



**Report of
Third Delhi Finance Commission
2006-2011**

VOLUME-II

**STATE - LOCAL BODIES :
THE FINANCIAL INTERFACE**

**National Capital Territory of Delhi
October 2006**



सत्यमेव जयते

Report of Third Delhi Finance Commission 2006-2011

S.NO.		PAGE
i.	Preface	1-10
ii.	Maps	10-11
iii.	Chapter Contents	xi-xxviii
iv.	Acronyms Used	xxviii-xxx
v.	Acknowledgement	xxxi-xxxii
vi.	Executive Summary	xxxiii-xxxviii

VOLUME-II

STATE - LOCAL BODIES : THE FINANCIAL INTERFACE

01.	Assessing City Management: Overall Picture	1-11
02.	Assessing City Management: Governance, Infrastructure and Services - as Benchmarks	12-154
03.	Assessing City Management: Policy, Institutional Arrangements - As Benchmarks	155-176
04.	Assessing City Management: The State Government-Local Body Interface: As Benchmarks	177-198
05.	Planning for the Development of Delhi	199-282

VOLUME-II

STATE - LOCAL BODIES : THE FINANCIAL INTERFACE

10.	The State Government: Financial Operations, Resource Needs and Resource Mobilization	283-377
-----	--	---------

National Capital Territory of Delhi
October 2006

**REPORT OF THE THIRD DELHI FINANCE COMMISSION
(2006-2011)**

CONTENTS

VOLUME-I

CONCEPTS AND CONTEXT

S.NO.		PAGE
i.	Preface	i-viii
ii.	Maps	ix-xi
iii.	Chapter Contents	xii-xxxvii
iv.	Acronyms Used	xxxviii-xlii
v.	Acknowledgement	xlili-xlvi
vi.	Executive Summary	xlvii-lxxvii

CHAPTERS

01.	Approach And Methodology- A Curtain Raiser	1-11
02.	International, National And Regional Trends And Policy	12-25
03.	Delhi-The City	26-49
04.	The City: Vision, Development, Management and Good Governance	50-86
05.	Interplay of Mega-Events and the Population Factor	87-121
06.	Assessing City Management: Governance, Infrastructure and Services - as Benchmarks	122-154
07.	Assessing City Management: Policy, Institutional Arrangements - As Benchmarks	155-176
08.	Assessing City Management: The State Government-Local Body Interface: As Benchmarks	177-198
09.	Planning for the Development of Delhi	199-282

VOLUME-II

STATE – LOCAL BODIES : THE FINANCIAL INTERFACE

10.	The State Government: Financial Operations: Resource Needs and Resource Mobilization	283-377
11.	The State Government: Financial Operations; Resource Allocation and Resource Utilization	378-484

12.	Municipal Corporation of Delhi: Resource Mobilization	485-593
13.	Municipal Corporation of Delhi: Expenditure Management:	594-690
14.	NDMC: Resource Management	691-789
15.	NDMC: Expenditure Management	790-848
16.	Mobilization and Application of Resources of Delhi Cantonment Board	849-873

VOLUME-III

PROJECTIONS AND RECOMMENDATIONS

17.	Financial Projections (2006-2011)	874-1021
18.	The Summing-up: Analysis and Assessments	1022-1070
19.	The Recommendations	1071-1133

VOLUME-IV (on CD)

ANNEXES AND WORKING PAPERS

20.	Section I Annexure I to XXVIII (Chapter 1 to 9)	1 to 254
21..	Section II Annexure (Chapter 10 to 19)	1 to 179
22.	Section III Working data sheet and graph/pie chart	1 to 643
23.	Section IV Circulars and correspondence	1 to 207
24.	Section V Bibliography	1 to 16
Total Page (Volume – IV)		1299

Chapter-10

The State Government: Financial Operations: Resource Needs and Resource Mobilization

The preceding chapters have sought to outline the factors determining and, in turn, determined by the resource matrix. The city vision is both an outcome of and a response to domestic compulsions and international trends. Simultaneously, the city vision shapes city management. The responses of the state and local governments depend on their respective functions and responsibilities, which are circumscribed by availability of resources. Accordingly, even the quantitative aspect of a devolution package needs to consider both sides of the resource equation: the availability of resources and the demand for resources.

10.2 In the qualitative dimension, both supply of and demand for resources raises efficiency issues. For instance, the 'resource needs' projected by the local bodies is often compounded by diversion of available resources to low priority needs, unwillingness or inability to tap into potential revenue bases adequately, and poor collection efficiencies in respect of already available resource bases.

10.3 As a first step, we consider one side of the equation: what does the state government mobilize? What does it utilize? What are the needs of the state government? In other words, an evaluation of the supply side or the availability of resources: for the state government's own needs and for transfer to the local bodies. In the chapters dealing with local bodies we shall explore their resource mobilization efforts and their extant or projected deficit and needs i.e. the demand side of the equation. This and the next chapter reviews the financial operations of the state government.

The Role and Responsibilities of the State Government

10.4 Resource mobilization and resource needs are interlinked. Resource needs mainly depend on the role and responsibilities of the state government. Various provisions of the Constitution of India stand modified in their application to the National Capital Territory.¹ The subjects of land, law and order, and police, for

¹Sub-clause 3 (a) of Article 239AA of the Constitution of India, says that 'the Legislative Assembly shall have power to make laws for the whole or any part of the National Capital Territory with respect to any of the matters enumerated in the State List or in the Concurrent List in so far as any such matter is applicable to the Union Territories except matters with respect to Entries 1, 2 and 18 of the state List and Entries 64, 65 and 66 of that List in so far as they relate to the said Entries of 1, 2, and 18'. Entries 1, 2, and

example, have been kept out of the purview of the state government. These modifications have implications for the revenue and expenditure assignments of the state government. Illustratively:

- The principal responsibilities of the state government lie in the sphere of socio-economic development and city management. This implies responsibilities in the sphere of providing the required physical (power, water, and public transport including road networks) and socio-economic (education, health, sanitation, social welfare) infrastructure, services and amenities.
- Expenditure on police and law order is borne by the central and not the GNCTD.
- Similarly, the responsibility for pensions is also borne by the central government².
- Provident fund is part of the central public account³.

10.5 On the other hand:

- Delhi is unable to benefit from the recommendations of the Central Finance Commission for augmentation of the consolidated fund of the state to supplement the resources of the local bodies,⁴ and
- Receives ad-hoc grant-in-aid in lieu of share in central taxes, which stands frozen and is based on an unknown formulation.⁵

18 of the State List relate to Public Order, Police, and Land respectively. Entries 64, 65 and 66 relate to: offences against laws; jurisdiction and powers of all courts, except the Supreme Court, and; fees respectively.

² Responsibility for pension of employees appointed after January 1, 2004, has since been transferred to the state government.

³ Public account of Delhi government has since been separated.

⁴ Delhi remains a Union Territory with a legislature and Union Territories do not fall within the jurisdiction of the Central Finance Commission. However, this denies the Delhi government the access to resources that would have been available for augmentation of its consolidated fund for additional resource transfers to the local bodies. Sub-clause 3 (c) of Article 280 of the Constitution provides that the Finance Commission appointed under Article 280 (1) shall make recommendations as to 'the measures needed to augment the consolidated fund of a state to supplement the resources of the municipalities in the state on the basis of the recommendations made by the Finance Commission of the state.'

⁵ Letter No. F.10 (15)/2004-Fin (B)/2197 dated September 01, 2005. Delhi, says the Government of the NCT of Delhi, Finance Department, is getting ad hoc grants-in-aid in lieu of share in central taxes which is not based on the recommendations of the central Finance Commission applicable to states. The government of India, Ministry of Finance, Department of Expenditure, Finance Commission Division vide their letter No. 11 (2)/FCD/2003 dated August 14, 2003 had informed that in view of the Constitutional provisions, it would not be appropriate to include Delhi in the terms of reference of the Twelfth Finance Commission. The Finance Department has further stated that in 'a recent meeting' in the Government of India a view was expressed that the ad hoc grant-in-aid in lieu of share in central taxes to Delhi may reduce in the subsequent years and the government of Delhi was advised not to depend on the central government on this account. Additionally, since from 2000-2001, Delhi was getting Rupees 325 crore each year as ad hoc grant in lieu of share in central taxes the question of quantifying Delhi's share as per the recommendations of the Twelfth Finance Commission did not arise.

- Land is not available for mobilization of resources.
- Its resources are basically dependent on tax and non-tax instruments, and loans or grants.

10.6 The state government faces serious handicaps in both socio-economic development and city management. Although, many of these difficulties arise from historical circumstances, it faces statutory, administrative, and legislative restrictions. The continuing scope for central government interventions impacts its relations with the local bodies. Again, the circumstances that have led to the emergence of the Delhi government, when local bodies were already entrenched in the administrative arrangements of the NCT, have meant that the flexibility available to the state government is limited. This covers the financial, administrative and functional domain of the local bodies⁶.

10.7 Consider for instance, the fact that, though two preceding State Finance Commissions have recommended the transfer of large hospitals from the jurisdiction of the local government to that of the state government,⁷ the proposal has been unable to make headway. Similarly, the Balakrishnan⁸ and Virendra Prakash⁹ Committees and the Delhi-21 Report¹⁰ recommended administrative reorganization of the MCD. These proposals too have made no progress¹¹. In other words, the state government has a passive or reactive, rather than a pro-active role in fashioning the basic design and ingredients of decentralization.

10.8 Several reasons make the financial health of the state government relevant for our purposes: the present and potential size of the resource cake, the needs of the state government itself, the possibility of generating investment surpluses for its own needs or for transfer to local bodies. Our analytical framework has been spelt out in Chapter VIII. We now turn to the first stage in the assessment of the

⁶ We shall revert to a fuller consideration of the institutional arrangement, which have a huge impact on the effectiveness of functioning in Chapter XVIII entitled 'Summing Up: Analysis and Assessment'.

⁷ Report of the First Delhi Finance Commission on Municipalities in the National Capital Territory of Delhi (1997-2001), December 1997, Volume I, pages 153; Report of the Second Delhi Finance Commission, National Capital Territory of Delhi, April 2002 Volume I, pages 128-129.

⁸ Committee (Balakrishnan) on the Reorganization of the Delhi setup; Report Part II (December 1989); Chapter IX, pages 1-14..

⁹ Report of the Committee (Virendra Prakash) to Review the Structure and Working of the Municipal Corporation of Delhi, February 2001, government of the National Capital Territory of Delhi, Delhi Secretariat, page 168, paragraph 8.21.

¹⁰ Delhi Urban Environment and Infrastructure Improvement Project: Status Report for Delhi 21, January 2001, Government of India, Ministry of Environment and Forests and Government of the National Capital Territory of Delhi, Planning Department.

¹¹ Recently the Central Government have constituted two Committees; one to examine issues related to restructuring of the MCD and another to look into the impact of multiplicity of authorities in Delhi.

state-local body interface: resource needs, mobilization, allocation and utilization by the state government.

**Projecting
Resource
Needs:
some
issues**

10. 9 The investment needs of the state government emanate from basically two broad requirements: expenditure under plan and non-plan. The plan expenditure is on developmental schemes, projects and programs of the government, both on-going and proposed. Non-plan expenditure is broadly expenditure on the establishment, maintenance and upkeep of capital assets and transfer payments.

