p>Progress under the six components of Bharat Nirman is as follows:</p> <ul style="list-style-type: none"> i. Drinking Water - Drinking water has been provided to 1,07,152 habitations till March 2007 against a target of 73,120 habitations. ii. Rural Telephony - In 2007-08, 50,520 villages have been covered till September 2007, for VPTs, against the target of 66,822. iii. Rural Electrification - 43,403 villages have been electrified upto September 2007, under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). 21,674 electrified villages have also been covered for intensive electrification. 14,18,385 BPL households have been given electric connections free of charge. iv. Irrigation - 12 projects have been completed during 2007-08. The target for creation of irrigation potential for 2007-08 under Bharat Nirman is 28.50 lakh ha. (13.50 lakh ha. from major and medium irrigation and 15.00 lakh ha. from minor irrigation). v. Rural Roads - During 2007-08, it is targeted to connect 20,071 habitations by constructing 43,990 km rural roads and upgrading 59,316 km existing rural roads. Number of habitations covered upto September 2007 are 2613, by constructing 8738 km of rural roads and upgradation of 10,878 km of existing rural roads. vi. Rural Housing – Upto 25.10.2007, 6.13 lakh houses have been constructed and 7.92 lakh houses are under construction.
2.	12	The Gross Budgetary Support (GBS) for the year 2007-08 to be increased to Rs.205,100 crore.	Implemented

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
3.	13	Increased allocation under Bharat Nirman, from Rs.18,696 crore (including the NER component) in 2006-07, to Rs.24,603 crore in 2007-08.	Implemented
4.	16	Sarva Shiksha Abhiyan (SSA) to be allocated Rs.10,671 crore. Two lakh more teachers to be appointed and five lakh more class rooms to be constructed during 2007-08.	A total of Rs.3892.24 crore has been sanctioned to States/UTs till September 2007 for implementation of Sarva Shiksha Abhiyan (SSA). 69,919 additional classrooms have been constructed and 23,629 teachers have been recruited under SSA till June 2007.
5.	17	Expansion of coverage under Mid-day Meal Scheme by including upper primary classes in 3,427 educationally backward blocks from 2007-08.	Implemented
6.	19	Doubling the provision for secondary education in 2007-08 to increase access to secondary education.	Provision for secondary education has been enhanced to Rs.4,110.00 crore (Plan: Rs.3164.00 crore, Non-Plan: Rs.946.00 crore) in the Budget for 2007-08. Rs.1,305 crore has been provided in the Budget 2007-08 for a centrally sponsored scheme on universalisation of access to and improvement of quality of secondary education. Consultation with State Governments have been initiated before preparation of the proposal.
7	20	Introduction of a National Means-cum-Merit Scholarship Scheme.	The proposed scheme is under finalization.
8	21	Allocation for Rajiv Gandhi Drinking Water Mission to be increased to Rs 5,850 crore in 2007-08 from Rs 4,680 crore.	As per reports received from States, 28,507 habitations and 7,367 schools have been provided drinking water supply till September, 2007.
9	23	All districts in the country to complete preparation of District Health Action Plans by March 2007 under National Rural Health Mission. Through Monthly Health Days (MHD) convergence is sought to be achieved among various programmes such as immunization, ante natal care, nutrition and sanitation.	The first integrated District Health Action Plans have been prepared in over 500 districts in the country and the remaining districts would be covered by December 2007. 35,254 Monthly Health Days have been conducted all over the country in 2007-08 with the involvement of ICDS workers.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
10	25	National Aids Control Programme (NACP)-III, starting in 2007-08 to target the high risk groups in all the States. For the year 2007-08, the provision for the AIDS control programme to be enhanced to Rs.969 crore.	Funds have been approved for (NACP)-III and the procurement agency has been identified. Vendor has been commissioned to install, replenish and maintain the vending machines for condoms. 62 cases of AIDS have been reported upto September 2007 during the calendar year.
11	26	Elimination of polio from the country by December 2007 with intensive coverage in 20 high risk districts of Bihar and Uttar Pradesh.	Multi pronged strategies have been adopted for elimination of polio. Special drives have been conducted in endemic districts of Bihar and Uttar Pradesh. Supplementary immunization activity (SIA) was extended to other vulnerable high risk States like Assam, Jharkhand, Gujarat, Chandigarh, Haryana, Punjab and high risk districts of Karnataka, MP, Maharashtra, Uttranchal, West Bengal, Rajasthan. Till September 2007, 255 cases of polio have been reported. Seven states have been granted financial assistance for implementing the Scheme of Polio Corrective Surgeries and rehabilitation of polio affected children.
12	27	Expansion of Integrated Child Development Services (ICDS) and increase in allocation from Rs 4,087 crore to Rs 4,761 crore in 2007-08.	An exercise for the third phase of expansion of ICDS Scheme has been initiated. The State Governments have been asked to give their requirements for additional projects/ AWCs/Mini-AWCs. Restructuring of the ICDS Scheme will include the strengthening of infrastructure, earmarking 30% of the allocated funds for infrastructure development, including construction of AWC buildings, child friendly toilets, provision of safe drinking water and sanitation facilities. The proposals are being finalized.
13	28	Allocation of Rs.12,000 crore (including NER component) for National Rural Employment Guarantee Scheme (NREGS) in 2007-08. Programme to cover 300 districts from the current level of 200 districts. In addition, Rs.2,800 crore to be provided for Sampoorna Gramin Rozgar Yojana (SGRY) for rural	During 2006-07, as per reports available, 1.83 crore households were provided employment against a demand from 1.87 crore households. The NREGA has been notified to additional 113 districts. The Sampoorna Gramin Rozgar Yojana (SGRY) has been subsumed with the National Rural

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
		employment in the districts not covered by NREGS.	Employment Guarantee Scheme (NREGS) in the districts which have come under ambit of the NREGA. For the remaining districts, which will continue to be covered under SGRY, the amount of Rs.2800 crore allocated for 2007-08 includes Rs.200 crore as food grain component.
14	29	Allocation for Swarnajayanti Gram Swarozgar Yojana (SGSY) to be increased from Rs 1,200 crore to Rs 1,800 crore (including NER component) in 2007-08.	Implemented
15	30	Allocation for Swarna Jayanti Shahari Rojgar Yojana (SJSRY) to be increased from Rs 250 crore to Rs 344 crore in 2007-08.	Implemented
16	31	Increase in allocation for Jawaharlal Nehru National Urban Renewal Mission (JNNURM) from Rs 4,595 crore to Rs 4,987 crore in 2007-08.	Implemented
17	32	A Plan scheme for evaluation, monitoring, management and strengthening of the targeted PDS to be implemented in 2007-08, and this will include computerization of the PDS and an integrated information system in the Food Corporation of India.	Plan scheme for evaluation, monitoring, management and strengthening of the targeted PDS is being formulated. The 'Integrated Information System for Foodgrains Management' (IISFM) project in FCI has been approved and the project has been granted an extension of 2 years in the 11 th Five Year Plan for spill over works.
18	35	Scheme of Post-matric scholarship programme for students belonging to socially and educationally backward classes.	The post-matric scholarship programme for SC and ST students is an ongoing scheme. The proposal for continuation of the scheme during the 11 th Plan has been approved by the Government. The proposal for providing similar scholarships to students belonging to socially and educationally backward classes is under finalization.
19	36	To expand reach of National Minorities Development and Finance Corporation (NMDFC), a sum of Rs 63 crore to be provided to the share capital of NMDFC.	Funds are being released to NMDFC in instalments as per their requirement.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
20	37	A provision of Rs.108 crore for Multi-sector development programme for minority districts with a concentration of minorities.	Process for identification of minority concentration districts has been completed and guidelines have been issued. ICSSR is conducting a Base Line Survey of these districts and funds have been released to ICSSR for this purpose The Scheme is being finalized.
21	40	New industrial policy for NER with suitable fiscal incentives, to be in place before March 31, 2007.	Implemented
22	41	Additional resources through better tax administration to the extent of Rs.7,000 crore during the course of the year for new initiatives in critical areas.	Implemented
23	44	The National Policy for Farmers.	Implemented
24	45	A target of Rs.225,000 crore for Farm Credit, and also an addition of 50 lakh new farmers to the banking system during 2007-08.	Instructions for a target of Rs 2,25,000 crore by banks for 2007-2008 have been issued.
25	46	Continuation of 2% interest subvention scheme for short-term crop loans in 2007-08, and a provision of Rs.1,677 crore for that purpose.	Implemented
26	47	Implementation of a special plan in 31 especially distressed districts in 4 States involving a total amount of Rs.16,979 crore. Of this, about Rs.12,400 crore to be on water related schemes and Rs 153 crore for a scheme for induction of high yielding milch animals and related activities.	<p>Livestock</p> <p>A special livestock and fisheries package for 31 suicide prone districts in Andhra Pradesh, Karnataka, Kerala and Maharashtra is under implementation. This package is to be implemented over a period of three years i.e. 2006-07 to 2008-09. An amount of Rs.72.09 crore was released under the scheme for various components including scheme for induction of high yielding milch animals and related activities during 2006-07. An allocation of Rs.153.00 crore has been provided for this scheme during 2007-08.</p> <p>Water related schemes</p> <p>A grant of Rs.885.0855 crore was released under AIBP, for projects under PM's package</p>

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			<p>for Andhra Pradesh, Maharashtra, Karnataka and Kerala during 2006-07. As on 3.10.2007, an amount of Rs.164.4950 crore grant has been released to the four States under AIBP projects during 2007-08.</p> <p>Package for debt stressed districts A package relating to agriculture credit has been announced for 31 debt stressed districts which includes waiver of interest on overdue loans as on 1.7.2006 in the affected districts such that all farmers will have no past interest burden as on that date, rescheduling of overdue loans of the farmers as on 1.7.2006 over a period of 3-5 years with a one year moratorium and an ensured additional credit flow in these 31 districts in 2006-07.</p>
27	48	Finalisation of recommendations of Dr. R.Radhakrishna Committee on agricultural indebtedness.	Report has been received and is under examination.
28	49	Expansion of the Integrated Oilseeds, Oil palm, Pulses and Maize Development programme to double the production of certified seeds within a period of 3 years, by expanding the Indian Institute of Pulses Research (IIPR), Kanpur and by extending capital grant or concessional financing.	<ul style="list-style-type: none"> Indian Institute of Pulses Research (IIPR), Kanpur has prepared a three year Action Plan for doubling the production of breeder seeds of pulses. The Plan has been circulated to the States/seed producing agencies and they have been requested to submit indents for three years. Government of India has approved the implementation of National Food Security Mission Pulses (NFSM-P) in major growing states/districts during XI Plan in the country. In order to achieve additional 20 lakh tons of pulses production, an area of expansion of 2.47 million hectare through inter-cropping with pigeon, pea, pea cereals, cotton. The NFSM-Pulses is proposed to be implemented in 168 identified districts in 14 major pulses growing States. The expansion proposal of IIPR, Kanpur is under process.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
29	50	Introduction of Special Purpose Funds for rejuvenation and re-plantation of coffee, rubber, spices, cashew and coconut.	The proposals are under consideration of the Government.
30	51	Revamping of Accelerated Irrigation Benefit Programme (AIBP).	29 major and medium projects were completed under AIBP during working season 2006-07. 12 projects have been completed during 2007-08. Total number of projects completed under AIBP so far is 91.
31	52	Allocation of Rs 100 crore for the new Rainfed Area Development Programme. The National Rainfed Area Authority (NRAA) to coordinate all schemes relating to watershed development and other aspects of land use.	The Rainfed Area Development Programme has been identified as a thrust area by the Prime Minister's Office (PMO). The guidelines for the programme are under preparation.
32	53	Pilot projects to repair, renovate and restore water bodies across the country.	<p>Under the Pilot Project "Repair, Renovation & Restoration of Water Bodies directly linked to Agriculture", 1098 water bodies have been sanctioned for 26 districts in 15 States at a cost of Rs.299.92 crore in the Tenth Five Year Plan. So far work in 702 water bodies have been completed.</p> <p>The World Bank loan agreement has been signed with Tamilnadu and Andhra Pradesh. The projects of Karnataka have been negotiated with the World Bank. The projects of Orissa and West Bengal are at the different stages of appraisal by the World Bank.</p>
33	54	Providing subsidy to farmers for constructing 'dug wells' for recharging ground water by diverting rain water.	Implemented
34	55	Setting up teaching-cum-demonstration model of water harvesting in each of 32 selected State Agricultural Universities and ICAR institutes by ICAR.	The proposal is under finalization.
35	56	Revival of Agriculture Extension System.	Implemented

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
36	57	Expansion of Agriculture Technology Management Agency (ATMA) to another 300 districts in 2007-08. The provision for ATMA to be increased from Rs.50 crore to Rs.230 crore in 2007-08.	Approval has been given for extending ATMA scheme to 253 additional districts covering 17 States till September 2007.
37	58	Alternative method of delivering the fertilizer subsidy directly to the farmer.	The "Road Map" for implementation of the Pilot programme is under consideration of the Government.
38	59	Continuation of National Agricultural Insurance Scheme (NAIS) for which a provision of Rs 500 crore has been made.	Implemented
39	60	Agricultural Insurance Corporation (AIC) to start weather based crop insurance on a pilot basis in 2 or 3 States, in consultation with the State Governments concerned, as an alternative to the NAIS.	Pilot scheme for Karnataka has been implemented in Kharif 2007 in 70 hublies of Karnataka State. The implementation of Pilot Scheme in other States would be explored in Rabi 2007-08 depending upon availability of infrastructure and consent of the concerned State Government.
40	61	Allowing NABARD to issue rural bonds to the extent of Rs.5,000 crore. These bonds to be guaranteed by the Government and to be eligible for suitable tax exemption.	Modalities for allowing National Small Savings Fund (NSSF) to invest in NABARD Rural bonds are being worked out.
41	62	Rural Infrastructure Development Fund (RIDF-XIII) corpus fund to be raised to Rs.12,000 crore in 2007-08	Implemented
42	63	Separate window for rural roads under RIDF-XIII in 2007-08 with a corpus of Rs.4,000 crore.	Implemented
43	64	Launch of Aam Admi Bima Yojana (AABY). Scheme to extend death and disability insurance cover through LIC, to rural landless households.	Implemented
44	67	Equity support and loans to Central Public Sector Enterprises (CPSEs) for investing Rs 165,053 crore through internal and extra-budgetary resources in 2007-08.	The exercise for determining Revised Estimates in respect of I & EBR of CPSEs has commenced and is expected to be over by the end of December 2007.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
45	70	Setting up of more Ultra Mega Power Projects (UMPPs) and facilitating setting up of merchant power plants by private developers and private participation in transmission projects.	<p>(a) Development of 7 more UMPPs Two Ultra Mega Power Projects - Mundra in Gujarat and Sasan in Madhya Pradesh, are in implementation stage. Seven other suitable sites have been identified by the Central Electricity Authority in Andhra Pradesh, Jharkhand, Chattisgarh, Maharashtra, Karnataka, Tamil Nadu and Orissa.</p> <p>(b) Merchant Power Plants: Various initiatives have been taken for facilitating Merchant Power Plants. These include introducing open access in transmission in the Electricity Act, 2003, earmarking captive Coal Blocks for Merchant Power Plants and considering suitable modifications to the Mega Power Policy for incentivizing development of Merchant Power Plant.</p> <p>(c) Transmission projects As per the provisions of the Electricity Act, 2003, Government issued guidelines for "Encouraging competition in Development of Transmission Projects" and "Tariff Based Competitive Bidding Guidelines for Transmission Services". Both these guidelines aim at laying down a transparent policy for facilitating competition in the sector through wide participation in providing transmission services and tariff determination through a process of tariff based bidding.</p>
46	71	Restructuring of Accelerated Power Development and Reforms Project (APDRP) to cover all district headquarters and towns with a population of more than 50,000.	The proposal for restructuring of APDRP is under consideration of the Government.
47	72	Increase in allocation for Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) from Rs.3,000 crore to Rs.3,983 crore in 2007-08.	43,403 villages have been electrified under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) till September 2007. 21,674 electrified villages have been covered for intensive electrification and 14,18,385 BPL households have been given electric connections free of charge.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
48	73	Enlarging definition of specified end use of coal to include underground coal gasification and coal liquefaction.	Implemented
49	74	Increase in the provision for the National Highway Development Programme (NHDP) from Rs.9,945 crore to Rs.10,667 crore in 2007-08.	The different projects under NHDP like Golden Quadrilateral, North-South & East-West Corridor, Port Connectivity and a Special Accelerated Road Development Programme for North-East (SARDP-NE) are progressing and are at different stages of completion.
50	75	The road-cum-rail bridge at Munger, Bihar, over the Ganga and the road-cum-rail bridge at Bogibeel, Assam, over the Brahmaputra, to be taken up as national projects.	<p>i. Road cum rail bridge at Bogibeel, Assam, over the Brahmaputra The proposal for Road cum rail bridge at Bogibeel, Assam, over the Brahmaputra had been approved as a National Project. It will be funded by Railways within their own Gross Budgetary Support (GBS) to the extent of 25% and balance 75% be provided as additionality to GBS.</p> <p>ii. Road-cum-rail bridge at Munger, Bihar Government has approved the proposal of providing project specific funds to the tune of Rs.392 crore towards the road share of Munger rail-cum-road bridge project in the 11th Plan.</p>
51	76	Under Public Private partnership and Viability gap Funding, a revolving fund with a corpus of Rs.100 crore to be set up to quicken project preparation.	The guidelines for a Revolving fund for creation and maintenance of infrastructure would be issued shortly.
52	78	The provision under the Scheme for Integrated Textiles Parks (SITPs), increased from Rs 189 crore to Rs 425 crore in 2007-08.	Project proposals for development of 30 Integrated Textile Parks have been sanctioned. It has been proposed to develop 50 textile parks during the 11 th Plan, out of which 20 parks will be sanctioned in 2007-08 and the remaining 30 parks will be sanctioned in a phased manner in the subsequent years.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
53	79	Continuation of Technology Upgradation Fund Scheme (TUF) for which provision has been increased from Rs 535 crore to Rs 911 crore in 2007-08.	The proposal for continuation of TUFs in the 11 th Five Year Plan with modifications, finalized in consultation and detailed discussions with industry representatives, is under consideration of the Government.
54	80	Enhanced allocation for handloom sector and additional 100-150 clusters to be taken up in 2007-08. The 12 schemes that are now implemented to be grouped into five schemes in the Eleventh Plan period. The health insurance scheme to be extended to more weavers and enlarged to include ancillary workers.	<p>It is proposed to develop 100-150 clusters with loomage between 300-500 during the year 2007-08 with an outlay of upto Rs.60.00 per cluster. The following five schemes for the handloom sector are proposed to be implemented during the 11th Plan:-</p> <ul style="list-style-type: none"> i. Integrated Handloom Development Scheme ii. Marketing & Export Promotion Scheme iii. Mill Gate Price Scheme iv. Weavers Comprehensive Welfare Scheme v. Diversified Handloom Development Scheme <p>Handloom Weavers Comprehensive Insurance Scheme with the components of Health Insurance Scheme and Mahatma Gandhi Bunkar Bima Yojana has been approved by the Government. The target is to cover 12 lakh weavers during 2007-08.</p>
55	81	Banks to regard the credit rating of an SME while fixing the interest rate.	Implemented
56	82	New Scheme for the technology upgradation of the coir industry with special emphasis on major coir producing States such as Kerala, Karnataka, Tamil Nadu, Andhra Pradesh and Orissa.	Scheme for the technology upgradation of the coir industry is under preparation.
57	85	Initiatives in banking and insurance sector.	The Micro Finance Sector (Development and Regulation) Bill and Insurance Laws (Amendment) Bill, 2006 are under consideration of the Government.
58	86	Acquiring of RBI's equity holding in State Bank of India by Government.	Implemented

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
59	87	Increase in the limit of loan that can be availed under Differential Rate of Interest (DRI) scheme from Rs 6,500 to Rs 15,000 and the limit of housing loan from Rs.5,000 to Rs.20,000 per beneficiary.	RBI has issued a circular to all Scheduled Commercial Banks to raise the limit of the loan from Rs.6,500 to Rs.15,000 and the limit of the housing loan from Rs.5,000 to Rs.20,000 per beneficiary.
60	88	<ul style="list-style-type: none"> i. Aggressive branch expansion programme for Regional Rural Banks (RRBs) and at least one branch to be opened in the 80 uncovered districts of the country. ii. Securitisation and Reconstruction of Financial Assets and Enforcement of Securitisation of Interest (SARFAESI) Act to be extended to loans advanced by RRBs. iii. RRBs to be permitted to accept NRE/FCNR deposits. iv. Recapitalization of RRBs having a negative net worth. 	<ul style="list-style-type: none"> i. Notification for covering 24 uncovered districts have been issued. NABARD has imposed upon RRBs to undertake aggressive branch expansion during the year 2007-08 and it is reported that RRBs plan to open 678 new branches during the year 2007-08. ii. Notification has been issued on 17.5.2007 for application of the SARFAESI Act to RRBs. iii. RBI has permitted RRBs to accept NRE/FCNR(B) deposits. iv. Of the 96 RRBs, 29 have a negative net worth as on 31.3.2007. The total fund requirement for recapitalization of this negative worth is estimated at Rs.1,815 crore. Since the States have a 15% stake in the RRBs, the Government has taken up the matter with the State Governments concerned for seeking their concurrence to provide their share in the recapitalization.
61	89	Introduction Reverse mortgage Scheme by the National Housing Bank (NHB) for senior citizens.	Implemented
62	90	Putting in place regulations for creation of mortgage guarantee companies (MGCs).	Regulations to allow the creation of mortgage guarantee companies are being finalized.
63	91	Health insurance schemes for senior citizens by three public sector insurance companies in addition to National Insurance Company.	New health insurance scheme for senior citizens has already been launched by New India Insurance Company Limited and United India Insurance Company Limited and will be launched shortly by Oriental Insurance Company Limited.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
64	92	Introduction of Micro Financial Sector (Development and Regulation) Bill and a comprehensive Bill to amend the insurance laws.	The Micro Finance Sector (Development and Regulation) Bill and Insurance Laws (Amendment) Bill, 2006 are under consideration of the Government.
65	93	Setting up of a Financial Inclusion Fund, for meeting the cost of developmental and promotional interventions, and a Financial Inclusion Technology Fund to meet the costs of technology adoption under NABARD.	The modalities for constitution of Financial Inclusion Fund and Financial Inclusion Technology Fund under NABARD are being worked out.
66	94	Measures to strengthen capital markets like making PAN the sole identification number, setting up Self Regulating Organisations (SRO), permitting mutual funds to launch and operate dedicated infrastructure funds, and convergence of different regulations that allow individuals and Indian mutual funds to invest in overseas securities by permitting individuals to invest through Indian mutual funds.	<p>The measures announced to strengthen the capital market during 2007-08 are being implemented. These include the following:</p> <ol style="list-style-type: none"> 1. SEBI has issued a circular making PAN the sole identification number for all transactions, irrespective of amount, in the securities market. 2. A note on "Role of Self Regulatory Market Regulation" by World Bank has been shared with SEBI. 3. Committee set up by SEBI to consider permitting mutual funds to launch and operate dedicated infrastructure funds has submitted its Report, which is under consideration. 4. SEBI has issued a circular, expanding the investment avenues for mutual funds overseas. 5. For allowing short selling settled by delivery, and securities lending and borrowing to facilitate delivery by institutions, keeping in view of the macro economic implications of the likely additional inflows on this account, the timing would be decided by SEBI in consultation with Government and RBI. 6. Draft guidelines for Exchangeable Bonds prepared in consultation with RBI and SEBI are under finalisation.
67	95	Permitting India Infrastructure Finance Company Limited (IIFCL) to borrow funds from National Small Savings Fund (NSSF).	Amendment to the NSSF (Custody and Investment) Rules, 2001, for making an enabling provision for investment of the