- The plan size is indicative of the investment requirements of various sectors and, accordingly, is the single most dependable indicator of resource needs for developmental purposes. Along with non-plan allocations it quantifies the total resource needs of any given financial year.
- It is worth noting that, in any given financial year, PE (plan expenditure) = TR (Total Resources)-NP (non-plan expenditure). Accordingly, both plan and non-plan size can grow simultaneously only if the resources mobilized are sufficient to meet the projected needs of both plan and non-plan expenditure. If there were a mismatch between needed and actual resource mobilization either one or both would have to be curtailed. If maintenance of the projected (higher) plan size is a priority, either the resources mobilized have to be sufficient or non-plan expenditure would need to be curtailed. In other words, development expenditure is a function of the resources mobilized or non-plan expenditure curbed or both.
- Generally, the projected non-plan expenditure has nothing to do with the resource projections or mobilization and actual non-plan expenditure is an autonomous exercise. However, failure to mobilize adequate resources can affect the plan size. This is worth remembering as we review the issues in projections of 'needed resources'

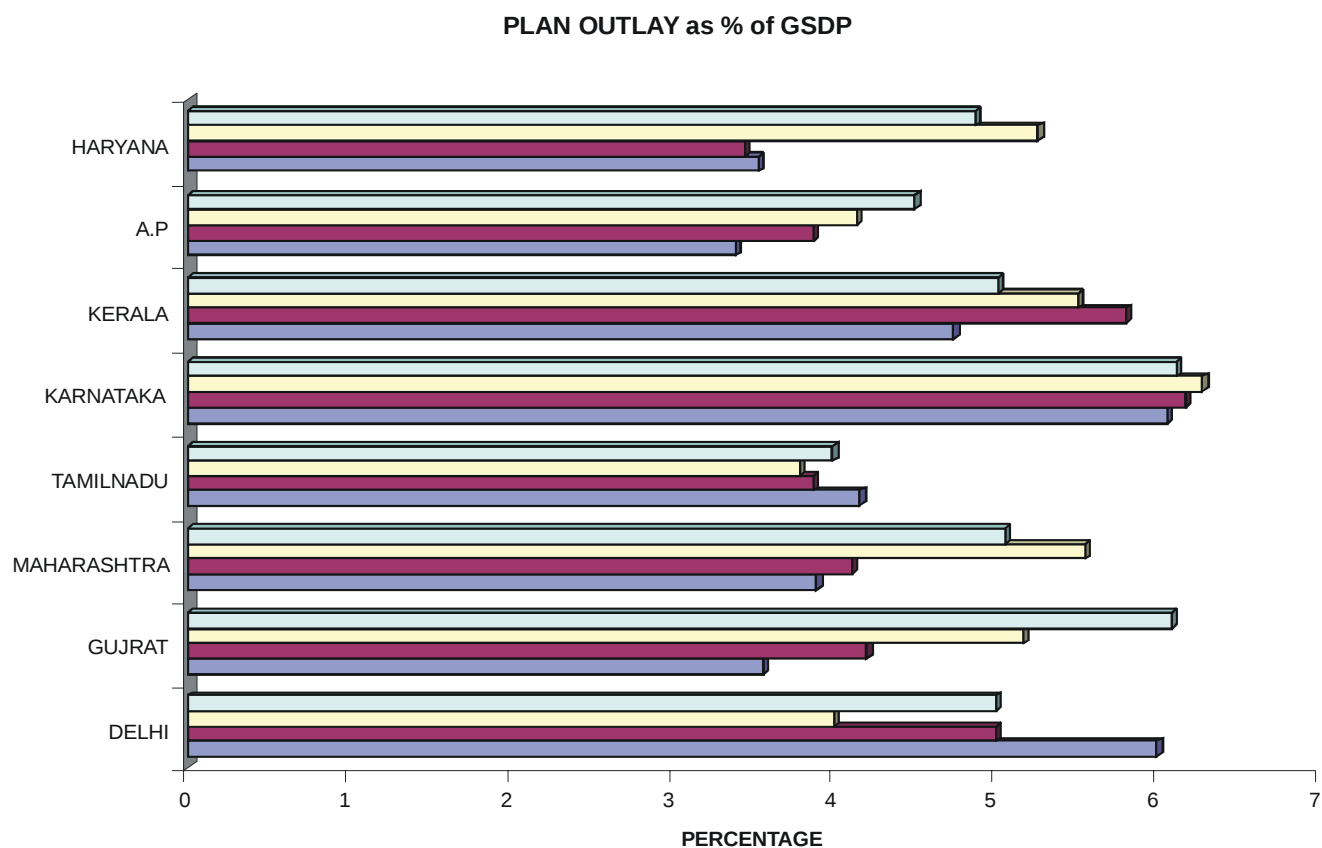
**Plan Outlay
as a
Percentage
of GSDP:
Comparative
Status of
Delhi**

10. 10 To get a fair assessment of the comparative position of Delhi over time and across the states we look at the figures of plan outlay as a percentage of the Gross State Domestic Product (GSDP). (Figure 10.0)

- In 1996-1997, the plan outlay of Delhi was approximately 6 percent of the GSDP. This compares favorably with the position prevailing in most of the states with which the comparison is being drawn which are economically the better placed states.

- In 1997-1998, the plan outlay as a percentage of the GSDP declined to around 5 percent, whereas in the case of Kerala and Karnataka it was higher than the previous year. In Andhra Pradesh, Gujarat, and Maharashtra it actually increased.
- In 1998-1999 Delhi's plan outlay as a percentage of the GSDP came down further to 4 percent. In most of the other states it actually increased, the exceptions being Tamil Nadu and Kerala.
- In 1999-2000, the plan outlay of Delhi, as a percentage of GSDP, stood restored at 5 percent. Three other states (Maharashtra, Kerala, and Haryana) had a more or less similar position. However, Gujarat and Karnataka were still higher.

Figure 10.0 Plan outlay as percentage of GSDP



Macro-Micro Data Parameters

10.11 In conducting this review we have been conscious that emphasis on any one set of data can lead to incomplete or inadequate conclusions. Accordingly, we have attempted to test the data on various parameters. For example, we have evaluated the data on the basis of absolute changes, percentage changes, and percentage point changes, variations within the year and over the previous years. We have looked at the position of actual realizations with reference to the budget and revised projections as well as the changes within the budget and revised projections themselves. This enables us to identify trends and patterns, weaknesses and strengths. This we hope constitutes a reasonably comprehensive macro- and micro-level review of the data.

Resource Needs

10.12 Analysis of Annual Budgets: Original budget estimates¹², which constitute the first estimate of revenues in any year, are subject to a mid-year revision. These projections constitute the first annual statement of resource needs: to meet anticipated expenditure responsibilities and for deciding the annual plan size. Repeated mismatches (shortfalls or excesses) in the projected, revised and actual revenue receipts are indicative of unduly optimistic or pessimistic assessments. Differences, on the one hand, between the projected (revised) and actual receipts are suggestive of performance gaps. The original and revised estimates of revenue, particularly when juxtaposed against actual receipts, are therefore instructive.

- The original budget estimates for each financial year suggest the resource needs of that year under plan and non-plan heads. Table 10.0 provides details of the projected requirements in the years 1994-1995 to 2006-2007.

Table: 10.0-Projected Plan, Non-plan and Resource Requirement-1994-1995 to 2004-2005*

Year	Projected			Absolute increase/decrease over previous year			% increase/decrease in resources over the previous year		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
1	2	3	4	5	6	7	8	9	10
1994-1995	1560.00	1008.03	2568.03						
1995-1996	1720.00	1228.24	2948.24	160.00	220.21	380.21	10.26%	21.85%	14.81%
1996-1997	2081.22	1304.00	3385.22	361.22	75.76	436.98	21.00%	6.17%	14.82%

¹² Note: All statistics quoted in this section are gross figures whether in respect of original and revised projections or in respect of actual realizations.

1997-1998	2325.00	1703.78	4028.78	243.78	399.78	643.56	11.71%	30.66%	19.01%
1998-1999	2681.16	2406.06	5087.22	356.16	702.28	1058.44	15.32%	41.22%	26.27%
1999-2000	3000.00	2826.70	5826.70	318.84	420.64	739.48	11.89%	17.48%	14.54%
2000-2001	3300.00	3572.34	6872.34	300.00	745.64	1045.64	10.00%	26.38%	17.95%
2001-2002	3800.00	3645.95	7445.95	500.00	73.61	573.61	15.15%	2.06%	8.35%
2002-2003	4700.00	4095.63	8795.63	900.00	449.68	1349.68	23.68%	12.33%	18.13%
2003-2004	5025.00	4713.54	9738.54	325.00	617.91	942.91	6.91%	15.09%	10.72%
2004-2005	5000.00	7715.00	12715.00	-25.00	3001.46	2976.46	-0.50%	63.68%	30.56%
2005-2006	5100.00	6328.00	11428.00	100.00	-1387.00	-1287.00	2.00%	-17.98%	-10.12%
2006-2007	5200.00	8075.00	13275.00	100.00	1747.00	1847.00	1.96%	27.61%	16.16%

[(Note: Figures of Projected Resource Needs are BE figures of each year. Excludes Centrally Sponsored Schemes (CSS)]

10.13 The projected requirement of resources (BE) steadily increased from Rupees 2568.03 crore (1994-1995) to Rupees 13275.00 crore (2006-2007). The total projected resource needs in 2006-2007 were 416.93 percent higher than in 1994-1995.

- The projection for plan resource increased from Rupees 1560.00 crore (1994-1995) to Rupees 5200.00 crore (2006-2007). This represents a percentage increase of 233.33 percent. In the same period, non-plan resource requirement increased from Rupees 1008.03 crore to Rupees 8075.00 crore, a percentage increase of 701.07 percent.
- In other words the increase in non-plan requirement was 467.74 percentage points more than the rise in plan resource needs. In absolute terms, the projected non-plan needs in 2006-2007 were more than eight times that in 1994-1995. On the other hand, the plan resource needs in 2006-2007 were less than three and a half times the projections in 1994-1995.
- Additionally, in the last three years, the projected share of plan resources has either declined (by 0.50 percent in 2004-2005) or increased only marginally (by 2 percent in 2005-2006 and 1.96 percent in 2006-2007) against the annual increase in the period 1994-1995 to 2002-2003, when the increase ranged from 10 percent (2000-2001) to 23.68 percent (2002-2003). This should give pause to the state government and occasion an intensive review of the reasons and remedies.

Resource Needs: Revised Projections

10.14 Next we consider the revisions of resource projections over the period 1994-1995 to 2005-2006. Table 10.1 depicts the position.

**Table: 10.1-Revised Projections of Plan, Non-plan and Total Resource Requirement-
1994-1995 to 2004-2005***

Year	Revised Projections			Absolute			% Increase/decrease		
				increase/decrease over			in resources over the		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
1994-1995	1245.33	1249.07	2494.40						
1995-1996	1284.20	1624.38	2908.58	38.87	375.31	414.18	3.12%	30.05%	16.60%
1996-1997	1739.12	1728.99	3468.11	454.92	104.61	559.53	35.42%	6.44%	19.24%
1997-1998	1718.96	2413.50	4132.46	-20.16	684.51	664.35	-1.16%	39.59%	19.16%
1998-1999	1711.71	3336.33	5048.04	-7.25	922.83	915.58	-0.42%	38.24%	22.16%
1999-2000	2097.87	3978.81	6076.68	386.16	642.48	1028.64	22.56%	19.26%	20.38%
2000-2001	2884.62	4580.55	7465.17	786.75	601.74	1388.49	37.50%	15.12%	22.85%
2001-2002	3817.71	5105.17	8922.88	933.09	524.62	1457.71	32.35%	11.45%	19.53%
2002-2003	4345.43	5703.08	10048.51	527.72	597.91	1125.63	13.82%	11.71%	12.62%
2003-2004	4188.63	7924.32	12112.95	-156.80	2221.24	2064.44	-3.61%	38.95%	20.54%
2004-2005	3308.24	9162.44	12470.68	-880.39	1238.12	357.73	-21.02%	15.62%	2.95%
2005-2006	3249.44	9225.00	12474.44	-58.80	62.56	3.76	-1.78%	0.68%	0.03%

(*Note: Figures of Projected Resource Needs are RE figures of each year. Excludes CSS)

- The total projected requirement was revised downward in 1994-1995, 1995-1996, 1998-1999, and 2004-2005. It was revised upward in all other years.
- The projected requirement of resources (RE) under plan increased from Rupees 1245.33 crore (1994-1995) to Rupees 3249.44 crore (2005-2006) that is an increase of Rupees 2004.11 crore. This makes for a percentage increase of 160.93 percent. In the same period, the revised non-plan resource requirement increased from Rupees 1249.07 crore to Rupees 9225.00 crore, an absolute increase of Rupees 7975.93 crore and a percentage increase of 638.55 percent.
- In 1994-1995, the projected (RE) figures for plan and non-plan requirements were almost the same. In 2005-2006, the divergence is sharp and steep. The non-plan requirement projected in revised estimates was approximately three times of the plan requirement.
- In other words, even in the revised estimates the increase in non-plan requirement was 477.62 percentage points more than the rise in plan

resource needs. In absolute terms, the revised projected non-plan needs in 2005-2006 were about seven and a half times that in 1994-1995. On the other hand, the plan resource needs in 2005-2006 were less than three times the projections in 1994-1995.