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			redeemed funds in Central Government securities or in such other instruments as may be decided by the Central Government from time to time, has been issued on 12.9.2007. A proposal from IIFCL indicating requirement for a loan of Rs.2500 crore out of NSSF is under consideration.
68	97	Implementation of recommendations of Deepak Parekh Committee on financing infrastructure. Establishment of two wholly-owned overseas subsidiaries of IIFCL. The loans by RBI to these two subsidiary companies to be guaranteed by the Government of India.	The proposal is under consideration of the Government.
69	99	Enhanced allocation for programme for e-governance to improve efficiency, convenience, accessibility and transparency in Government functions and take Government services to the common citizen.	<p>Progress of E-Governance Plan</p> <p>The National e-Governance Plan (NeGP) encompasses nine central Mission Mode Projects (MMPs), eleven state MMPs, eleven state MMPs and seven integrated MMPs that span multiple backend Ministries/Departments. It also includes eight program support components aimed at creating the right governance and institutional mechanisms, core infrastructure, policies & standards and the necessary legal framework for adoption of e-governance.</p> <p>The ball was set rolling in May 2006 with formal approval of NeGP by the Government. The MCA 21 project completed implementation in September last year. Detailed schemes for individual MMPs like the Common Service Centers, e-Courts and Municipalities were drawn up by the concerned Ministries and approval obtained from the Cabinet Committee on Economic Affairs. New projects like the e-District and UID (unique id for each resident) were added to the NeGP. Notable progress was witnessed in projects like the Passports, Agriculture, Income Tax, Central Excise, National Citizen Database, National Service Delivery Gateway.</p>

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
70	100	Allocation for Backward Regions Grant Fund (BRGF) increased from Rs.5,000 crore to Rs.5,800 crore in 2007-08. This will finance two components, one pertaining to 250 districts and the other pertaining to the special plan for Bihar.	The BRGF is being implemented during 2007-08 on the basis of allocations made in the Demands for Grants of the Ministry of Panchayati Raj and Ministry of Finance.
71	101	Report of High Powered Expert Committee for making Mumbai a regional financial centre.	The Report of the High Powered Expert Committee has been released as a priced publication in the market on 2nd April, 2007. The full text of the report has also been placed on the Ministry's website http://www.finmin.nic.in/mifc.html inviting feedback from the public. A presentation was made to the Hon'ble Prime Minister on 24.8.2007 and it was decided to implement a few recommendations immediately.
72	102	Task Force on Skill Development for chalking out strategies for vocational education programmes.	The Task Force on Skill Development constituted by Planning Commission has submitted its Final Report in end of May 2007. The proposal is being finalized.
73	103	Upgradation of 500 ITIs over five years beginning 2005.	Implemented
74	104	Upgradation of 1,396 ITIs into centres of excellence under public-private partnership for which an interest free loan of Rs 2.5 crore to each ITI would be granted.	A scheme "Upgradation of 1396 Govt. ITIs through Public Private Partnership" has been framed with a total outlay of Rs.3,665 crore.
75	105	Scheme for promoting employment for physically challenged persons.	Employment scheme for physically challenged persons is under preparation.
76	106	Setting up of an autonomous Debt Management Office (DMO), starting with setting up a Middle Office in the first phase to facilitate the transition to a full-fledged DMO.	Implemented
77	107	Establishment of India International Development Cooperation Agency (IIDCA) to bring all activities relating to development cooperation under one umbrella.	The proposal is under examination.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
78	108	Constitution of an Expert Committee to study impacts of climate change on India and identify the measures that have to be taken in the future.	Implemented
79	109	Provision for holding Commonwealth Games in New Delhi in 2010. In 2007-08, Rs.150 crore to be allocated to the Ministry of Youth Affairs and Sports and Rs.350 crore to the Delhi Government for the Games. Similarly, Rs.50 crore would be provided for the Commonwealth Youth Games 2008 to be held in Pune.	Government has approved the budget proposal of (i) Sports Authority of India for sports infrastructure, (ii) Organizing Committee Commonwealth Games, 2010 for conduct of the Games; and of (iii) All India Tennis Association of venue for Tennis. Necessary action is being taken for release of funds to these agencies in phases.
80	110	Funds to the tune of Rs 30 crore for institutions that continue the work of Gandhiji, these are Sabarmati Ashram, Ahmedabad, Sevagram Ashram, Wardha, Bhandarkar Oriental Research Institute, Pune and Rajendra Smriti Sanghralhalaya, Patna. An amount of Rs.20 crore to be given to the Nehru Memorial Museum and Library, Delhi.	<ul style="list-style-type: none"> (i) Sabarmati Ashram, Ahmedabad – Rs.10 crore included in the first batch of Supplementary Demands for Grants 2007-08 (ii) Bhandarkar Oriental Research Institute, Pune - Rs.5 crore Included in the first batch of Supplementary Demands for Grants 2007-08 (iii) Sewa Gram Ashram, Wardha- They have returned the funds. (iv) Rajendra Smriti Sanghralhalaya, Patna - A Report on the requirement of funds of Rs.10 crore furnished (v) Nehru Memorial Museum & Library (NMM&L), New Delhi - An amount of Rs.20 crore has been included in the proposal of first batch of Supplementary Demands for Grants 2007-08
81	111	Engaging scholars from Indian and foreign institutions to work on specific projects for which an initial grant of Rs.5 crore is made.	The proposed scheme on Engaging scholars from Indian and foreign institutions to work on specific projects is under consideration of the Government.
82	112	Special grant of Rs 50 crore each to the Govind Ballabh Pant University of Agriculture & Technology, Pantnagar and the Tamil Nadu Agricultural University, Coimbatore in recognition of their excellence.	Implemented

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
83	116	Preparation of a roadmap for introducing a national level Goods and Services Tax (GST) with effect from April 1, 2010.	The Roadmap for introducing a national level Goods and Services Tax (GST) is being formulated by the Empowered Committee of the State Finance Ministers.
84	159	Department of Telecommunications to constitute a Committee to study the present structure of levies in Telecom industry and to make suitable recommendations.	A Committee has been constituted by the Department of Telecommunications to study/ review the present structure of taxes and levies applicable in the telecom sector. The Sub-Committee will submit its recommendations to the Telecom Commission shortly.
85	183	Improving tax administration by expanding the coverage of Annual Information Returns, extending the Refund Banker System to more areas, extending the e-payment facility through more banks, making electronic filing of returns mandatory for more categories of assesseees and creating new Large Tax Payer Units.	<p>CBDT</p> <ul style="list-style-type: none"> • The proposal to expand the coverage of Annual Information Returns (AIR) is under consideration. • Necessary action is being taken for extending the Refund Banker Scheme for CBDT. • E-payment of direct taxes is being made compulsory for companies and assesseees covered by Sec.44 AB of IT Act 1961 w.e.f. 01-01-2008. • The announcement in respect of extending the scheme of e-filing to more categories of tax payers has been implemented. As on 30.9.2007, 292,104 returns had been filed electronically. • The LTU at Bangalore was made operational in October, 2006. The LTU at Chennai is expected to be operationalised in December 2007. Proposals for creating necessary infrastructure for setting up of LTU offices at Mumbai and Delhi are under submission and examination. <p>CBEC:</p> <ul style="list-style-type: none"> • The Pilot project of E-payment of Customs Duties was completed in

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			<p>Delhi and four banks viz. PNB, SBI UBI and Corporation bank are live for e-payment in three customs locations viz. ACC, New Delhi, ICD Tughlakabad and ICD, Patparganj. Subsequently, E-payment has been extended to other locations and is presently operational at 20 (twenty) locations upto the end of September, 2007.</p> <ul style="list-style-type: none"> • In Central Excise and Service Tax, E-payment has been made mandatory for assesseees i.e. those paying annual revenue of more than Rs.50 lakhs – in Service Tax from October, 2006 and for Central Excise from 1st April, 2007. • The ACES (Automation in Central Excise & Service Tax) project has undergone Phase-I of the User Acceptance Test in select Commissionerates of Central Excise and Service Tax. Making electronic filing of returns mandatory for assesseees would entail stabilization and extension of ACES to all Commissionerates and Assesseees. • First LTU is operational at Bangalore since October, 2006. The next LTU is expected to be made operational at Chennai towards the end of the current year.

Appendix Table-I

KEY INDICATORS

Items	2005-06	2006-07	percent change 2005-06	percent change 2006-07	2006-07	2007-08	Period	percent change 2006-07	percent change 2007-08
1a GDP at factor cost at current prices- Rs.'000 crore	3251 (Q)	3743 (R)	13.8	15.2	1708	1951	Apr-Sept HI	15.0	14.2
1b GDP at factor cost at 1999-2000 prices- Rs.'000 crore	2605 (Q)	2848 (R)	9.0	9.4	1314	1434	Apr-Sept HI	9.9	9.1
2. Agriculture and allied sectors at 1999-2000 prices - Rs.'000 crore	512 (Q)	526 (R)	6.0	2.7	221	229	Apr-Sept HI	2.8	3.7
3. Index of Industrial Production (IIP)	222	247	8.2	11.6	235	257	Apr-Sept HI	11.1	9.2
4. Electricity generated (in billion kwh)	617	663	5.1	7.3	325	350	Apr-Sept HI	6.7	7.6
5. Wholesale price index(point-to-point) 1993-94=100	197.2	210.4	4.1	5.9	209.0	215.7	Nov/17/2007	5.6	3.2
6. Consumer price Index(for industrial workers)1982=100	551	588	4.9	6.7	588	620	Oct	7.3	5.5
7. Money Supply (M3) (Rs.'000 crore)	2730	3310	17.0	21.3	2965	3671	as on Nov 9, 2007	18.7	23.8
8. Imports at current prices@ (in Rs. Crore)	660409(R)	862302(P)	31.8	30.6	399815	446421	Apr-Sep(P)	29.5	11.7
(in US \$ million)	149184(R)	190,566(P)	33.8	27.7	87010	109204	Apr-Sep(P)	23.3	25.5
9. Exports at current prices@ (in Rs. Crore)	456418(R)	571,642(P)	21.6	25.2	280275	295233	Apr-Sep(P)	33.7	5.3
(in US \$ million)	103044(R)	126,331(P)	23.4	22.6	60986	72281	Apr-Sep(P)	26.3	18.5
10. Foreign currency assets (in Rs. Crore)	647327	836597	9.1	29.2	723332	1008271	End Oct	16.8	39.4
(in US \$ million)	145108	191924	7.0	32.3	160669	256427	End Oct	17.0	59.6
11. Exchange rate (Rs./US \$)	44.27	45.25	1.49	-2.16	45.86	40.68	Average April Oct *	-4.45	12.71

Q : Quick estimate; R : Revised estimate; (P) : Provisional Data “*” (+) indicates appreciation and (-) indicates depreciation of the Rupee vis-à-vis the US Dollar.

@ : As per DGCI&S.

BALANCE OF PAYMENTS : SUMMARY
(Quarterly)

(in US\$ million)

Items	2006-07				2007-08
	Apr-Jun 2006 (PR)	Jul-Sep 2006 (PR)	Oct-Dec 2006 (PR)	Jan-Mar 2007 (P)	Apr-Jun 2007 (P)
1. Exports	29674	32700	30664	34052	34960
2. Imports	46620	48562	47529	49284	56540
3. Trade balance	-16946	-15862	-16865	-15232	-21580
4. Invisibles (net)	12379	11032	14090	17795	16883
Non-factor service	7965	7268	7467	10027	9150
Investment Income	-1278	-1462	-1221	-885	-594
Pvt. transfers	5713	5217	7654	8611	8340
Official grants	-21	9	190	42	-13
5. Goods & services balance	-8981	-8594	-9398	-5205	-12430
6. Current account balance	-4567	-4830	-2775	2563	-4697
7. External Assistance (net)	49	337	633	751	258
8. Commercial Borrowings (net)	3959	1458	3994	6673	7048
9. IMF (net)	0	0	0	0	0
10. Non-Resident Deposits (net)	1231	797	1236	631	-447
11. Rupee Debt Service	-67	0	-2	-93	-43
12. Foreign Investment (net)	911	4578	6127	3883	7919
FDI	1416	2426	2558	2037	461
Portfolio	-505	2152	3569	1846	7458
13. Other capital flows (net)	4863	-70	-1708	6044	1162
14. Capital account total (net)	10946	7100	10280	17889	15897
15. Reserve movement (-increase)	-6379	-2270	-7505	-20452	-11200

Source : RBI, Mumbai

PR: Partially revised

P : Preliminary

Appendix Table-III

MONETARY SURVEY

Items	Outstanding Balances				per cent variations			
	2005-06	2006-07	10-Nov.-2006	09-Nov.-2007	2005-06	2006-07	Year-on-year	
					Full Year	10-Nov. 2006	09-Nov. 2007	
Rs.Crore								
I. Broad money (M3)	2729547	3310278	2964773	3671498	17.0	21.3	18.7	23.8
Components of M3								
1) Currency with public	413119	483471	454039	529237	16.4	17.0	15.7	16.6
2) Aggregate deposits with banks	2309557	2819311	2505322	3137069	17.1	22.1	19.2	25.2
3) Other deposits with Reserve Banks	6871	7496	5412	5192	8.7	9.1	19.5	-4.1
Sources of M3								
II. Net bank credit to government (1+2)	766595	838177	805271	859306	2.4	9.3	4.4	6.7
1) RBI credit to government	8136	5752	4017	-128888	-	-	-	-
2) Other bank credit to government	758459	832425	801254	988194	-2.3	9.8	2.9	23.3
III. Bank credit to commercial sector (1+2)	1693004	2123362	1862250	2269642	27.2	25.4	25.4	21.9
1) RBI credit to commercial sector	1387	1537	1384	1383	-0.2	10.8	-25.0	-0.1
2) Other bank credit to commercial sector	1691617	2121825	1860866	2268259	27.2	25.4	25.5	21.9
IV. Net foreign exchange assets of the banking sector	726194	913179	793707	1092925	12.1	25.7	16.4	37.7
V. Other items (net)	456246	564441	496455	550375	15.4	23.7	12.9	10.9
Memorandum items.								
1. NDA	2003353	2397099	2171066	2578573	18.9	19.7	19.5	18.8
2. Reserve money	573058	709016	600286	797067	17.2	23.7	14.3	32.8
3. Money multiplier	4.76	4.67	4.94	4.61	-	-	-	-
4. Velocity of money	1.45	1.39	-	-	-	-	-	-

Notes: Financial year variation during 2006-07 so far is worked out from March 31, 2006, whereas the corresponding financial year variation during 2005-06 is worked out from April 1, 2005.

Appendix Table-IV

TRENDS IN GROWTH RATES OF INFRASTRUCTURE SECTORS

(Per cent)

Industry		Weight	April-September					
			2003-04	2004-05	2005-06	2006-07	2006-07	2007-08
I. Core infrastructure industries								
i	Electricity generation	10.2	5.1	5.2	5.1	7.3	6.7	7.6
ii	Coal	3.2	5.1	6.2	6.6	6.0	5.3	2.8
iii	Steel	5.1	9.8	8.4	10.8	11.7	12.2	6.6
iv	Crude oil	4.2	0.7	1.8	-5.3	5.6	4.1	0.7
v	Refinery throughput	2	8.2	4.3	2.1	12.3	12.3	9.8
vi	Cement	2	6.1	6.6	12.3	9.1	10.6	8.3
Average growth			6.1	5.8	6.1	8.4	8.7	6.6
II. Transport and Communications								
1.	Cargo handled at major ports		10.0	11.3	10.4	9.5	6.1	13.7
2.	Railway revenue earning freight traffic		7.5	8.1	10.7	9.2	9.9	7.3
3.	Civil Aviation							
a.	Export cargo handled		1.0	12.4	7.3	3.6	-1.7	6.1
b.	Import cargo handled		13.4	24.2	15.8	19.4	21.0	22.5
c.	Passenger handled at International Terminals		6.5	14.0	12.8	12.1	12.5	12.3
d.	Passengers handled at Domestic Terminals		13.1	23.6	27.1	34.0	40.2	26.5
4.	Telecommunications							
a.	Cellular Mobile Phones		115.0	10.4	89.4	85.4	121.5	49.3

Source: 1. Ministry of Commerce & Industry.
2. Ministry of Statistics & Programme Implementation.

ACCOUNTS AT A GLANCE

	Budget Estimates 2007-08	ACTUALS		Percentage to BE		
		Upto 09/2007	COPPY	Upto 09/2007	COPPY	5 Years Moving average
		Rs. in crore				
1 Revenue Receipts	486422	197956	161406	41%	40%	37%
2 Tax Revenue (Net)	403872	160500	129986	40%	40%	36%
3 Non-Tax Revenue	82550	37456	31420	45%	41%	39%
4 Capital Receipts (5+6+7)	194099	119936	90538	62%	56%	55%
Non Debt Capital Receipts	43151	38736	4077	90%	34%	73%
5 Recovery of Loans	1500	2030	4077	135%	51%	100%
6 Other Receipts	41651	36,706*	0	88%	0%	8%
7 Borrowings and other liabilities	150948	81200	86461	54%	58%	50%
8 Total Receipts (1+4)	680521	317892	251944	47%	45%	43%
9 Non-Plan Expenditure	475421	231134	183065	49%	47%	45%
10 On Revenue Account	383546	187509	172926	49%	50%	45%
of which						
11 Interest Payments	158995	72820	64003	46%	46%	43%
12 On Capital Account	91875	43625	10139	48%	22%	48%
13 Plan Expenditure	205100	86758	68879	42%	40%	39%
14 On Revenue Account	174354	71571	57757	41%	40%	39%
15 On Capital Account	30746	15187	11122	49%	38%	40%
16 Total Expenditure (9+13)	680521	317892	251944	47%	45%	43%
17 Revenue Expenditure (10+14)	557900	259080	230683	46%	47%	43%
18 Capital Expenditure (12+15)	122621	58812	21261	48%	28%	41%
19 Revenue Deficit (17-1)	71478	61124	69277	86%	82%	67%
20 Fiscal Deficit {16 – (1+5+6)}	150948	81200	86461	54%	58%	50%
21 Primary Deficit (20 – 11)	(-) 8,047	8380	22458			

* Include an amount of Rs.34,308.60 Crores on account of transfer of profit on sale of RBI's stake in SBI.

Notes: 1 The figures of Railways have been netted as in Budget.
2 COPPY - Corresponding Period of Previous Year
3 Borrowings and other liabilities (Item 7) do not include net inflow under Market Stabilization Scheme (Rs.68,498.61 crore) which is not utilized to finance the deficit.
4 The figure have been rounded and hence may not exactly match with other tables.
5 Due to rounding off to the nearest decimal, some of the sub-totals/totals may not exactly match.
BE : Budget Estimate

Appendix Table-VI

TAX REVENUES

(Rs. in crore)

Description	2007-08			2006-07		
	BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
1 Corporation Tax	168401	70176	41.7%	133010	50624	38.1%
2 Taxes on Income	98774	41058	41.6%	77409	29717	38.4%
(a) Taxes on Income other than Corporation Tax	86829	35445	40.8%	73409	26198	35.7%
(b) Fringe Benefit Tax	6800	2237	32.9%	0	1153	
(c) Securities Transaction Tax	4500	3099	68.9%	3500	2132	60.9%
(d) Banking Cash Transaction Tax	645	276	42.8%	500	234	46.8%
3 Wealth Tax	315	72	22.8%	265	69	26.1%
4 Customs	98770	48098	48.7%	77066	41517	53.9%
5 Union Excise Duties	130220	44889	34.5%	119000	43396	36.5%
6 Service Tax	50200	18342	36.5%	34500	13368	38.7%
7 Other taxes	1442	857	59.4%	903	788	87.2%
(a) Direct Taxes		10			20	
(b) Indirect Taxes		847			767	
GROSS TAX REVENUE	548122	223491	40.8%	442153	179478	40.6%
Of which netted against expenditure (Surcharge for financing National Calamity Contingency Fund)	1800	1140	63.3%	1500	809	53.9%
Balance Gross Tax Revenue	546322	222351	40.7%	440653	178669	40.5%
Less Assignment to States	142450	61851	43.4%	113448	48683	42.9%
NET TAX REVENUE	403872	160500	39.7%	327205	129986	39.7%

Note: Due to rounding off to the nearest decimal, some of the sub-totals/totals may not exactly match.

NON-TAX REVENUE

(Rs. in crore)

Description	2007-08			2006-07		
	BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
A. Interest receipts	24308.0	9225.4	38.0%	25263.2	7686.6	30.4%
<i>Less - Receipts incidental to Market Borrowing taken in reduction of cost of borrowing</i>	5000.0	907.5	18.2%	6000.0	1389.9	23.2%
Net Interest Receipts	19308.0	8317.9	43.1%	19263.2	6296.6	32.7%
B. Dividends and Profits	33924.9	18061.9	53.2%	27500.0	14217.6	51.7%
C. Non-Tax Revenue of U.T.s	710.6	356.8	50.2%	809.7	323.3	39.9%
D. Other Non-Tax Revenue						
<i>Fiscal Services</i>	522.1	34.1	6.5%	151.5	40.7	26.9%
<i>Other General Services</i>	11016.6	3926.4	35.6%	11062.7	3897.4	35.2%
<i>Less: Other Receipts utilised to write-off loans/interest</i>	107.8	0.0		0.0	0.0	
Net - Other General Services	10908.8	3926.4	36.0%	11062.6	3897.4	35.2%
Social Services	499.7	269.9	54.0%	1025.1	261.8	25.5%
Economic Services	28746.1	9554.4	33.2%	28436.5	10100.8	35.5%
<i>Less - (I) Other Receipts utilised to write-off loans</i>						
Net Economic Services	28746.1	9554.4	33.2%	28436.5	10100.8	35.5%
Grants-in-Aid and Contributions	2135.2	1030.5	48.3%	2616.0	527.2	20.2%
Total Other Non-Tax Revenue	42811.9	14815.3	34.6%	43291.8	14827.8	34.3%
<i>Less : Commercial Departments</i>	14205.3	4095.6	28.8%	14604.1	4245.3	29.1%
Net Other Non-Tax Revenue	28606.6	10719.7	37.5%	28687.7	10582.6	36.9%
Net Non-Tax Revenue (A+B+C+D)	82550.0	37456.2	45.4%	76260.5	31420.1	41.2%

Note: Due to rounding off to the nearest decimal, some of the sub-totals/totals may not exactly match.

Appendix Table-VIII

CAPITAL RECEIPTS

(Rs. in crore)

Description	2007-08			2006-07		
	BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
1 (a) Market Loans including						
Short term borrowings	111327.2	98543.2	88.5%	113667.6	64664.7	56.9%
(b) Receipt under MSS (Net)	10000.0	68498.6	685.0%	46000.0	13001.7	28.3%
(c) Treasury Bills		-4421.9			4699.7	
2 Securities against Small Savings	10510.0	-545.0	-5.2%	3010.0	-394.0	-13.1%
3 External Assistance Including						
Revolving Fund						
Gross Borrowings	17451.5	6061.0	34.7%	16064.8	6394.1	39.8%
Less Repayments	8341.0	3583.5	43.0%	7740.8	3961.1	51.2%
Net Borrowings	9110.6	2477.5	27.2%	8323.9	2433.0	29.2%
Non-Debt Capital Receipts (4&5)						
4 Recoveries of Loans and Advances						
Gross Recoveries	3030.0	2296.0	75.8%	9530.0	4342.7	45.6%
Less Short Term Loans and Advances	1530.0	265.8	17.4%	1530.0	266.0	17.4%
Net Recoveries of Loans & Advances	1500.0	2030.2	135.3%	8000.0	4076.7	51.0%
5 Miscellaneous Capital Receipts	41651.0	36705.5		3840.0	0.0	
(i) Disinvestment of Govt.'s Equity Holdings	1651.0	2396.9		3840.0	0.0	
(ii) Issue of Bonus Shares		0.0			0.0	
(iii) Other Misc. Receipts	40000.0	34308.6			0.0	
6 National Small Savings Fund	1589.7	-13890.1	-873.8%	648.5	2380.7	367.1%
(a) Small Savings, Public						
Provident Funds	57500.0	-7803.4	-13.6%	90400.0	31730.7	35.1%
(b) Investment in Securities	-57500.0	-7431.3	12.9%	-86500.0	-36003.8	41.6%
(c) Income & Expenditure of NSSF	1589.7	1344.7	84.6%	-3251.5	6653.8	-204.6%
7 Deposit Scheme for Retiring employees	-500.0	-254.1	50.8%	-500.0	-220.5	44.1%
8 State Provident Funds	5000.0	190.9	3.8%	6000.0	470.9	7.8%
9 Special Deposits of Non-Govt.						
Provident Funds, LIC, GIC, etc.	0.0	865.3		0.0	-228.3	
10 Other Capital Receipts	13910.4	-16475.3	-118.4%	17535.6	-4115.4	-23.5%
11 Suspense & Remittance		-5550.8			-7703.0	
12 Ways & Means Advances		0.0			0.0	
13 Investment of Surplus Cash		0.0			0.0	
14 Decrease in Cash Balance (Including difference between RBI & A/C)	0.0	20260.3		0.0	24473.3	
15 Cash held under MSS	-10000.0	-68498.6	685.0%	-46000.0	-13001.7	28.3%
TOTAL	194098.8	119935.7	61.8%	160525.6	90537.9	56.4%

Note: Due to rounding off to the nearest decimal, some of the sub-totals/totals may not exactly match.