- One other fact deserves to be noted. The revised figures for resource requirement under plan over the previous year have been negative in five years: 1997-1998, 1998-1999, 2003-2004, 2004-2005, and 2005-2006. The decline in 2004-2005 (Rupees 880.39 crore) has been particularly sharp. In percentage terms the negative variation has been between minus 21.02 percent to minus 0.42 percent. In the years when there was a positive variation, the absolute change has ranged from Rupees 38.87 crore (1995-1996) to Rupees 933.09 crore (2001-2002). In percentage terms the plan RE varied from 3.12 percent (1995-1996) to 37.50 percent (2000-2001).
- The revised figures for resource requirement under non-plan over the previous year have always been on the higher side. The increase in 2003-2004 (Rupees 2221.24 crore) was particularly steep. In percentage terms the variation has been between 0.68 percent (2005-2006) to 39.59 percent (1997-1998). The absolute change has ranged from Rupees 62.56 crore (2005-2006) to Rupees 2221.24 crore (2003-2004).

**Resource
Need
Projections:
Share of
Plan and
Non-plan**

10.15 Table 10.2 indicates the percentage share of plan and non-plan projections in the period 1994-1995 and 2004-2005, based on the BE and RE figures against total actual resource availability. Figure 10.0 shows the overall trend in plan projections (BE/RE against the actual expenditure). The actual expenditure has been below BE but above RE in most years. These figures do not take cognizance of the opening balance at the BE or the RE stage. Accordingly, the resource availability in a year is somewhat deflated even after the revised estimates are finalized by the exclusion of the opening balance. Therefore, if the actual expenditure is more than the revised estimates of a year, the fact is that against availability of resources, the expenditure may well be lower.

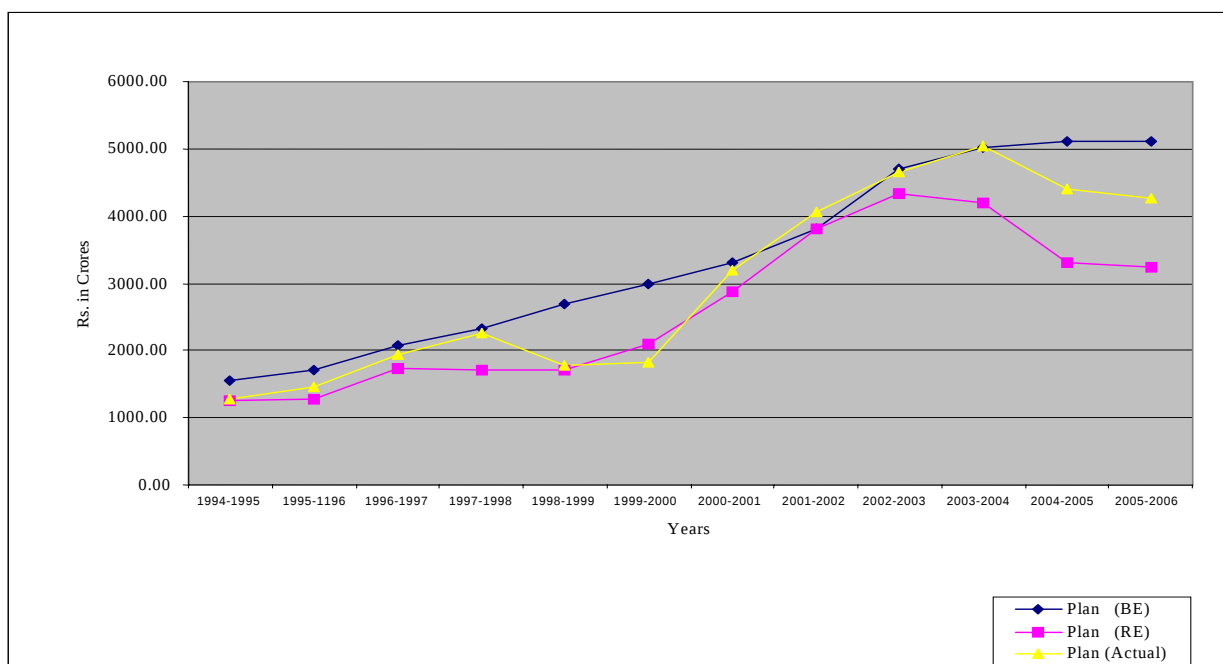
**Table 10.2-Plan and Non-plan Projections as a Percentage of Total Resource Projection
(1994-1995-2005-2006)**

Year	PP as a Percentage of TR (BE)	PP as a Percentage of TR (RE)	NPP as a Percentage of TR (BE)	NPP as a Percentage of TR (RE)	PE as a Percentage of TA	NPE as a Percentage of TA	Percentage Point Variation in PP (RE over BE)	Percentage Point Variation in PP (BE) over the Previous Year	Percentage Point Variation in PP (RE) over the Previous Year
1	2	3	4	5	6	7	8	9	10
1994-1995	60.75	49.93	39.25	50.07	50.54	49.46	-10.82	-	-
1995-1996	58.34	44.15	41.66	55.85	47.32	52.68	-14.19	-2.41	-5.78
1996-1997	61.48	50.15	38.52	49.85	54.36	45.64	-11.33	3.14	6.00
1997-1998	57.71	41.60	42.29	58.40	50.28	49.72	-16.11	-3.77	-8.55
1998-1999	52.70	33.91	47.30	66.09	37.93	62.07	-18.79	-5.01	-7.69
1999-2000	51.49	34.52	48.51	65.48	33.45	66.55	-16.97	-1.21	0.61
2000-2001	48.02	38.64	51.98	61.36	42.99	57.01	-9.38	-3.47	4.12
2001-2002	51.03	42.79	48.97	57.21	46.65	53.35	-8.24	3.01	4.15
2002-2003	53.44	43.24	46.56	56.76	44.54	55.46	-10.20	2.41	0.45
2003-2004	51.60	34.58	48.40	65.42	41.33	58.67	-17.02	-1.84	-8.66
2004-2005	39.32	26.53	60.68	73.47	33.85	66.15	-12.79	-12.28	-8.05
2005-2006	39.17	26.04	60.83	73.96	28.96	71.04	-13.13	-0.15	-0.49

Percentage Point Variation in NPP (RE over BE)	Percentage Point Variation in NPP (BE) over the Previous Year	Percentage Point Variation in NPP (RE) over the Previous Year	Percentage Point Variation in PE (Actual over BE)	Percentage Point Variation in PE (Actual over RE)	Percentage Point Variation in PE (Actual) over the Previous Year	Percentage Point Variation in NPE (Actual over BE)	Percentage Point Variation in NPE (Actual over RE)	Percentage Point Variation in NPE (Actual) over the Previous Year
11	12	13	14	15	16	17	18	19
10.82	-	-	-10.21	0.61	-	10.21	-0.61	-
14.19	2.41	5.78	-11.02	3.17	-3.22	11.02	-3.17	3.22
11.33	-3.14	-6.00	-7.12	4.21	7.04	7.12	-4.21	-7.04
16.11	3.77	8.55	-7.43	8.68	-4.08	7.43	-8.68	4.08
18.79	5.01	7.69	-14.77	4.02	-12.35	14.77	-4.02	12.35
16.97	1.21	-0.61	-18.04	-1.07	-4.48	18.04	1.07	4.48
9.38	3.47	-4.12	-5.03	4.35	9.54	5.03	-4.35	-9.54
8.24	-3.01	-4.15	-4.38	3.86	3.66	4.38	-3.86	-3.66
10.20	-2.41	-0.45	-8.90	1.30	-2.11	8.90	-1.30	2.11
17.02	1.84	8.66	-10.27	6.75	-3.21	10.27	-6.75	3.21
12.79	12.28	8.05	-5.47	7.32	-7.48	5.47	-7.32	7.48
13.13	0.15	0.49	-10.21	2.92	-4.89	10.21	-2.92	4.89

(Note: PP= Plan Projections, PE= Plan expenditure, NPP=Non-plan Projections, NPE=Non-plan expenditure TR=Total Resource, TA=Total Actual, BE=Budget Estimates, RE= Revised Estimates)

Figure 10.0-Absolute Plan Projections and Resource Requirement (BE, RE) and Actual Expenditure – 1994-1995 to 2005-2006.



- The initial projections (namely at the budget estimates stage) themselves are suggestive of a disturbing trend. The projections of plan resource needs fell from 60.75 percent in 1994-1995 to 39.32 percent in 2004-2005, a percentage point decline of 21.43. (Box 10.0).
- In addition, the optimism displayed in the budget estimates (where the projected plan resource need was always above 50 percent except in two years i.e. 2000-2001 and 2004-2005) is not sustained at the revised estimates stage. The percentage share of plan resources, at the revised estimates stage, have always been revised downwards. They have crossed the 50 percent mark that too marginally only in 1996-1997. Therefore, it does not come as a surprise that the overall revision of budget estimates lowers the share of plan resources from 49.93 percent in 1994-1995 to 26.53 percent in 2004-2005 i.e. a 23.40 percentage points decline.

Box: 10.0-Declining Share of Plan Resources-Projections

The point about the declining share of plan resources is reinforced by the trend analysis. It may be seen that at the BE stage the projected plan resource requirement varied from 60.75 percent (1994-1995) to 58.34 percent (1995-1996) to 61.48 percent (1996-1997) to 57.71 percent (1997-1998) to 52.70 percent (1998-1999) to 51.49 percent (1999-2000) to 48.02 percent (2000-2001) to 51.03 percent (2001-2002) to 53.44 percent (2002-2003) to 51.60 percent (2003-2004) to 39.32 percent (2004-2005) to 39.27 percent (2005-2006). On the other hand, the same projections at the RE stage varied from 49.93 percent (1994-1995) to 44.15 percent (1995-1996) to 50.15 percent (1996-1997) to 41.60 percent (1997-1998) to 33.91 percent (1998-1999) to 34.52 percent (1999-2000) to 38.64 percent (2000-2001) to 42.79 percent (2001-2002) to 43.24 percent (2002-2003) to 34.58 percent (2003-2004) to 26.53 percent (2004-2005) to 26.04 percent (2005-2006). Accordingly, the inter-annual and the intra-annual share of plan resources is on a downward slide.

- Conversely, the share of non-plan resource projections at both the BE and RE stage have continued to climb. The BE projections increased from 39.25 percent in 1994-1995 to 60.68 percent in 2004-2005. This is a 21.43 percentage point increase, whereas in RE the percentage points increase was 23.89: from 50.07 percent in 1994-1995 to 73.96 percent in 2005-2006. The non-plan RE has always been more than 50 percent of the total projected need except in the year 1996-1997. Figure 10.1 and 10.2 depicts the trends in non-plan expenditure between 1994-1995 and 2005-2006.