Appendix Table-IX

PLAN EXPENDITURE

(Rs. in crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
	MINISTRY OF AGRICULTURE	8090.0	3576.7	44.2%	6967.0	3515.0	50.5%
1	Department of Agriculture and Cooperation	5560.0	2605.5	46.9%	4840.0	2520.6	52.1%
2	Department of Agricultural Research and Education	1620.0	695.1	42.9%	1350.0	762.8	56.5%
3	Department of Animal Husbandry, Dairying and Fisheries	910.0	276.1	30.3%	777.0	231.7	29.8%
	MINISTRY OF AGRO AND RURAL INDUSTRIES	1112.0	259.5	23.3%	967.0	436.4	45.1%
4	Ministry of Agro and Rural Industries	1112.0	259.5	23.3%	967.0	436.4	45.1%
	DEPARTMENT OF ATOMIC ENERGY	4596.0	887.9	19.3%	4124.1	991.3	24.0%
5	Atomic Energy	2146.9	627.9	29.2%	1621.0	553.0	34.1%
6	Nuclear Power Schemes	2449.2	260.0	10.6%	2503.1	438.3	17.5%
	MINISTRY OF CHEMICALS AND FERTILISERS	254.0	7.9	3.1%	229.8	275.0	119.7%
7	Department of Chemicals and Petro-Chemicals	209.0	6.3	3.0%	131.0	274.8	209.7%
8	Department of Fertilisers	45.0	1.7	3.7%	98.8	0.3	0.3%
	MINISTRY OF CIVIL AVIATION	200.0	8.2	4.1%	130.0	0.3	0.2%
9	Ministry of Civil Aviation	200.0	8.2	4.1%	130.0	0.3	0.2%
	MINISTRY OF COAL	250.0	101.7	40.7%	168.7	0.1	0.0%
10	Ministry of Coal	250.0	101.7	40.7%	168.7	0.1	0.0%
	MINISTRY OF COMMERCE AND INDUSTRY	1975.0	730.9	37.0%	1923.3	649.2	33.8%
11	Department of Commerce						
	<i>Gross</i>	<i>1528.0</i>	<i>612.4</i>	<i>40.1%</i>	<i>1466.3</i>	<i>537.9</i>	<i>36.7%</i>
	<i>Less : Recoveries</i>	<i>53.0</i>	<i>8.5</i>	<i>16.1%</i>	<i>43.0</i>	<i>0.0</i>	
	<i>Net</i>	<i>1475.0</i>	<i>603.9</i>	<i>40.9%</i>	<i>1423.3</i>	<i>537.9</i>	<i>37.8%</i>
12	Department of Industrial Policy & Promotion	500.0	127.0	25.4%	500.0	111.4	22.3%
	MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY	2155.0	484.5	22.5%	1722.6	339.9	19.7%
13	Department of Posts	315.0	13.5	4.3%	419.0	50.7	12.1%
14	Department of Telecommunications	340.0	37.2	11.0%	213.6	52.5	24.6%
15	Department of Information Technology	1500.0	433.8	28.9%	1090.0	236.6	21.7%
	MINISTRY OF COMPANY AFFAIRS	47.0	0.0	0.0%			
16	Ministry of Company Affairs	47.0	0.0	0.0%			
	MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION	298.0	10.3	3.5%	258.8	38.3	14.8%
17	Department of Consumer Affairs	213.0	10.3	4.8%	163.0	30.8	18.9%
18	Department of Food and Public Distribution	85.0	0.0	0.0%	95.8	7.5	7.8%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
	MINISTRY OF CULTURE	557.0	168.2	30.2%	470.0	120.1	25.5%
19	Ministry of Culture	557.0	168.2	30.2%	470.0	120.1	25.5%
	MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION	1380.0	495.0	35.9%	1350.0	671.6	49.7%
28	Ministry of Development of North Eastern Region	1380.0	495.0	35.9%	1350.0	671.6	49.7%
	MINISTRY OF EARTH SCIENCES	690.0	30.5	4.4%	438.0	84.2	19.2%
29	Ministry of Earth Sciences	690.0	30.5	4.4%	438.0	84.2	19.2%
	MINISTRY OF ENVIRONMENT AND FORESTS	1351.0	555.6	41.1%	1338.9	404.7	30.2%
30	Ministry of Environment and Forests	1351.0	555.6	41.1%	1338.9	404.7	30.2%
	MINISTRY OF EXTERNAL AFFAIRS	500.0	9.1	1.8%	222.3	0.0	0.0%
31	Ministry of External Affairs	500.0	9.1	1.8%	222.3	0.0	0.0%
	MINISTRY OF FINANCE	37633.9	20852.2	55.4%	30813.8	14826.9	48.1%
32	Department of Economic Affairs						
	Gross	1549.4	362.3	23.4%	1925.7	177.8	9.2%
	Less : Recoveries	724.7	181.2	25.0%	710.9	177.7	25.0%
	Net	824.7	181.2	22.0%	1214.9	0.1	0.0%
33	Payments to Financial Institutions	0.0	0.0		36.0	0.0	0.0%
35	Transfers to State and UT Governments	36808.2	20670.8	56.2%	29562.3	14826.6	50.2%
38	Department of Expenditure	1.0	0.3	25.0%	0.6	0.3	50.8%
	MINISTRY OF FOOD PROCESSING INDUSTRIES	250.0	65.7	26.3%	166.9	49.8	29.9%
45	Ministry of Food Processing Industries	250.0	65.7	26.3%	166.9	49.8	29.9%
	MINISTRY OF HEALTH AND FAMILY WELFARE	14363.0	5432.6	37.8%	11671.2	4091.3	35.1%
46	Department of Health and Family Welfare	13875.0	5299.2	38.2%	11289.6	3967.8	35.1%
47	Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (Ayush)	488.0	133.4	27.3%	381.6	123.5	32.4%
	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES	460.0	55.2	12.0%	481.5	24.8	5.2%
48	Department of Heavy Industry	450.0	55.2	12.3%	450.0	9.2	2.0%
49	Department of Public Enterprises	10.0	0.0	0.0%	31.5	15.7	49.7%
	MINISTRY OF HOME AFFAIRS	1646.8	466.6	28.3%	1122.2	166.6	14.8%
50	Ministry of Home Affairs	36.5	8.3	22.7%	24.5	8.0	32.8%
52	Police	370.5	102.1	27.6%	312.8	101.0	32.3%
53	Other Expenditure of the Ministry of Home Affairs	52.0	0.1	0.2%	28.5	0.4	1.4%
54	Transfers to UT Govts.	1187.8	356.1	30.0%	756.4	57.2	7.6%
	MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION	500.0	223.7	44.7%	421.7	117.4	27.8%
55	Ministry of Housing and Urban Poverty Alleviation	500.0	223.7	44.7%	421.7	117.4	27.8%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
	MINISTRY OF HUMAN RESOURCE DEVELOPMENT	28671.5	8221.3	28.7%	20744.0	8129.1	39.2%
56	Department of School Education and Literacy						
	Gross	32584.0	6874.6	21.1%	25874.0	6563.7	25.4%
	Less : Recoveries	10393.0	0.0	0.0%	8746.0	0.0	0.0%
	Net	22191.0	6874.6	31.0%	17128.0	6563.7	38.3%
57	Department of Higher Education	6480.5	1346.7	20.8%	3616.0	1565.4	43.3%
	MINISTRY OF INFORMATION AND BROADCASTING	475.0	138.0	29.0%	538.0	146.0	27.1%
58	Ministry of Information and Broadcasting	475.0	138.0	29.0%	538.0	146.0	27.1%
	MINISTRY OF LABOUR AND EMPLOYMENT	325.5	106.3	32.7%	311.4	107.5	34.5%
59	Ministry of Labour and Employment	325.5	106.3	32.7%	311.4	107.5	34.5%
	MINISTRY OF LAW AND JUSTICE	245.0	0.1	0.0%	204.0	0.0	0.0%
61	Law and Justice	245.0	0.1	0.0%	204.0	0.0	0.0%
	MINISTRY OF MINES	154.0	37.3	24.2%	241.0	72.3	30.0%
63	Ministry of Mines	154.0	37.3	24.2%	241.0	72.3	30.0%
	MINISTRY OF MINORITY AFFAIRS	500.0	27.9	5.6%			
64	Ministry of Minority Affairs	500.0	27.9	5.6%			
	MINISTRY OF NEW AND RENEWABLE ENERGY	626.0	101.6	16.2%	597.0	74.7	12.5%
65	Ministry of New and Renewable Energy	626.0	101.6	16.2%	597.0	74.7	12.5%
	MINISTRY OF PANCHAYATI RAJ	4770.0	574.3	12.0%	3825.0	234.6	6.1%
67	Ministry of Panchayati Raj	4770.0	574.3	12.0%	3825.0	234.6	6.1%
	MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS	90.0	24.7	27.5%	95.3	14.7	15.4%
69	Ministry of Personnel, Public Grievances and Pensions	90.0	24.7	27.5%	95.3	14.7	15.4%
	MINISTRY OF PLANNING	90.0	9.9	11.0%	89.8	16.8	18.7%
71	Ministry of Planning	90.0	9.9	11.0%	89.8	16.8	18.7%
	MINISTRY OF POWER	5483.0	595.7	10.9%	5500.0	1296.1	23.6%
72	Ministry of Power	5483.0	595.7	10.9%	5500.0	1296.1	23.6%
	MINISTRY OF RURAL DEVELOPMENT	36560.0	19099.1	52.2%	31443.6	15507.3	49.3%
78	Department of Rural Development						
	Gross	43325.0	15833.8	36.5%	39051.2	12749.9	32.6%
	Less : Recoveries	15825.0	0.0	0.0%	15025.6	0.0	0.0%
	Net	27500.0	15833.8	57.6%	24025.6	12749.9	53.1%
79	Department of Land Resources	1500.0	365.8	24.4%	1418.0	704.1	49.7%
80	Department of Drinking Water Supply	7560.0	2899.5	38.4%	6000.0	2053.4	34.2%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
	MINISTRY OF SCIENCE AND TECHNOLOGY	3271.0	1477.7	45.2%	2836.0	1182.6	41.7%
81	Department of Science and Technology						
	Gross	1526.0	606.0	39.7%	1340.0	429.7	32.1%
	Less : Recoveries	0.0	0.0		0.0	0.0	
	Net	1526.0	606.0	39.7%	1340.0	429.7	32.1%
82	Department of Scientific and Industrial Research	1070.0	519.9	48.6%	975.0	476.1	48.8%
83	Department of Bio-Technology	675.0	351.8	52.1%	521.0	276.8	53.1%
	MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS	14819.5	8040.9	54.3%	13916.2	4384.3	31.5%
84	Department of Shipping	753.5	71.2	9.4%	735.4	161.9	22.0%
85	Department of Road Transport and Highways						
	Gross	22437.0	8097.2	36.1%	21384.3	5702.8	26.7%
	Less : Recoveries	8371.0	127.4	1.5%	8203.5	1480.3	18.0%
	Net	14066.0	7969.7	56.7%	13180.8	4222.5	32.0%
	MINISTRY OF SMALL SCALE INDUSTRIES	530.0	44.6	8.4%	466.3	202.0	43.3%
86	Ministry of Small Scale Industries	530.0	44.6	8.4%	466.3	202.0	43.3%
	MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT	2001.0	971.6	48.6%	1750.0	593.9	33.9%
87	Ministry of Social Justice & Empowerment	2001.0	971.6	48.6%	1750.0	593.9	33.9%
	DEPARTMENT OF SPACE	3420.0	1885.8	55.1%	3220.0	750.8	23.3%
88	Department of Space						
	Gross	3420.2	1885.8	55.1%	3220.4	750.8	23.3%
	Less : Recoveries	0.2	0.0	0.0%	0.4	0.0	0.0%
	Net	3420.0	1885.8	55.1%	3220.0	750.8	23.3%
	MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION	1672.0	721.4	43.1%	1663.4	715.3	43.0%
89	Ministry of Statistics and Programme Implementation	1672.0	721.4	43.1%	1663.4	715.3	43.0%
	MINISTRY OF STEEL	66.0	63.0	95.5%	45.0	7.0	15.6%
90	Ministry of Steel	66.0	63.0	95.5%	45.0	7.0	15.6%
	MINISTRY OF TEXTILES	2243.0	811.1	36.2%	1349.5	571.5	42.4%
91	Ministry of Textiles						
	Gross	2243.0	811.1	36.2%	1350.5	571.5	42.3%
	Less : Recoveries	0.0	0.0		1.0	0.0	0.0%
	Net	2243.0	811.1	36.2%	1349.5	571.5	42.4%
	MINISTRY OF TOURISM	953.0	399.9	42.0%	830.0	147.8	17.8%
92	Ministry of Tourism	953.0	399.9	42.0%	830.0	147.8	17.8%
	MINISTRY OF TRIBAL AFFAIRS	1719.7	762.7	44.4%	1656.9	953.6	57.6%
93	Ministry of Tribal Affairs	1719.7	762.7	44.4%	1656.9	953.6	57.6%
	U.T.s WITHOUT LEGISLATURE	1791.3	646.1	36.1%	1672.0	371.8	22.2%
94	Andaman & Nicobar Islands	1152.9	410.3	35.6%	1119.1	151.5	13.5%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
95	Chandigarh	267.6	145.9	54.5%	216.7	112.7	52.0%
96	Dadra & Nagar Haveli	77.8	48.5	62.3%	70.4	26.1	37.1%
97	Daman & Diu	70.9	41.5	58.5%	64.1	23.5	36.6%
98	Lakshadweep	222.1	0.0	0.0%	201.7	58.0	28.7%
	MINISTRY OF URBAN DEVELOPMENT	2335.5	1287.3	55.1%	1849.8	595.7	32.2%
99	Department of Urban Development	2131.0	1263.9	59.3%	1716.6	560.8	32.7%
100	Public Works	204.5	23.5	11.5%	133.2	34.9	26.2%
	MINISTRY OF WATER RESOURCES	600.0	215.6	35.9%	700.0	166.0	23.7%
102	Ministry of Water Resources						
	Gross	612.0	221.0	36.1%	712.0	171.3	24.1%
	Less : Recoveries	12.0	5.4	45.1%	12.0	5.3	44.2%
	Net	600.0	215.6	35.9%	700.0	166.0	23.7%
	MINISTRY OF WOMEN AND CHILD DEVELOPMENT	5793.0	2314.1	39.9%	4795.9	2270.3	47.3%
103	Ministry of Women and Child Development	5793.0	2314.1	39.9%	4795.9	2270.3	47.3%
	MINISTRY OF YOUTH AFFAIRS & SPORTS	700.0	314.8	45.0%	600.0	164.2	27.4%
104	Ministry of Youth Affairs and Sports	700.0	314.8	45.0%	600.0	164.2	27.4%
	RAILWAYS	6886.3	3443.2	50.0%	6800.1	3400.1	50.0%
	Ministry of Railways						
	Gross		4267.2			4293.1	
	Less : Exp.met from Receipts		16.8			19.5	
	Exp. Met from Reserve Funds		807.2			873.6	
	Net	6886.3	3443.2	50.0%	6800.1	3400.1	50.0%
	GRAND TOTAL	205100.0	86758.0	42.3%	172727.9	68878.9	39.9%