Figure 10.1- Absolute Non-plan Projections and Actual Expenditure-1994-1995 to 2005-2006

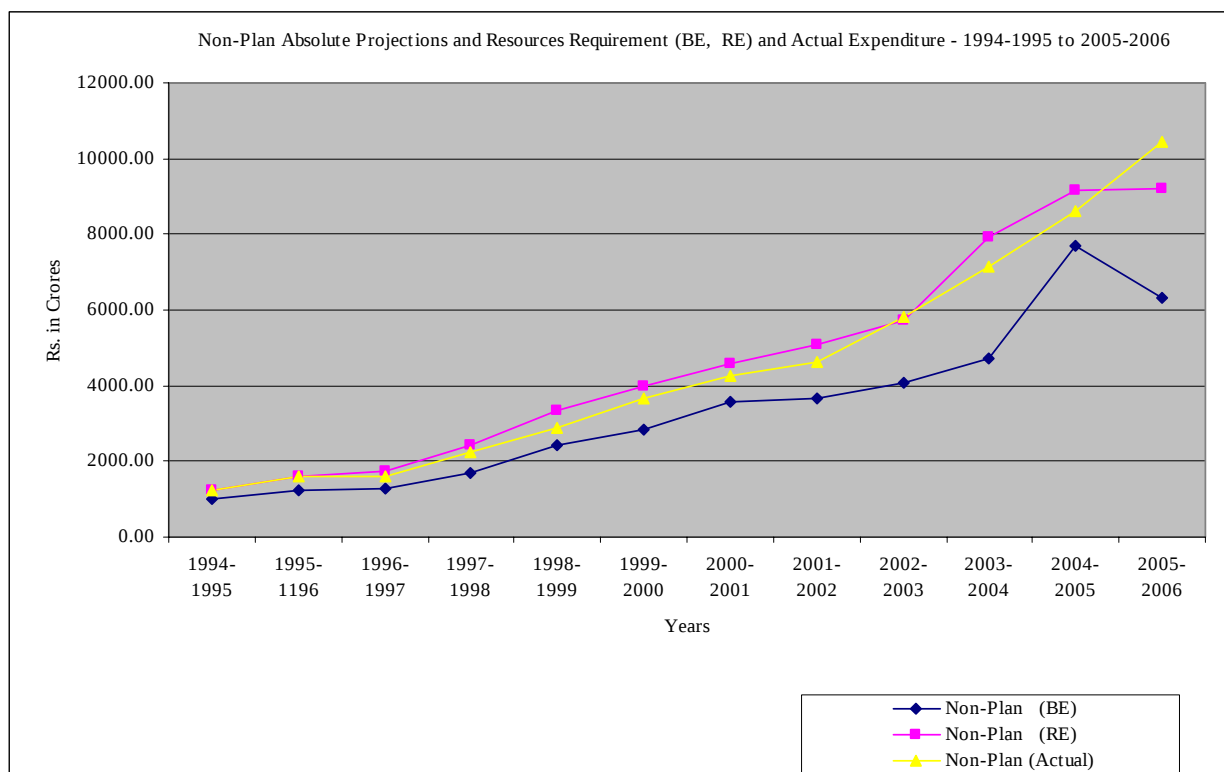
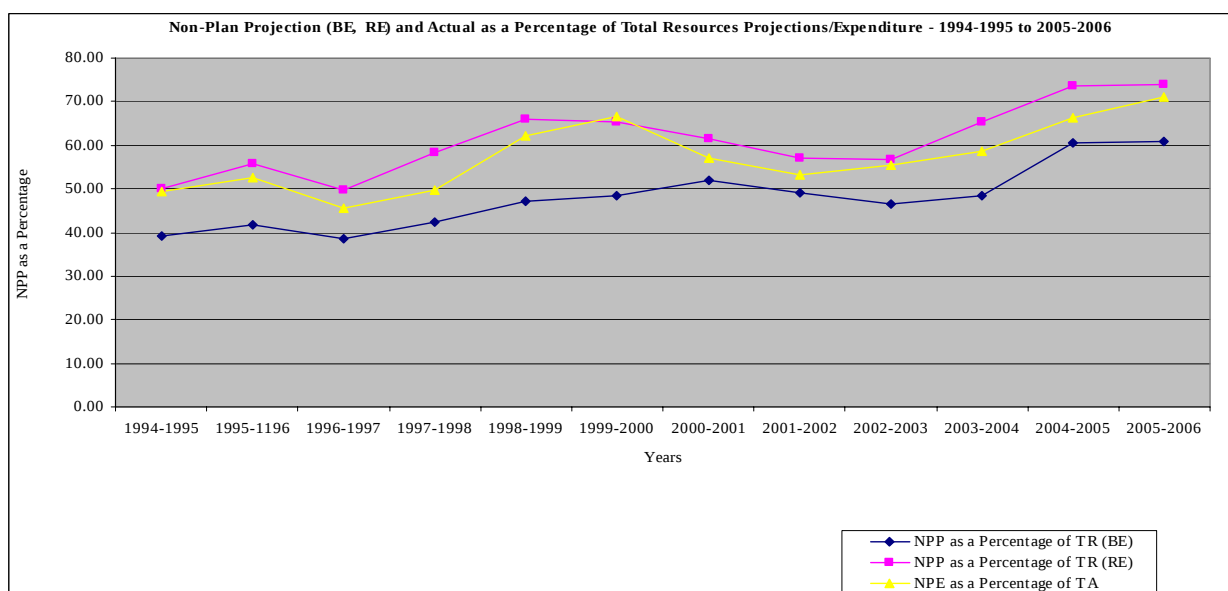


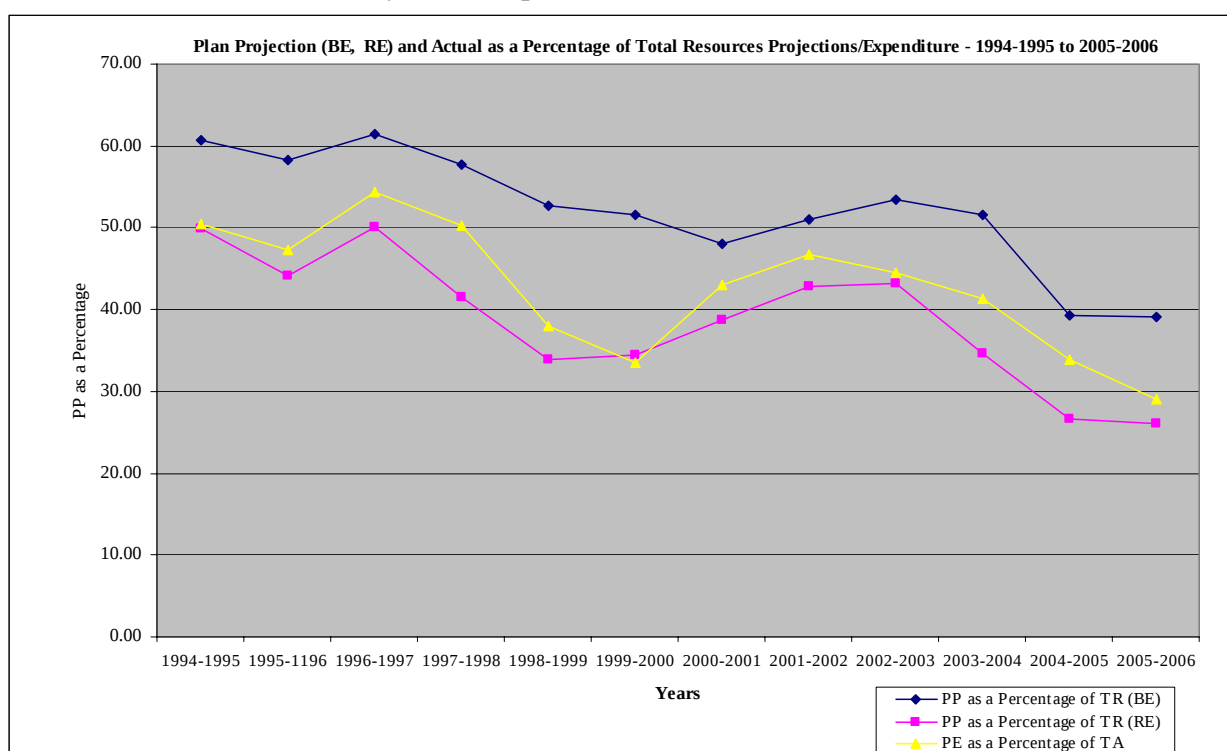
Figure 10.2: Non-Plan Projections (BE/RE) and Actual Expenditure as a percentage of Total Resource Projections/Expenditure-1994-1995 to 2005-2006



- This pattern is naturally reflected in the total actual resource position. Though the non-plan resource needs have overshadowed the plan requirements at every stage, they have also dominated the financial

situation in every year except 1994-1995, 1996-1997, and 1997-1998. The actual availability of plan resources declined from 50.54 percent in 1994-1995 to 28.96 percent in 2005-2006 (a percentage point decline of 21.58), while the non-plan resources increased from 49.46 percent in 1994-1995 to 71.04 percent in 2005-2006 (a percentage point increase of 21.58). (Figure 10.3)

**Figure 10.3-Plan Projection (BE/RE) and Actual as a percentage of Total Resources
Projection/Expenditure-1994-1995 to 2005-2006**

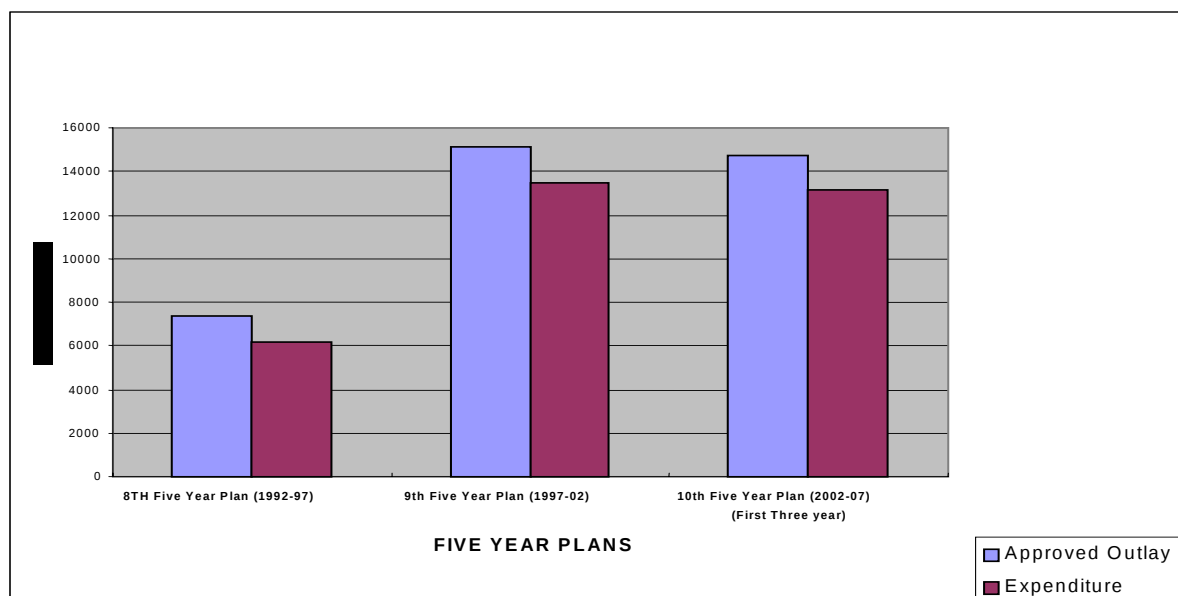


- Also consider the percentage point variation in the revised estimates over the budget estimates of a year. Except in two years (2000-2001 and 2001-2002) the percentage point decline in the revised estimates over the budget estimates of a year have always been over minus 10 percent (between minus 10 and minus 14 percent). In some years the decline has been almost minus 19 percent (ranging from minus 16 to minus 19 percent).
- The percentage point variation in budget estimates over the previous year with regard to plan resources has always been negative except two years (2001-2002 and 2002-2003). Generally the decline has been in the range of minus 5.01 percentage points (1998-1999) to minus 0.15 percentage point (2005-2006). The exception was in 2004-2005 when the percentage point decline was minus 12.28. In either case, the fact is that statistically

speaking the decrease in the projected plan resource needs has been significant. This cannot but have a negative impact on development works.

- The percentage point decline in RE over the previous year has ranged from minus 8.66 (2003-2004) to 6.00 percent (1996-1997). In five years the revised estimates were higher than those in the previous year and in six years they were negative. The negative variations have been on the higher side compared to the positive variations.
- The percentage point variation in the non-plan resource projection at the RE stage over the BE of the year has always been positive i.e the revision has always been upward. The variation in four years was between 8 percent to 11 percent (1994-1995, 2000-2001, 2001-2002, and 2002-2003); in four years it was 11 percent to 16 percent (1995-1996, 1996-1997, 2004-2005, and 2005-2006), and ; in four years it was from 16 percent to 19 percent (1997-1998, 1998-1999, 1999-2000, and 2003-2004).
- The percentage variation in non-plan projections at the BE stage over the previous year has been from minus 3.14 percent (1996-1997) to 12.28 percent (2004-2005). In most years (08 years) the variation has been positive and in the balance three years negative (1996-1997, 2001-2002, and 2002-2003). This means that in eight years, the budget estimates for the non-plan resources has been higher than in the previous year.
- The percentage point variations in non-plan projections at the RE stage over the previous year have been negative in five years and positive in six years. This confirms the overall trend namely, that year after year the projections for non-plan needs have been increasing.
- The percentage point variations in actual plan expenditure over the BE projections have always been lower. This implies that the projections have never been satisfied. The shortfall has been from 4 to 7 percentage points in five years (1996-1997, 1997-1998, 2000-2001, 2001-2002, and 2004-2005); it was 8 to 14 percentage points lower in six years (1994-1995, 1995-1996, 1998-1999, 2003-2004, and 2005-2006). The year 1999-2000 saw an exceptionally large shortfall: 18.04 percentage points.
- This suggests that the pattern has remained unchanged over the years. The range of variation (4 to 7 percentage points or 8 to 14 percentage points) has characterized both the early 1990s and the latter period. In other words the pattern is the same in the Eighth, Ninth, and the Tenth Plan. This warrants a review (Figure 10.4).

Figure 10.4-Approved Outlay and Actual Expenditure: Eighth, Ninth, and Tenth Five Year Plan (First Three Years)

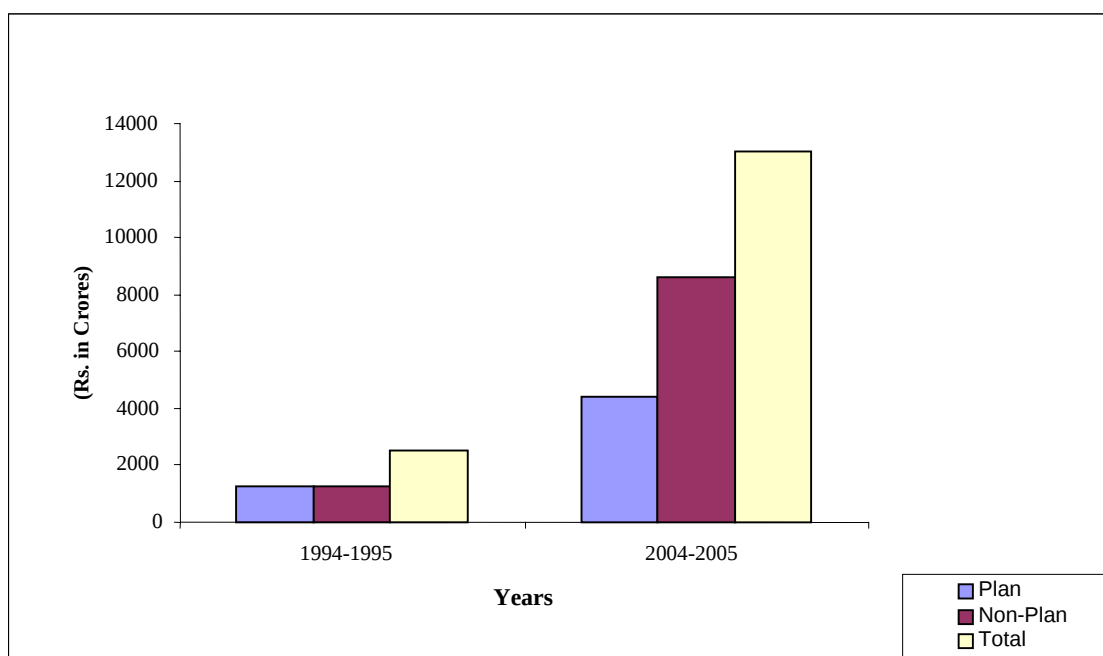


- Plan expenditure over the RE has been positive in eleven out of twelve years. On the face of it, this is certainly a satisfactory position. However, it needs to be noted that we have not considered the availability of resources by including the opening balance. If the opening balance were to be added, the status is the same as in respect of the BE projections (refer para 10.11).
- The percentage point variation in plan expenditure over the previous year has been negative in eight years. It has been positive only in 1996-1997, 2000-2001, and 2001-2002.
- Contrary to the position on the plan side, the picture is constantly positive in so far as non-plan expenditure is concerned. For example, the percentage points variation in actual non-plan expenditure over the budget estimates of a year have been from 4 to 7 percentage points in five years, 8 to 11 percentage points in five years, 14.77 percentage in 1998-1999, and 18.04 percentage points in 1999-2000. It is self-evident that non-plan expenditure has always been above the projections in the BE. Of course compared to the revised estimates, actual expenditure has been lower than the projections in eleven years.
- Compared to the previous year actual expenditure has been higher in eight years and lower in three years.

**Resource
Projections:
Actual
Availability**

10.16 Actual availability of resources is reported in Figure 10.5. There has been an impressive increase in the period 1994-1995 to 2004-2005. In fact far beyond the projected requirement. The availability under plan has grown from Rupees 1266.95 crore (1994-1995) to Rupees 4403.87 crore (2004-2005). Similarly, the resource availability under non-plan has also increased from Rupees 1239.84 crore (1994-1995) to Rupees 8607.94 crore (2004-2005). As a result the total availability of resources has risen from 2506.79 crore to Rupees 13011.81 crore.

Figure 10.5-Availability of Plan and Non-plan Resources-1994-1995 and 2004-2005



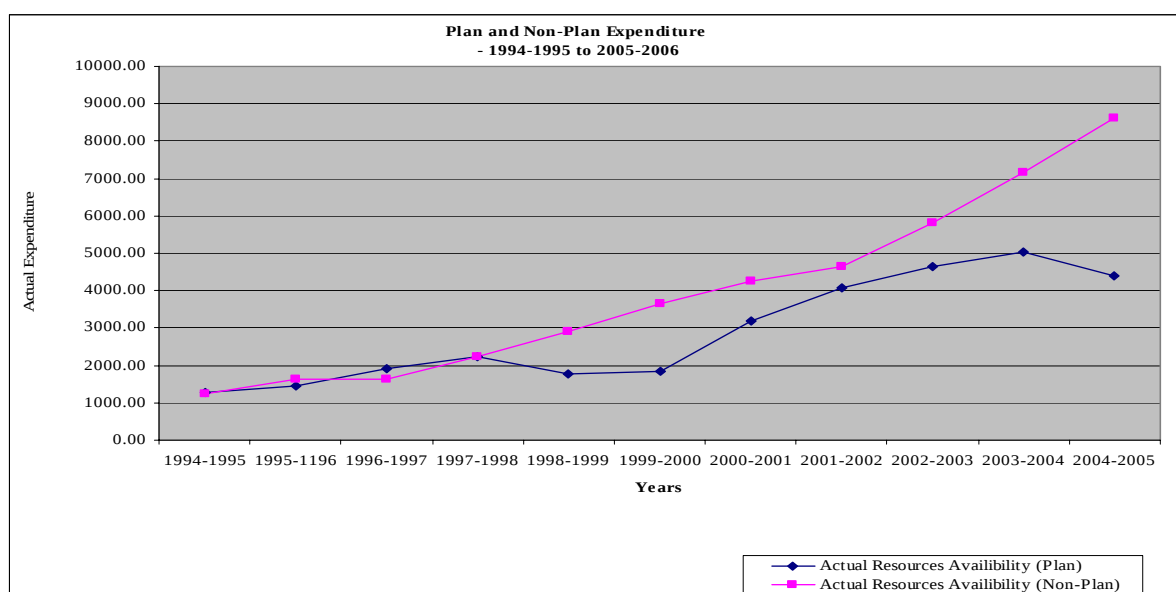
- The absolute increase in the actual availability of plan resources between 1994-1995 and 2004-2005 has been Rupees 3136.92 crore, representing a percentage increase of 247.60 percent. In the same period absolute increase in the availability of non-plan resources has been Rupees 7368.10 crore, which implies a percentage increase of 594.28 percent. The absolute increase in the availability of total resources has been Rupees 10505.02 crore, implying a percentage increase of 419.06 percent. The percentage point increase in non-plan has exceeded plan increase by 346.68.
- The change in plan resource availability has ranged from minus 21.33 percent (1998-1999) to 74.61 percent (2000-2001), while the percentage change in non-plan has varied from a mere minus 0.17 percent (1996-1997) to 37.18 percent (1997-1998).
- The variation in the total actual availability of resources (Table 10.3) has varied from 4.28 percent (1998-1999) to 35.86 percent (2000-2001).

Table 10.3- Actual Availability of Resource -1994-1995 to 2004-2005*

Year	Actual Resource Availability			Absolute increase/decrease over previous year			% increase/decrease in resources over the previous year		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
1	2	3	4	5	6	7	8	9	10
1994-1995	1266.95	1239.84	2506.79						
1995-1996	1457.59	1622.97	3080.56	190.64	383.13	573.77	15.05%	30.90%	22.89%
1996-1997	1930.08	1620.20	3550.28	472.49	-2.77	469.72	32.42%	-0.17%	15.25%
1997-1998	2247.70	2222.60	4470.30	317.62	602.40	920.02	16.46%	37.18%	25.91%
1998-1999	1768.22	2893.59	4661.81	-479.48	670.99	191.51	-21.33%	30.19%	4.28%
1999-2000	1831.15	3643.40	5474.55	62.93	749.81	812.74	3.56%	25.91%	17.43%
2000-2001	3197.37	4240.15	7437.52	1366.22	596.75	1962.97	74.61%	16.38%	35.86%
2001-2002	4061.77	4645.85	8707.62	864.40	405.70	1270.10	27.03%	9.57%	17.08%
2002-2003	4658.47	5800.85	10459.32	596.70	1155.00	1751.70	14.69%	24.86%	20.12%
2003-2004	5035.39	7147.47	12182.86	376.92	1346.62	1723.54	8.09%	23.21%	16.48%
2004-2005	4403.87	8607.94	13011.81	-631.52	1460.47	828.95	-12.54%	20.43%	6.80%

- Figure 10.6 exhibits the growing gap between plan and non-plan expenditure. We can see three distinct phases. In the first phase, plan expenditure was more than the non-plan expenditure-even if marginally so. From around 1998-1999, the divergence began to grow and non-plan expenditure began to outstrip the plan expenditure. The gap narrowed for a while, though non-plan expenditure continued to exceed the plan expenditure levels. In the latest phase, the gap is again beginning to widen.

Figure: 10.6-Growing Gap between Plan and Non-plan Expenditure-1994-1995 to 2004-2005



**Resource
Availability:
Trend
Growth rates**

10.17 The availability of resources against projected and revised needs is depicted in Table 10.4. The projection of resource needs (BE) and their revision match actual resource availability quite closely in 1994-1995, 1995-1996, and 1996-1997. There is considerable variation in the subsequent years between the projected and revised needs. In fact, the annual variation in actual realizations over budget estimates, positive or negative, from 1997-1998 onward is quite substantial.