Note: Due to rounding off to the nearest decimal, some of the sub-totals/totals may not exactly match.

Appendix Table-X

NON-PLAN EXPENDITURE

(Rs. in crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
	MINISTRY OF AGRICULTURE	1272.2	1310.2	103.0%	1232.1	783.4	63.6%
1	Department of Agriculture and Cooperation	387.2	617.0	159.3%	379.2	288.0	75.9%
2	Department of Agricultural Research and Education	840.0	635.4	75.6%	810.0	450.4	55.6%
3	Department of Animal Husbandry, Dairying and Fisheries						
	Gross	252.0	149.6	59.4%	268.9	128.8	47.9%
	Less : Receipts	207.0	91.8	44.3%	226.0	83.8	37.1%
	Net	45.0	57.8	128.4%	42.9	45.0	104.9%
	MINISTRY OF AGRO AND RURAL INDUSTRIES	87.6	29.0	33.1%	87.6	29.1	33.2%
4	Ministry of Agro and Rural Industries	87.6	29.0	33.1%	87.6	29.1	33.2%
	DEPARTMENT OF ATOMIC ENERGY	1534.0	1056.6	68.9%	1381.0	1053.7	76.3%
5	Atomic Energy						
	Gross	2468.8	1333.0	54.0%	2306.2	1234.1	53.5%
	Less : Receipts	687.4	299.1	43.5%	671.6	446.7	66.5%
	Recoveries	131.4	18.9	14.4%	84.6	4.8	5.7%
	Net	1650.0	1015.0	61.5%	1550.0	782.6	50.5%
6	Nuclear Power Schemes						
	Gross	1345.2	324.2	24.1%	1182.6	599.9	50.7%
	Less : Receipts	1461.2	282.6	19.3%	1351.6	328.8	24.3%
	Net	-116.0	41.6	-35.9%	-169.0	271.1	-160.4%
	MINISTRY OF CHEMICALS AND FERTILISERS	22535.0	19318.8	85.7%	17325.4	12517.6	72.2%
7	Department of Chemicals and Petro-Chemicals	48.0	21.8	45.4%	38.4	14.9	38.8%
8	Department of Fertilisers						
	Gross	24555.3	21431.1	87.3%	18055.3	13093.6	72.5%
	Less : Recoveries	2068.3	2134.1	103.2%	768.3	590.9	76.9%
	Net	22487.0	19297.0	85.8%	17287.0	12502.7	72.3%
	MINISTRY OF CIVIL AVIATION	417.6	21.1	5.1%	318.6	19.5	6.1%
9	Ministry of Civil Aviation						
	Gross	417.6	21.1	5.1%	318.6	19.5	6.1%
	Less : Recoveries	0.0	0.0		0.0	0.0	
	Net	417.6	21.1	5.1%	318.6	19.5	6.1%
	MINISTRY OF COAL	38.0	12.6	33.2%	37.0	5.7	15.4%
10	Ministry of Coal						
	Gross	68.0	21.7	31.9%	67.0	20.7	30.9%
	Less : Recoveries	30.0	9.1	30.3%	30.0	15.0	50.0%
	Net	38.0	12.6	33.2%	37.0	5.7	15.4%
	MINISTRY OF COMMERCE AND INDUSTRY	1179.4	868.1	73.6%	1158.3	721.7	62.3%
11	Department of Commerce						
	Gross	1067.2	821.9	77.0%	1060.6	686.8	64.8%
	Less : Recoveries	1.2	0.6	50.0%	2.6	2.4	
	Net	1066.0	821.3	77.0%	1058.0	684.4	64.7%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
12	Department of Industrial Policy and Promotion						
	Gross	113.4	46.8	41.3%	100.3	37.3	37.2%
	Less : Recoveries	0.0	0.0		0.0	0.0	
	Net	113.4	46.8	41.3%	100.3	37.3	37.2%
	MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY	4935.4	3911.7	79.3%	4335.1	3310.9	76.4%
13	Department of Posts						
	Gross	7154.6	3252.4	45.5%	6500.7	3066.7	47.2%
	Less : Receipts	5539.7	1438.5	26.0%	4998.7	1352.6	27.1%
	Recoveries	215.5	0.0	0.0%	155.8	0.0	0.0%
	Net	1399.4	1813.9	129.6%	1346.2	1714.1	127.3%
14	Department of Telecommunications						
	Gross	5300.0	2078.9	39.2%	4452.9	1578.7	35.5%
	Less : Recoveries	1800.0	0.0	0.0%	1500.0	0.0	0.0%
	Net	3500.0	2078.9	59.4%	2952.9	1578.7	53.5%
15	Department of Information Technology						
		36.0	18.9	52.5%	36.0	18.1	50.3%
	MINISTRY OF COMPANY AFFAIRS	154.0	26.9	17.5%	145.0	29.3	20.2%
16	Ministry of Company Affairs						
		154.0	26.9	17.5%	145.0	29.3	20.2%
	MINISTRY OF CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION	26036.6	14774.2	56.7%	24535.0	15340.4	62.5%
17	Department of Consumer Affairs						
	Gross	57.2	18.6	32.5%	68.0	16.6	24.4%
	Less : Recoveries	20.6	0.0	0.0%	33.0	0.0	0.0%
	Net	36.6	18.6	50.8%	35.0	16.6	47.4%
18	Department of Food & Public Distribution						
	Gross	26406.2	14756.3	55.9%	24899.7	15323.8	61.5%
	Less : Recoveries	406.2	0.7	0.2%	399.7	0.0	0.0%
	Net	26000.0	14755.6	56.8%	24500.0	15323.8	62.5%
	MINISTRY OF CULTURE	375.6	192.8	51.3%	350.0	153.8	43.9%
19	Ministry of Culture						
		375.6	192.8	51.3%	350.0	153.8	43.9%
	MINISTRY OF DEFENCE	112695.9	38834.4	34.5%	104123.8	38310.0	36.8%
20	Ministry of Defence						
	Gross	7646.8	2681.1	35.1%	7499.8	2185.3	29.1%
	Less : Receipts	5600.0	1809.0	32.3%	5600.0	1508.2	26.9%
	Net	2046.8	872.1	42.6%	1899.8	677.1	35.6%
21	Defence Pensions						
		14649.0	6450.8	44.0%	13224.0	5536.3	41.9%
	DEFENCE SERVICES	96000.1	31511.5	32.8%	89000.0	32096.6	36.1%
22	Defence Services-Army						
	Gross	35194.3	15904.0	45.2%	33205.1	14453.2	43.5%
	Less : Receipts	1086.0	573.2	52.8%	886.9	511.7	57.7%
	Recoveries	21.5	0.0	0.0%	19.6	0.0	0.0%
	Net	34086.8	15330.8	45.0%	32298.6	13941.5	43.2%
23	Defence Services-Navy						
	Gross	7050.2	3309.7	46.9%	6791.8	2894.6	42.6%
	Less : Receipts	81.9	50.6	61.8%	78.6	28.5	36.3%
	Net	6968.3	3259.1	46.8%	6713.2	2866.1	42.7%
24	Defence Services-Air Force						
	Gross	10430.4	4524.9	43.4%	10087.4	4391.4	43.5%
	Less : Receipts	237.4	154.4	65.0%	229.0	252.6	110.3%
	Net	10193.0	4370.5	42.9%	9858.4	4138.8	42.0%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
25	Defence Ordnance Factories						
	Gross	1192.5	1966.6	164.9%	1500.1	1494.5	99.6%
	Less : Receipts	1249.0	412.7	33.0%	1536.4	349.3	22.7%
	Recoveries	300.0	0.0	0.0%	300.0	0.0	0.0%
	Net	-356.5	1553.9	-435.9%	-336.3	1145.2	-340.5%
26	Defence Services - Research and Development						
	Gross	3202.5	1309.5	40.9%	3020.1	1268.3	42.0%
	Less : Receipts	16.0	6.7	41.9%	12.0	6.1	50.8%
	Net	3186.5	1302.8	40.9%	3008.1	1262.2	42.0%
27	Capital Outlay on Defence Services	41922.0	5694.4	13.6%	37458.0	8742.8	23.3%
	MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION	13.1	5.0	38.2%	12.8	4.8	37.5%
28	Ministry of Development of North Eastern Region	13.1	5.0	38.2%	12.8	4.8	37.5%
	MINISTRY OF EARTH SCIENCES	197.0	87.0	44.2%	37.8	9.2	24.3%
29	Ministry of Earth Sciences						
	Gross	198.0	87.0	43.9%	37.8	9.2	24.3%
	Less : Recoveries	1.0	0.0	0.0%	0.0	0.0	
	Net	197.0	87.0	44.2%	37.8	9.2	24.3%
	MINISTRY OF ENVIRONMENT AND FORESTS	188.0	127.0	67.6%	181.2	105.9	58.4%
30	Ministry of Environment and Forests	188.0	127.0	67.6%	181.2	105.9	58.4%
	MINISTRY OF EXTERNAL AFFAIRS	3933.6	1576.7	40.1%	3472.8	1309.9	37.7%
31	Ministry of External Affairs	3933.6	1576.7	40.1%	3472.8	1309.9	37.7%
	MINISTRY OF FINANCE	256421.9	130254.4	50.8%	191945.8	90632.8	47.2%
32	Department of Economic Affairs	2392.1	745.4	31.2%	1621.1	469.0	28.9%
33	Payments to Financial Institutions						
	Gross	46077.6	35786.3	77.7%	4366.2	194.0	4.4%
	Less : Receipts	539.6	0.0	0.0%	1500.0	35.0	2.3%
	Net	45538.0	35786.3	78.6%	2866.2	159.0	5.5%
34	Interest Payments						
	Gross	163994.9	73728.0	45.0%	145822.6	65392.6	44.8%
	Less : Receipts	5000.0	907.5	18.2%	6000.0	1389.9	23.2%
	Net	158994.9	72820.5	45.8%	139822.6	64002.7	45.8%
35	Transfers to State and UT Governments						
	Gross	35140.0	15830.7	45.1%	33769.0	21718.1	64.3%
	Less : Receipts	2900.0	1140.1	39.3%	2500.0	808.8	32.4%
	Recoveries	1800.0	250.2	13.9%	1500.0	1962.1	130.8%
	Net	30440.0	14440.4	47.4%	29769.0	18947.2	63.6%
36	Loans to Govt. Servants etc.						
	Gross	360.0	98.9	27.5%	450.0	94.8	21.1%
	Less : Receipts	530.0	265.8	50.2%	530.0	266.0	50.2%
	Net	-170.0	-166.9	98.2%	-80.0	-171.2	214.0%
37	Repayment of Debt						
	Gross (Excluding MSS)	1480510.9	764492.9	51.6%	970307.7	703769.3	72.5%
	Less : Receipts	1480510.9	764492.9	51.6%	970307.7	703769.3	72.5%
	Net	0.0	0.0		0.0	0.0	
38	Department of Expenditure	143.0	17.3	12.1%	28.8	15.6	54.2%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
39	Pensions	7333.5	3539.4	48.3%	6823.1	3365.0	49.3%
40	Indian Audit and Accounts Department						
	Gross	1260.6	670.5	53.2%	1247.4	638.3	51.2%
	Less : Recoveries	102.6	51.5	50.2%	101.6	48.3	47.5%
	Net	1158.0	619.0	53.5%	1145.8	590.0	51.5%
41	Department of Revenue						
	Gross	5875.9	1055.0	18.0%	3341.1	2004.7	60.0%
	Less : Receipts	258.0	107.1	41.5%	243.0	81.8	33.7%
	Recoveries	40.5	0.0	0.0%	40.1	0.0	0.0%
	Net	5577.4	947.9	17.0%	3058.0	1922.9	62.9%
42	Direct Taxes						
	Gross	1532.0	715.3	46.7%	1334.0	570.5	42.8%
	Less : Recoveries	2.0	19.2	0.0%	2.0	0.0	0.0%
	Net	1530.0	696.1	45.5%	1332.0	570.5	42.8%
43	Indirect Taxes						
	Gross	1831.0	808.0	44.1%	1714.8	759.7	44.3%
	Less : Recoveries	1.0	0.0	0.0%	5.7	0.0	0.0%
	Net	1830.0	808.0	44.2%	1709.1	759.7	44.5%
44	Department of Disinvestment						