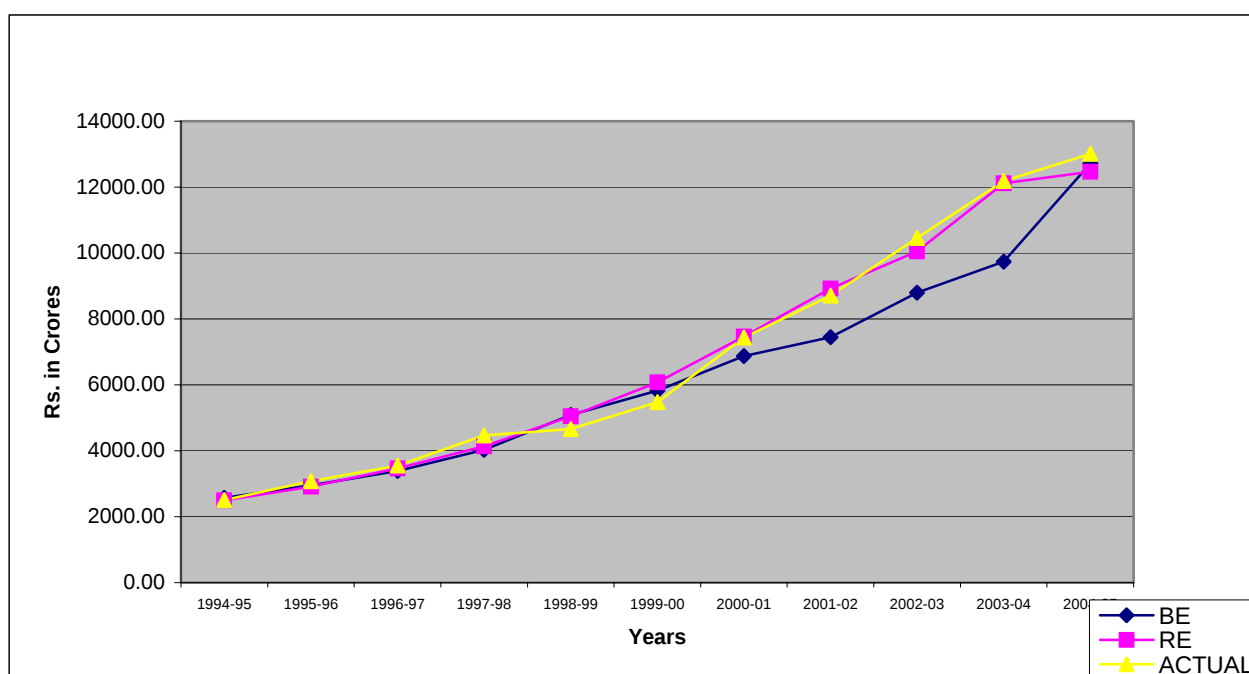
Table 10.4-Resource Projection, Revised Resource Projection and Actual-1994-1995 to 2004-2005

Year	Resources availability			Absolute increase/decrease over previous year			% increase/decrease in resources over the previous year		
	BE	RE	ACTUAL	BE	RE	ACTUAL	BE	RE	ACTUAL
1	2	3	4	5	6	7	8	9	10
1994-1995	2568.03	2494.40	2506.79						
1995-1996	2948.24	2908.58	3080.56	380.21	414.18	573.77	14.81%	16.60%	22.89%
1996-1997	3385.22	3468.11	3550.28	436.98	559.53	469.72	14.82%	19.24%	15.25%
1997-1998	4028.78	4132.46	4470.30	643.56	664.35	920.02	19.01%	19.16%	25.91%
1998-1999	5087.22	5048.04	4661.81	1058.44	915.58	191.51	26.27%	22.16%	4.28%
1999-2000	5826.70	6076.68	5474.55	739.48	1028.64	812.74	14.54%	20.38%	17.43%
2000-2001	6872.34	7465.17	7437.52	1045.64	1388.49	1962.97	17.95%	22.85%	35.86%

2001-2002	7445.95	8922.88	8707.62	573.61	1457.71	1270.10	8.35%	19.53%	17.08%
2002-2003	8795.63	10048.51	10459.32	1349.68	1125.63	1751.70	18.13%	12.62%	20.12%
2003-2004	9738.54	12112.95	12182.86	942.91	2064.44	1723.54	10.72%	20.54%	16.48%
2004-2005	12715.00	12470.68	13011.81	2976.46	357.73	828.95	30.56%	2.95%	6.80%

- Figure 10.7 depicts the availability of resources at the BE/RE stage as well as the actual availability between 1994-1995 and 2004-2005. The graphic confirms the trends revealed by the data. It is clear that in the earlier years (1994-1995 to 1996-1997) there was negligible variation between the BE/RE and actual. In 1997-1998, the actual were higher than the BE and the RE. In the subsequent two years (1998-1999 and 1999-2000) the actual were less than the BE and the RE. After 2001-2002, the actual started exceeding both the BE and the RE.

Figure 10.7-Graph showing Availability of Resources in BE/RE and Actual-1994-1995 to 2004-2005



- Table 10.5 reports the percentage variation between projected resource need and actual total resource mobilized. The actual resource availability has exceeded the projection at the BE stage in most years. This is attributable very largely to the large inflows of small savings loans particularly in 2001-2002, 2002-2003 and 2003-2004.

Table 10.5-Total Actual Resources as a percentage of Resource Projections- 1994-1995-2004-2005

Year	Total BE Projection	Total RE Projection	Total Actual	Total Actual as a percentage of BE Projection	Total Actual as a percentage of RE Projection
1994-1995	2568.03	2494.40	2506.79	97.62	100.50
1995-1996	2948.24	2908.58	3080.56	104.49	105.91
1996-1997	3385.22	3468.11	3550.28	104.88	102.37
1997-1998	4028.78	4132.46	4470.30	110.96	108.17
1998-1999	5087.22	5048.04	4661.81	91.64	92.35
1999-2000	5826.70	6076.68	5474.55	93.96	90.09
2000-2001	6872.34	7465.17	7437.52	108.22	99.63
2001-2002	7445.95	8922.88	8707.62	116.94	97.59
2002-2003	8795.63	10048.51	10459.32	118.91	104.09
2003-2004	9738.54	12112.95	12182.86	125.10	100.58
2004-2005	12715.00	12470.68	13011.81	102.33	104.34

- The need for resources is increasing. Both plan and non-plan requirements are growing. However, the trend growth for plan expenditure on the basis of all three series (budget, revised, and actual) is lower. The next point is that non-plan requirement projected and actual is growing at a faster pace than plan. Accordingly the difference between the two is increasing. The variation in the trend growth rate of projected plan and non-plan needs is 7.62 percentage points (BE); 7.74 percentage points (RE); and is 6.13 percentage points on the basis of actual resources mobilized. This is a statistically significant difference indicating a pressure on availability of plan funds.

Table 10.6-Trend Growth Rates for Resource Needs-1994-1995 to 2004-2005

	BE	Percentage Points Variation in Trend Growth Rates (Non- plan Over Plan-BE)	RE	Percentage Points Variation in Trend Growth Rates (Non- plan Over Plan-RE)	Actual	Percentage Points Variation in Trend Growth Rates (Non- plan Over Plan- Actual)
Plan	13.31		14.07		15.24	
Non-Plan	20.93	7.62	21.81	7.74	21.37	6.13
Total	16.89		18.72		18.61	

Determining Resource Needs

10.18 Resource needs are determined by a variety of factors. They could be dependent on the assessment of funding required for city management and development goals, investment needs arising from projects in hand or proposed, physical targets under different programs and schemes, assessments of deficits in physical and socio-economic infrastructure, services or amenities-both quantitative and qualitative. Even financial parameters such as trends in expenditure or receipts could be the basis for determining resource needs. The questions are: how does the state government decide the level of resources needed? What determines resource needs?

- There is no clear linkage between the projected or revised requirement and the actual mobilization. Again it is not clear as to whether the projected need is based on the trends of expenditure (plan as well as non-plan) or actual mobilization, the physical targets fixed in any given year or any assessment of deficits in infrastructure, services or amenities. In fact, even the assessment of deficits in infrastructure, services and amenities is to be with reference to norms for the provision of the same. The resource needs have therefore to reflect the requirement with reference to normative standards. There is little evidence as to whether such an assessment guides projections of resource needs.

Components of Receipts and Expenditure

10.19 To begin with we take note of the components of receipts and expenditure (Box 10.1) and the broad structure of accounting heads.

Box: 10.1-Components of Receipts and Expenditure

RECEIPT STRUCTURE	EXPENDITURE PATTERN
Revenue Receipts Own Revenue Receipts - Tax Revenues - Non-Tax Revenues Grants-in-Aid - Share in Central Taxes - 30 percent of total Central Plan Assistance Capital Receipts Recovery of Loans - Local/Autonomous Bodies - Repayment by Government Servants - Loan from central government (i) Loans against small savings collections (ii) Block Loans-70 percent of total central plan assistance*	Revenue Expenditure Plan - Administrative Expenses - Grants - Subsidies Non-Plan - Administrative Expenses - Interest Payments - Non-Plan Transfers to Local Bodies: (i) Tax Assignments (ii) Non-Plan Grants - Grants-in Aid to Bodies other than Local Bodies - Subsidies Capital Expenditure (Capital plus loan) Capital Plan - Construction Works* Non-Plan - Loan Plan - Loans to Local and other bodies - Loans to government servants (HBA) Non-Plan - Ways and Means Advances** and non-plan loans to local and autonomous bodies - Loans to government servants (vehicle advances)

* Block Loans have been dispensed with from financial year 2005-2006

*Roads and Buildings

** Ways and Means Advances are short duration releases to meet immediate requirements. They are interest free.

**Resource
Mobilization**

10. 20 We begin with a consideration of the receipt structure.

- The Quantum Analysis: Total Receipt Structure. The total revenue receipts (current prices) grew from Rupees 513.04 crore in 1985-1986 to Rupees 8562.57 crore in 2004-2005. Thus the revenue receipts in 2004-2005 were approximately 17 times the revenue receipts in 1985-1986. This represents a percentage increase of 1569 percent. The long-term growth trend works out at 16.60 percent.
- With 1994-1995 as the base year the total revenue receipts (current prices) grew at trend growth rate of 15.80 percent. The revenue receipts in the period 1994-1995 to 2004-2005 increased from Rupees 1980.46 crore to Rupees 8562.57 crore. Even this represents a percentage increase of as high as 332.35 percent.
- Total capital receipts (current prices) increased from Rupees 8.00 crore in 1985-1986 to Rupees 4539.37 crore in 2004-2005, which represents a percentage increase of 56642 percent.
- With 1994-1995 as the base year the total capital receipts (current prices) grew at trend growth rate of 25.00 percent. The capital receipts in the period 1994-1995 to 2004-2005 increased from Rupees 547.99 crore to Rupees 4539.37 crore. Even this represents a percentage increase of as high as 728.37 percent.
- Total receipts (current prices) increased from Rupees 521.00 crore in 1985-1986 to Rupees 13,101.94 crore in 2004-2005. The trend growth rate works out to be 19.70 percent.
- With 1994-1995 as the base year, the total receipts increased from Rupees 2528.45 crore to Rupees 13101.94 crore in 2004-2005. The trend growth rate works out to be 18.50 percent. (Table 10.7).

Table 10.7-Trend Growth Rates of Receipts-1985-1986 to 2004-2005 and 1994-1995 to 2004-2005 (Rupees in crore)

Items	Trend Growth Rate from 1985-1986 to 2004-2005	Trend Growth Rate from 1994-1995 to 2004-2005
Revenue Receipts	16.6	15.8
Capital Receipts	44.5	25.0
Total Receipts	19.7	18.5

**Trend
Analysis:
Resource
Component
wise**

10.21 The resources structure has changed over the years. Apart from the expenditure not being strictly linked to resource mobilization, the receipts structure in 1985-1986 to 1993-1994 (i.e. till November 30, 1993) did not include small saving's loans, grant in lieu of share in central taxes, and central plan assistance (30 percent in the shape of grant and 70 percent in the shape of block loans). In addition, the contribution of public sector utilities was not taken into account.

- In 1994-1995 access to small saving's loans and central plan assistance commenced. With the transfer of DTC and the creation of the DJB in 1996-1997, the contribution of public utilities became a factor in resource mobilization. Share in central taxes started in 1997-1998. Block loans have ceased from 2005-2006.
- Box 10.2 indicates the evolution of the financing pattern applicable before and after December 1, 1993.

Box: 10.2 - Change of fiscal arrangements for the Government of the National Capital Territory of Delhi

Delhi was a union territory without a legislature until November 1993. The receipts (revenue and capital) of the then Delhi Administration formed a part of the receipts of the Consolidated Fund of the Government of India and all its expenditure (Plan and Non-Plan) was met out of this Fund. A separate consolidated fund has been created for Delhi from December 1, 1993. Until 1993-94, the size of the Annual Plan of Delhi was fixed by the Planning Commission on the basis of (i) Additional Resources Mobilization (ARM) by the Delhi Administration and the local bodies/government undertakings in Delhi, (ii) the share of Delhi in small savings and (iii) Central assistance. The first two items of Plan financing were only notional, because the entire plan was supported through Central Plan Assistance as indicated in the Central Plan Budget. In this system, Delhi Administration's surplus of revenue receipts over net Non-Plan revenue expenditure did not find a place in providing it with a higher Plan size. This was one reason why the Planning Commission constituted a Committee of experts in July 1992 to examine the Plan funding of Union Territories. The Committee under the Chairmanship of Dr. Arjun K. Sengupta, the then Member Secretary, Planning Commission, submitted its report in June 1995. The Committee recommended that the Plan of Delhi be funded at par with non-special category states which have a sound resource base.

A new pattern for the Annual Plan of Delhi was finalized from 1994-95 after taking into account the balance from current revenue (BCR) (which is the surplus of revenue receipts over net Non-plan revenue expenditure), net miscellaneous capital receipts (MCR), small savings loans on the formula applicable for states, opening balance and Central Assistance in the form of 30 percent grants and 70 percent loan as

available to non-special category states. These items of Plan funding were part of the recommendations of the Committee.

The Delhi Government has also been provided grants in lieu of the share in central taxes from 1997-98 as recommended by the Committee. Recommendations related to separating the Public Account of Delhi from the Union Government, which would allow the Delhi Government access to provident funds to finance the Annual Plan are yet to be implemented. The Delhi Govt. has also not been given access to SLR market borrowings so far.

Changing Composition of Receipts

10.22 The composition of receipts in 1985-1986: total receipts were Rupees 521.00 crore; out of this: total tax revenue was Rupees 491.85 crore (94.40 percent of total receipts); non-tax revenues were Rupees 21.19 crore (4.07 percent of total receipts); others consisting of capital receipts Rupees 8.00 crore (1.53 percent of total receipts).

- Box 10.3 highlights that since Delhi is still a Union Territory many of the components of funding available to states are not applicable to the NCT.

Box: 10.3: Flow of funds from the Government of India to the Government of Delhi

Flow of Funds from the Centre to States/Union Territories take place through two channels: institutional arrangements under the Planning Commission and recommendations of the Central Finance Commission. Central assistance is allocated by the Planning Commission to all States for plan schemes as per the Gadgil-Mukherjee Formula. Union Territories are not covered under the Gadgil-Mukherjee formula and allocation of normal central Assistance to Union Territories is made on an ad hoc basis. Devolutions recommended by the Central Finance Commission are also applicable only to States. According to the recommendations of the Tenth Central Finance Commission (covering the period 1995-2000), the States get a share in central taxes and grants to cover the revenue gap, upgrade the standards of administration, finance local bodies and provide relief for natural calamities. Certain states are also given specific grants for special problems.

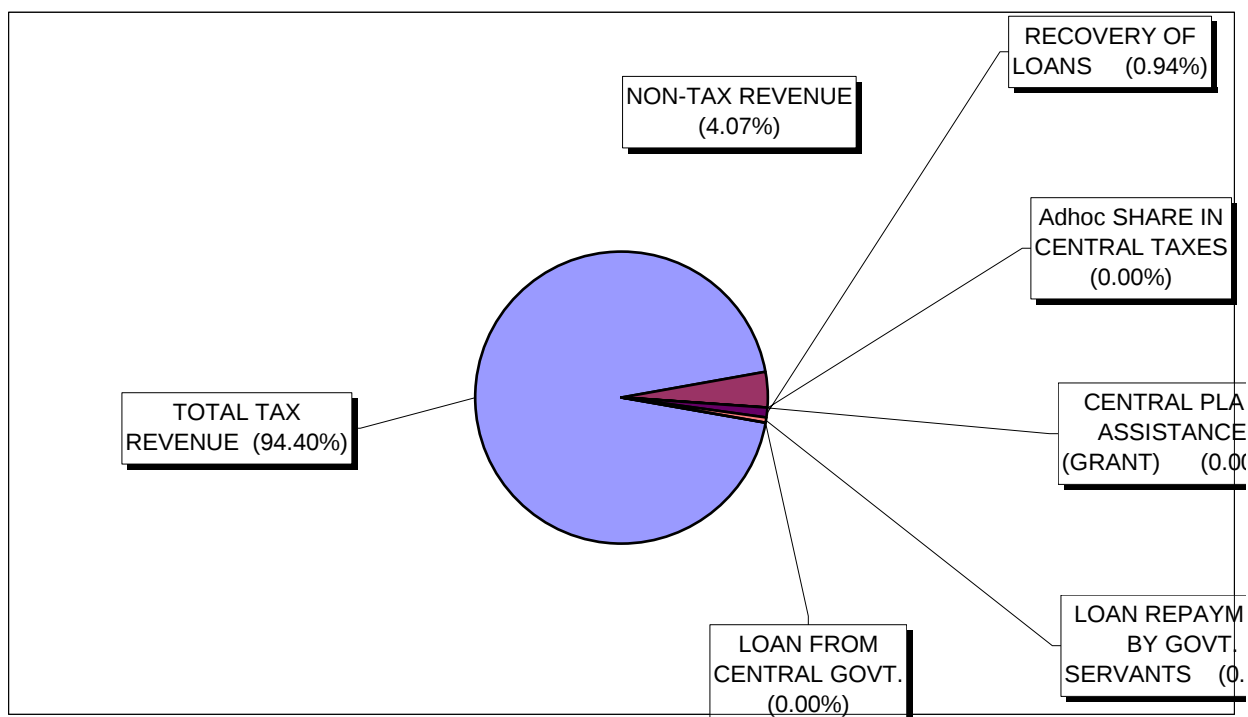
The share in central taxes is presently made available to States under income tax, union excise duties, additional excise duties in lieu of state sales tax on sugar, tobacco and textiles and grants in lieu of the repealed tax on railway passenger fares. States are likely to get an enhanced share under the alternative devolution formula recommended by the Tenth Central Finance Commission according to which they will receive 29% of all central taxes.

Recommendations of the Central Finance Commission do not apply to Delhi, which is a Union Territory. However, the Union Government has been providing grants in lieu of share in central taxes to Delhi from 1997-98.

In addition, Delhi receives grants under various centrally sponsored schemes.

- Figure 10.8 depicts the receipt structure of the GNCTD in 1985-1986. The contribution of tax revenues was an overwhelming 94.40 percent. Clearly the contribution of other sources was very insignificant in totality as well as individually.

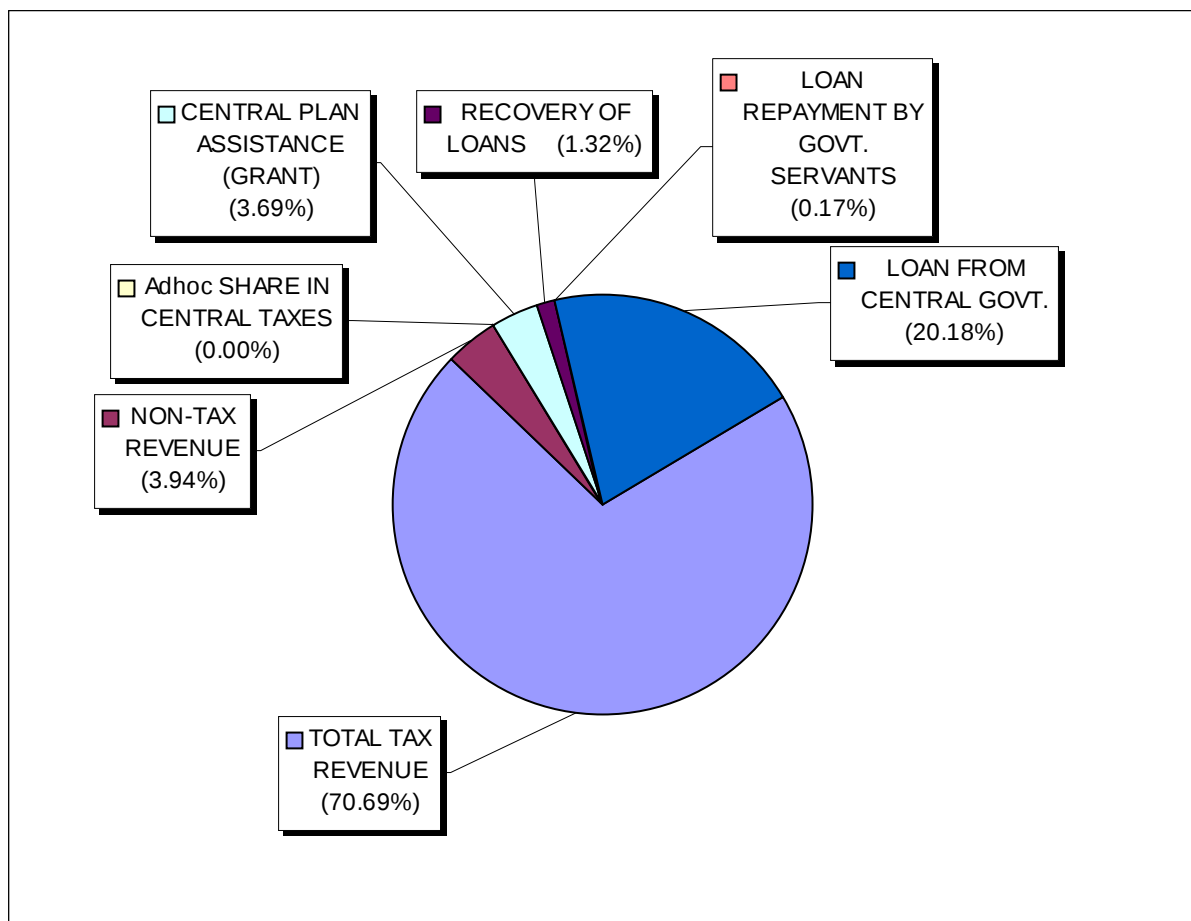
Figure 10.8- Pie Chart showing Total Receipts of the GNCTD 1985-1986



- Ten years later, in 1994-1995 the composition was: total receipts were Rupees 2528.45 crore; out of this Rupees 1787.47 crore was total tax revenue (70.69 percent of total receipts); non-tax revenue was Rupees 99.63 crore (3.94 percent of total receipts); central plan assistance (grant portion) was Rupees 93.36 crore (3.69 percent of total receipts); recovery of loans was Rupees 33.30 crore (1.32 percent of total receipts); loan repayment by government servants was Rupees 4.36 crore (0.17 percent of total receipts), and; loans from the central government [inclusive of small savings loans and central plan assistance (block loans)] were Rupees 510.33 crore (20.18 percent of total receipts).
- Clearly the share of tax revenue had come down by 23.71 percentage points from 94.40 percent to 70.69 percent. The overall share of various other sources has shown a leap from around 5 percent to nearly 30 percent. New sources of funding, such as adhoc grant in lieu of share in central taxes, central plan assistance and loans from the central

government, were essentially responsible for the changed revenue structure. (Figure 10.9, 10.10 and 10.11).