	Gross	3306.0	1.0	0.0%	7690.1	2.4	0.0%
	Less : Recoveries	1651.0	0.0	0.0%	3840.0	0.0	0.0%
	Net	1655.0	1.0	0.1%	3850.1	2.4	0.1%
	MINISTRY OF FOOD PROCESSING INDUSTRIES	8.3	4.0	48.2%	6.8	3.6	52.9%
45	Ministry of Food Processing Industries	8.3	4.0	48.2%	6.8	3.6	52.9%
	MINISTRY OF HEALTH AND FAMILY WELFARE	1491.9	786.5	52.7%	1322.6	757.7	57.3%
46	Department of Health and Family Welfare						
	Gross	3121.2	1346.7	43.1%	3060.7	1153.7	37.7%
	Less : Recoveries	1705.2	606.8	35.6%	1804.4	441.6	24.5%
	Net	1416.0	739.9	52.3%	1256.3	712.1	56.7%
47	Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (Ayush)	75.9	46.6	61.4%	66.3	45.6	68.8%
	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES	460.7	86.5	18.8%	459.6	298.8	65.0%
48	Department of Heavy Industry						
	Gross	464.1	84.3	18.2%	463.6	296.9	64.0%
	Less : Receipts	7.8	0.0	0.0%	7.8	0.0	0.0%
	Net	456.3	84.3	18.5%	455.8	296.9	65.1%
49	Department of Public Enterprises	4.4	2.2	50.0%	3.8	1.9	50.0%
	MINISTRY OF HOME AFFAIRS	20975.7	9176.1	43.7%	18091.6	8817.6	48.7%
50	Ministry of Home Affairs	800.0	399.6	50.0%	776.5	358.8	46.2%
51	Cabinet	238.7	103.9	43.5%	219.1	99.5	45.4%
52	Police						
	Gross	18645.0	8062.3	43.2%	15838.0	7663.3	48.4%
	Less : Recoveries	130.0	73.5	56.5%	117.0	55.4	47.4%
	Net	18515.0	7988.8	43.1%	15721.0	7607.9	48.4%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
53	Other Expenditure of the Ministry of Home Affairs	983.0	464.3	47.2%	936.0	568.5	60.7%
54	Transfers to UT Govts.	439.0	219.5	50.0%	439.0	182.9	41.7%
	MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION	9.8	1.7	17.3%	10.0	2.2	22.0%
55	Ministry of Housing and Urban Poverty Alleviation	9.8	1.7	17.3%	10.0	2.2	22.0%
	MINISTRY OF HUMAN RESOURCE DEVELOPMENT	3680.2	1968.5	53.5%	3371.0	1750.3	51.9%
56	Department of School Education and Literacy	951.2	637.8	67.1%	4.7	2.4	51.1%
57	Department of Higher Education	2729.0	1330.7	48.8%	3366.3	1747.9	51.9%
	MINISTRY OF INFORMATION AND BROADCASTING	1206.8	530.7	44.0%	1178.0	524.9	44.6%
58	Ministry of Information and Broadcasting						
	Gross	1206.9	530.7	44.0%	1178.1	524.9	44.6%
	Less : Recoveries	0.1	0.0	0.0%	0.1	0.0	0.0%
	Net	1206.8	530.7	44.0%	1178.0	524.9	44.6%
	MINISTRY OF LABOUR AND EMPLOYMENT	1308.0	1140.2	87.2%	1170.0	1078.3	92.2%
59	Ministry of Labour and employment						
	Gross	1571.8	1150.7	73.2%	1332.2	1078.3	80.9%
	Less : Recoveries	263.8	10.5	4.0%	162.2	0.0	0.0%
	Net	1308.0	1140.2	87.2%	1170.0	1078.3	92.2%
	MINISTRY OF LAW AND JUSTICE	639.8	290.1	45.3%	724.8	187.1	25.8%
60	Election Commission	14.5	6.7	46.2%	12.5	6.4	51.2%
61	Law and Justice	572.0	254.9	44.6%	669.0	155.2	23.2%
62	Supreme Court of India	53.3	28.5	53.5%	43.3	25.5	58.9%
	MINISTRY OF MINES	235.7	143.8	61.0%	254.0	122.3	48.1%
63	Ministry of Mines	235.7	143.8	61.0%	254.0	122.3	48.1%
	MINISTRY OF MINORITY AFFAIRS	12.8	4.2	32.8%	2.0	0.5	25.0%
64	Ministry of Minority Affairs	12.8	4.2	32.8%	2.0	0.5	25.0%
	MINISTRY OF NEW AND RENEWABLE ENERGY	6.9	3.5	50.7%	6.6	3.9	59.1%
65	Ministry of New and Renewable Energy	6.9	3.5	50.7%	6.6	3.9	59.1%
	MINISTRY OF OVERSEAS INDIANS AFFAIRS	50.0	6.9	13.8%	38.0	4.2	11.1%
66	Ministry of Overseas Indians Affairs	50.0	6.9	13.8%	38.0	4.2	11.1%
	MINISTRY OF PANCHAYATI RAJ	0.5	0.1	20.0%	0.7	0.4	57.1%
67	Ministry of Panchayati Raj	0.5	0.1	20.0%	0.7	0.4	57.1%
	MINISTRY OF PARLIAMENTARY AFFAIRS	6.1	2.5	41.0%	6.0	2.0	33.3%
68	Ministry of Parliamentary Affairs	6.1	2.5	41.0%	6.0	2.0	33.3%
	MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS	276.0	128.2	46.4%	250.0	105.5	42.2%
69	Ministry of Personnel, Public Grievances and Pensions	276.0	128.2	46.4%	250.0	105.5	42.2%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
	MINISTRY OF PETROLEUM AND NATURAL GAS	2867.8	134.2	4.7%	3106.6	1092.0	35.2%
70	Ministry of Petroleum and Natural Gas	2867.8	134.2	4.7%	3106.6	1092.0	35.2%
	MINISTRY OF PLANNING	39.3	21.0	53.4%	34.1	20.0	58.7%
71	Ministry of Planning	39.3	21.0	53.4%	34.1	20.0	58.7%
	MINISTRY OF POWER	69.2	35.1	50.7%	67.0	-181.9	-271.5%
72	Ministry of Power						
	Gross	411.2	35.1	8.5%	1486.2	220.7	14.8%
	Less : Receipts	342.0	0.0	0.0%	1419.2	402.6	28.4%
	Net	69.2	35.1	50.7%	67.0	-181.9	-271.5%
	THE PRESIDENT, PARLIAMENT, UNION PUBLIC SERVICE COMMISSION AND THE SECRETARIAT OF THE VICE-PRESIDENT	475.3	197.2	41.5%	430.1	149.3	34.7%
73	Staff, Household and Allowances of the President	17.6	8.0	45.5%	22.9	6.5	28.4%
74	Lok Sabha	271.6	108.2	39.8%	243.5	65.4	26.9%
75	Rajya Sabha	109.5	43.8	40.0%	102.3	45.2	44.2%
76	UPSC	75.1	36.5	48.6%	60.0	31.6	52.7%
77	Secretariat of the Vice-President	1.5	0.7	46.7%	1.4	0.6	42.9%
	MINISTRY OF RURAL DEVELOPMENT	28.4	16.1	56.7%	27.3	14.8	54.2%
78	Department of Rural Development	22.9	13.1	57.2%	21.9	12.0	54.8%
79	Department of Land Resources	3.8	2.2	57.9%	3.7	1.9	51.4%
80	Department of Drinking Water Supply	1.7	0.8	47.1%	1.7	0.9	52.9%
	MINISTRY OF SCIENCE AND TECHNOLOGY	1100.7	550.3	50.0%	1194.6	577.6	48.4%
81	Department of Science and Technology						
	Gross	261.3	125.5	48.0%	419.3	191.8	45.7%
	Less : Recoveries	12.3	1.8	14.6%	13.3	12.3	92.5%
	Net	249.0	123.7	49.7%	406.0	179.5	44.2%
82	Department of Scientific and Industrial Research	832.0	415.2	49.9%	775.0	386.8	49.9%
83	Department of Biotechnology	19.7	11.4	57.9%	13.6	11.3	83.1%
	MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS	2927.7	600.9	20.5%	2627.8	818.1	31.1%
84	Department of Shipping						
	Gross	947.5	114.8	12.1%	639.8	303.9	47.5%
	Less : Receipts	110.0	67.5	61.4%	94.0	40.7	43.3%
	Recoveries	37.5	6.3	16.8%	44.5	9.9	22.2%
	Net	800.0	41.0	5.1%	501.3	253.3	50.5%
85	Department of Road Transport and Highways						
	Gross	2248.9	587.2	26.1%	2226.7	585.7	26.3%
	Less : Recoveries	121.2	27.3	22.5%	100.2	20.9	20.9%
	Net	2127.7	559.9	26.3%	2126.5	564.8	26.6%
	MINISTRY OF SMALL SCALE INDUSTRIES	55.4	30.3	54.7%	57.9	29.2	50.4%
86	Ministry of Small Scale Industries	55.4	30.3	54.7%	57.9	29.2	50.4%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
	MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT	58.2	22.6	38.8%	67.6	25.0	37.0%
87	Ministry of Social Justice & Empowerment	58.2	22.6	38.8%	67.6	25.0	37.0%
	DEPARTMENT OF SPACE	438.6	432.7	98.7%	390.0	226.6	58.1%
88	Department of Space						
	Gross	438.6	432.7	98.7%	390.0	226.6	58.1%
	Less : Recoveries	0.0	0.0	0.0	0.0	0.0	0.0
	Net	438.6	432.7	98.7%	390.0	226.6	58.1%
	MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION	181.5	93.6	51.6%	153.2	88.2	57.6%
89	Ministry of Statistics and Programme Implementation	181.5	93.6	51.6%	153.2	88.2	57.6%
	MINISTRY OF STEEL	84.5	33.7	39.9%	84.5	18.6	22.0%
90	Ministry of Steel	84.5	33.7	39.9%	84.5	18.6	22.0%
	MINISTRY OF TEXTILES	893.7	325.8	36.5%	1696.3	348.3	20.5%
91	Ministry of Textiles	893.7	325.8	36.5%	1696.3	348.3	20.5%
	MINISTRY OF TOURISM	43.6	15.6	35.8%	42.8	14.6	34.1%
92	Ministry of Tourism	43.6	15.6	35.8%	42.8	14.6	34.1%
	MINISTRY OF TRIBAL AFFAIRS	12.3	4.7	38.2%	10.6	3.3	31.1%
93	Ministry of Tribal Affairs	12.3	4.7	38.2%	10.6	3.3	31.1%
	U.Ts WITHOUT LEGISLATURE	1869.4	991.8	53.1%	1958.0	881.9	45.0%
94	Andaman & Nicobar Islands						
	Gross	791.0	426.0	53.9%	936.8	376.5	40.2%
	Less : Recoveries	91.0	50.3	55.3%	79.8	30.8	38.6%
	Net	700.0	375.7	53.7%	857.0	345.7	40.3%
95	Chandigarh						
	Gross	1150.0	663.1	57.7%	1107.2	561.4	50.7%
	Less : Recoveries	315.0	110.1	35.0%	293.2	160.1	54.6%
	Net	835.0	553.0	66.2%	814.0	401.3	49.3%
96	Dadra & Nagar Haveli						
	Gross	879.5	425.2	48.3%	737.1	298.3	40.5%
	Less : Recoveries	826.5	395.3	47.8%	687.1	273.0	39.7%
	Net	53.0	29.9	56.4%	50.0	25.3	50.6%
97	Daman & Diu						
	Gross	333.6	245.6	73.6%	249.6	170.0	68.1%
	Less : Recoveries	274.6	214.2	78.0%	192.6	137.6	71.4%
	Net	59.0	31.4	53.2%	57.0	32.4	56.8%
98	Lakshadweep						
	Gross	265.4	1.8	0.7%	217.1	81.9	37.7%
	Less : Recoveries	43.0	0.0	0.0%	37.1	4.7	12.7%
	Net	222.4	1.8	0.8%	180.0	77.2	42.9%
	MINISTRY OF URBAN DEVELOPMENT	1479.0	647.2	43.8%	1356.5	620.3	45.7%
99	Department of Urban Development						
	Gross	589.0	235.9	40.1%	528.8	215.6	40.8%
	Less : Recoveries	0.0	0.0	0.0	0.0	0.0	0.0
	Net	589.0	235.9	40.1%	528.8	215.6	40.8%

(Rs. crore)

Grant No.	Ministry/Department	2007-08			2006-07		
		BE	Actuals upto 09/2007	%	BE	Actuals upto 09/2006	%
100	Public Works						
	Gross	949.2	439.0	46.2%	916.1	426.7	46.6%
	Less : Recoveries	109.2	15.6	14.3%	140.4	27.3	19.4%
	Net	840.0	423.4	50.4%	775.7	399.4	51.5%
101	Stationery and Printing						
	Gross	177.1	72.5	40.9%	154.3	67.0	43.4%
	Less : Recoveries	127.1	84.6	66.6%	102.3	61.7	60.3%
	Net	50.0	-12.1	-24.2%	52.0	5.3	10.2%
	MINISTRY OF WATER RESOURCES	271.8	142.0	52.2%	261.5	152.2	58.2%
102	Ministry of Water Resources						
	Gross	286.2	145.0	50.7%	275.3	154.7	56.2%
	Less : Recoveries	14.4	3.0	20.8%	13.8	2.5	18.1%
	Net	271.8	142.0	52.2%	261.5	152.2	58.2%
	MINISTRY OF WOMEN AND CHILD DEVELOPMENT	60.0	21.9	36.5%	57.1	21.3	37.3%
103	Department of Women and Child Development						
		60.0	21.9	36.5%	57.1	21.3	37.3%
	MINISTRY OF YOUTH AFFAIRS & SPORTS	80.0	36.6	45.8%	69.0	25.0	36.2%
104	Ministry of Youth Affairs and Sports						
		80.0	36.6	45.8%	69.0	25.0	36.2%
	MINISTRY OF RAILWAYS						
	Ministry of Railways						
	Gross	73442.5	28981.2	39.5%	61834.0	26737.8	43.2%
	Less : Receipts	73442.5	28981.2	39.5%	61834.0	26737.8	43.2%
	: Reserve fund	0.0	0.0		0.0	0.0	
	Net	0.0	0.0		0.0	0.0	
	Exp. From Contingency Fund		101.1			124.6	
	GRAND TOTAL	475420.5	231134.4	48.6%	391263.5	183066.0	46.8%

Note: Due to rounding off to the nearest decimal, some of the sub-totals/totals may not exactly match.

Appendix Table XI

**RESOURCES TRANSFERRED TO
STATE & UT GOVERNMENTS**

(Rs. in crore)

Description	2007-2008			2006-2007		
	BE	ACTUALS upto 09/2007	%	BE	ACTUALS upto 09/2006	%
1 States' share of Taxes & Duties	142450	61851	43.4%	113448	48683	42.9%
2 Non-plan Grants & Loans	38498	16257	42.2%	35461	17892	50.5%
Grants	38403	16220	42.2%	35361	17853	50.5%
Loans	95	37	38.9%	100	39	39.0%
Ways and Means Advances (Net)		0			0	
3 Central Assistance for State & UT Plans	46609	22744	48.8%	37971	16253	42.8%
Grants	43322	19127	44.2%	33971	14055	41.4%
Loans	3287	3617	110.0%	4000	2198	55.0%
4 Assistance for Central & Centrally sponsored Schemes	21880	10698	48.9%	17089	7884	46.1%
Grants	21705	10596	48.8%	16943	7795	46.0%
Loans	175	102	58.3%	146	89	61.0%
5 Total Grants & Loans (2+3+4)	106987	49699	46.5%	90521	42029	46.4%
Grants	103430	45943	44.4%	86275	39703	46.0%
Loans	3557	3756	105.6%	4246	2326	54.8%
6 Less : Recovery of Loans & Advances	593	1328	223.9%	6762	3238	47.9%
7 Net Resources transferred to State & UT Governments (1+5-6)	248844	110222	44.3%	197207	87474	44.4%
(i) Of Which State Govts.	246529	109523	44.4%	195521	87218	44.6%
(ii) Of Which UT. Govts.	2315	699	30.2%	1686	256	15.2%

Note: Due to rounding off to the nearest decimal, some of the sub-totals/totals may not exactly match.

Outstanding Liabilities of the Central Government

Year	Internal liabilities (3+4)	Internal debt	Other Internal liabilities	External debt*	Total outstanding liabilities (2+5)	External debt adjusted@	Total outstanding liabilities adjusted@ (2+7)
1	2	3	4	5	6	7	8
(Rs. Crore)							
1990-91	283033	154004	129029	31525	314558	66314	349347
1991-92	317714	172750	144964	36948	354662	109677	427391
1992-93	359654	199100	160554	42269	401923	120979	480633
1993-94	430623	245712	184911	47345	477968	127798	558421
1994-95	487682	266467	221215	50929	538611	142514	630196
1995-96	554984	307869	247115	51249	606233	148398	703382
1996-97	621438	344476	276962	54238	675676	149564	771002
1997-98	722962	388998	333964	55332	778294	161418	884380
1998-99	834551	459696	374855	57255	891806	177934	1012485
1999-2000	962592	714254	248338	58437	1021029	186791	1149383
2000-01	1102596	803698	298898	65945	1168541	189990	1292586
2001-02	1294862	913061	381801	71546	1366408	199868	1494730
2002-03	1499589	1020688	478901	59612	1559201	196043	1695632
2003-04	1690554	1141706	548848	46124	1736678	184177	1874731
2004-05**	1933544	1275971	657573	60878	1994422	191182	2124726
2005-06**	2165902	1389758	776144	94243	2260145	194078	2359980
2006-07(RE)**	2434329	1554238	880091	102135	2536464	201209	2635538
2007-08(BE)**	2633196	1683966	949230	111245	2744441	n.a.	n.a.
(As per cent of GDP)							
1990-91	49.8	27.1	22.7	5.5	55.3	11.7	61.4
1991-92	48.6	26.5	22.2	5.7	54.3	16.8	65.4
1992-93	48.1	26.6	21.5	5.6	53.7	16.2	64.2
1993-94	50.1	28.6	21.5	5.5	55.6	14.9	65.0
1994-95	48.2	26.3	21.8	5.0	53.2	14.1	62.2
1995-96	46.7	25.9	20.8	4.3	51.0	12.5	59.2
1996-97	45.4	25.2	20.2	4.0	49.4	10.9	56.4
1997-98	47.5	25.5	21.9	3.6	51.1	10.6	58.1
1998-99	47.9	26.4	21.5	3.3	51.2	10.2	58.2
1999-2000	49.3	36.6	12.7	3.0	52.3	9.6	58.9
2000-01	52.4	38.2	14.2	3.1	55.6	9.0	61.5
2001-02	56.8	40.0	16.7	3.1	59.9	8.8	65.5
2002-03	61.0	41.5	19.5	2.4	63.4	8.0	69.0
2003-04	61.1	41.3	19.8	1.7	62.8	6.7	67.8
2004-05**	61.8	40.8	21.0	1.9	63.8	6.1	68.0
2005-06**	60.7	39.0	21.8	2.6	63.4	5.4	66.2
2006-07(RE)**	59.0	37.7	21.3	2.5	61.5	4.9	63.9
2007-08(BE)**	56.8	36.3	20.5	2.4	59.2	n.a.	n.a.

* At historical exchange rate .

** Internal debt includes net borrowing of Rs 64,211 crore for 2004-05, Rs 29,062 crore for 2005-06, Rs.70,000 crore for 2006-07(RE) and Rs. 80,000 crore for 2007-08(BE) under Market Stabilisation Scheme.

@ Converted at year end exchange rates. For 1990-91, the rates prevailing at the end of March, 1991;

For 1995-96, the rates prevailing at the end of March, 1996 and so on.