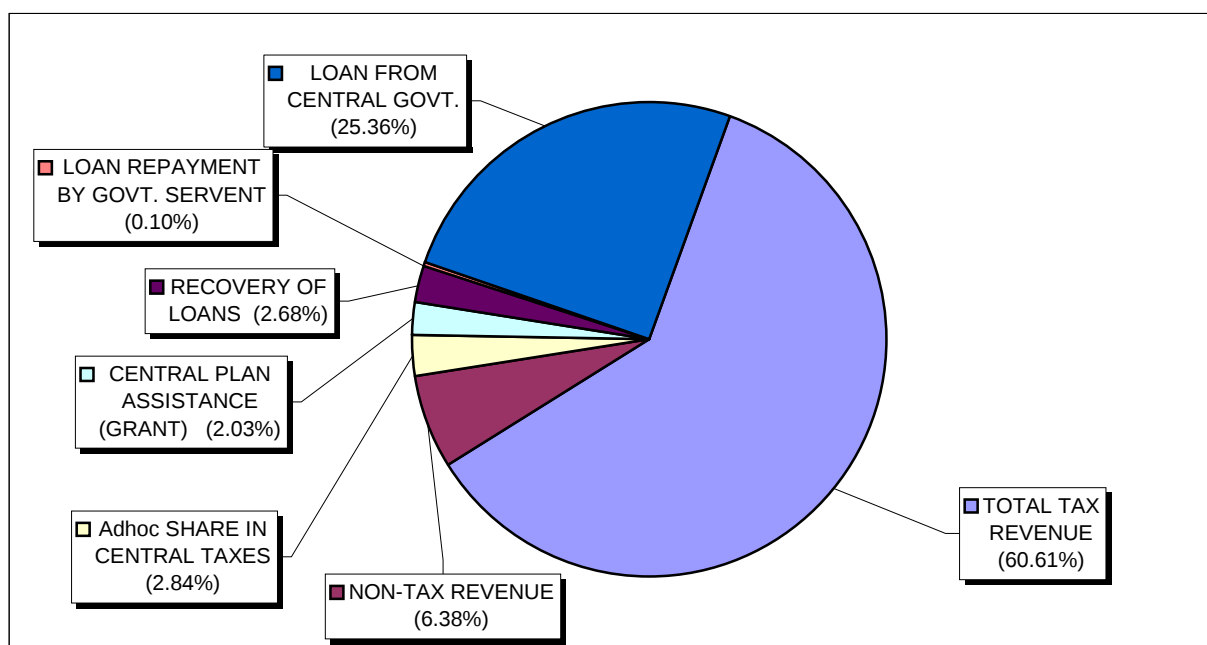
Figure 10.9: Pie Chart showing Total Receipts of the GNCTD-1994-1995



- In 2004-2005 the composition was: total receipts were Rupees 13101.94.45 crore; out of this Rupees 7106.13 crore was total tax revenue (54.24 percent of total receipts); non-tax revenue was Rupees 921.33 crore (7.03 percent of total receipts); central plan assistance (grant portion) was Rupees 210.11 crore (1.60 percent of total receipts); recovery of loans was Rupees 521.94 crore (3.98 percent of total receipts); loan repayment by government servants was Rupees 6.08 crore (0.05 percent of total receipts); loans from the central government [inclusive of small savings loans and central plan assistance (block loans)] were Rupees 4011.35 crore (30.62 percent of total receipts), and adhoc share in central taxes was Rupees 325.00 crore (2.48 percent of total receipts).

- The degree of financial independence or reliability implied in resource mobilization efforts is vital. The importance of 'own resources' lies in the fact that it signals financial independence and reliance on reliable sources of revenue, i.e. sources which are not subject to the vagaries of sudden policy changes or revisions. Therefore, generally the larger the share of 'own sources' the more sound and viable a financial system.
- The data for total receipts in the period 1985-1986 to 2004-2005 show that reliance on 'own resources' (tax and non-tax sources) has apparently been overwhelming. Tax revenues accounted for 60.1 percent of total receipts and non-tax for another 6.38 percent.
- Again, however, the share of tax revenue shows a downward trend: the decline being from 70.69 percent in 1994-1995 to 54.24 percent 2004-2005 a 16.45 percentage point decreases. Of course, the non-tax contribution has risen in the same period from 3.94 percent to 7.03 percent.

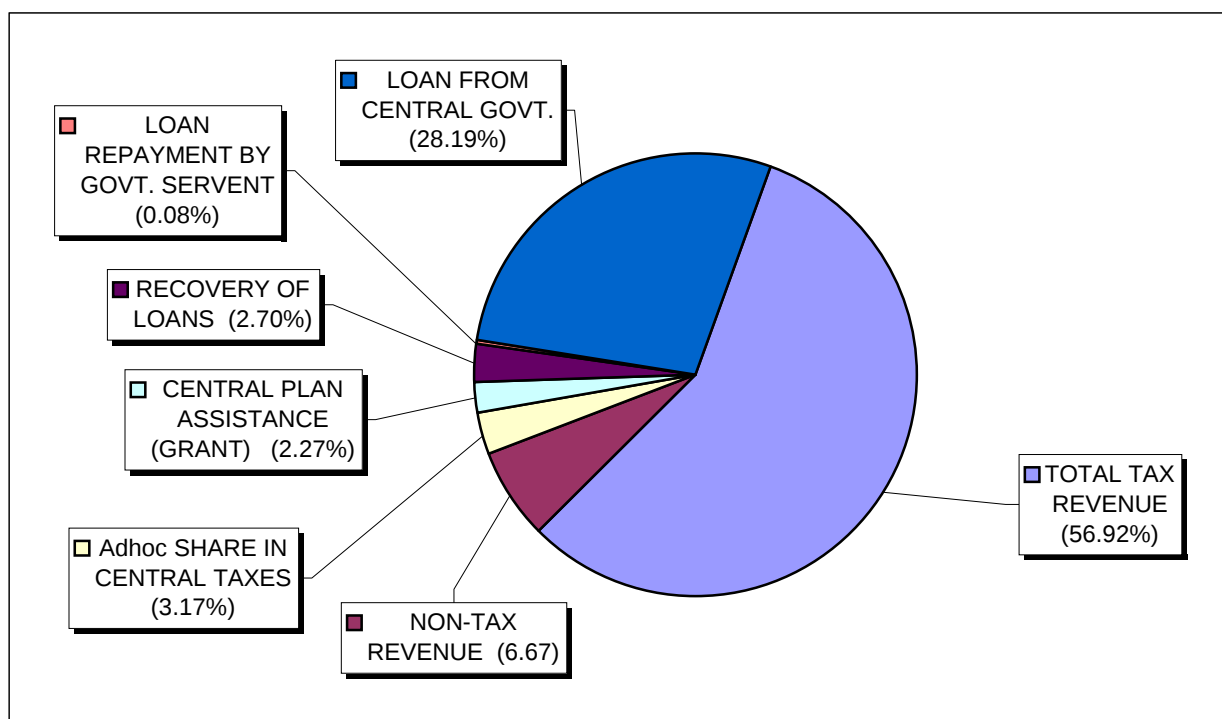
Figure 10.10-Total Receipts of GNCTD- 1985-1986 to 2004-05



- The next most significant source ('loan from central government' accounting for 25.36 percent of the receipts) is also linked to the size of the mobilized small savings.
- All other sources have played an insignificant role (hovering as they did around 2 percent of total receipts) and, in the case of repayment of loans by government servants, amounting to just a meagre 0.10 percent.

- Accordingly, out of total receipts of Rupees 85429.64 crore in the years 1985-86 to 2004-05, while tax revenues accounted for Rupees 51777.51 crore and non-tax for Rupees 5447.92 crore, loans from the central government (pegged to revenues mopped up through small saving drives) totalled Rupees 21666.34 crore.
- However, Delhi's 'share in central taxes', for instance, does not satisfy the criteria of reliability. Having accepted Delhi's claim to a share in central taxes, the share in taxes initially increased from Rupees 240 crore in 1997-1998 to Rupees 330 crore in 2000-01 and was reduced to and frozen at Rupees 325 crore in 2001-02.
- While overall tax revenues in the period 1985-86 to 2004-05 show a healthy share of 60.1 percent, the fact is that the share of tax revenue has declined from 70.69 percent in 1994-95 to 54.24 percent in 2004-05.

Figure 10.11-Pie Chart showing Total Receipts of GNCTD- 1994-1995 to 2004-2005



- Similarly, while in the same period, the overall contribution stood at 6.38 percent, the share of non-tax sources rose to 7.03 percent in 2004-2005 from a paltry 3.94 percent in 1994-1995. Interestingly, the bulk of the non-tax revenues consist of the interest receipts due from public utilities like DJB or DTC. These more often than not do not imply actual realizations

and are mostly book adjustments through further non-plan loans. This undermines financial discipline.

- Again, the share of loans from the central government (against mobilization of small savings) has risen quite dramatically. In the period 1994-1995 to 2001-02, it was around 20 to 25 percent of the total receipts. However, in 2002-03 it constituted 34.76 percent, in 2003-04 38.02 percent, and 30.62 percent in 2004-05 of total receipts. For example, in 2001-02 it was Rupees 1773.96 crore while in 2002-03 it was Rupees 3276.84 crore, and in 2003-04 it was Rupees 4408.07 crore.
- Now even though the central loan component against small savings indicates an intensification (at least in the initial years) of the efforts to mobilize small savings, it simultaneously suggests an increase in the debt liability of the government. Additionally, to the extent that the overall contribution of tax revenues has shown a decline, it undermines the criteria of financial independence.

Own Revenue Receipts

10.23 Own revenue receipts consist of the tax and non-tax revenues. Accordingly, in this section we shall be concerned with an analysis of the revenue receipts from these important sources of revenue. Before we consider the tax receipts, we take note of the growth of per capita own receipts.

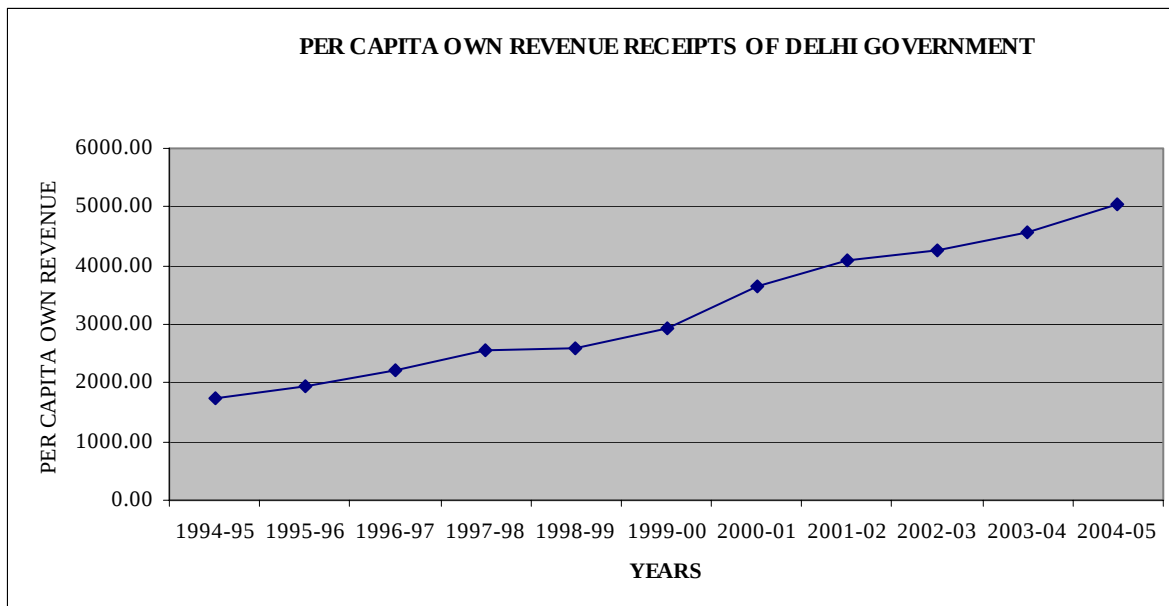
- The per capita own revenue receipts have increased from Rupees 1738.30 in 1994-1995 to Rupees 5060.21 in 2004-2005. This represents a 191.10 percent increase or a little less than three times. This is against an increase in the GSDP from Rupees 25846.50 crore (1994-1995) to Rupees 90733.02 crore (2004-2005). This implies a percentage increase of 251.05 percent and a three and a half times increase. Also the per capita income of the state increased from Rupees 23932 to Rupees 57194 in the same period representing an increase of 138.99 percent and a 2.39 times rise.
- The fact that the GSDP is growing at a faster pace than the per capita own revenue receipts suggest that a vast economic potential lies untapped. (Table 10.8).

Table 10.8-Per capita Own Revenue Receipts (Own Revenue receipts in lakh of Rupees/Population in Lakh)

1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
1738.30	1926.95	2210.04	2555.95	2594.00	2921.67	3643.24	4101.76	4245.72	4574.63	5060.21

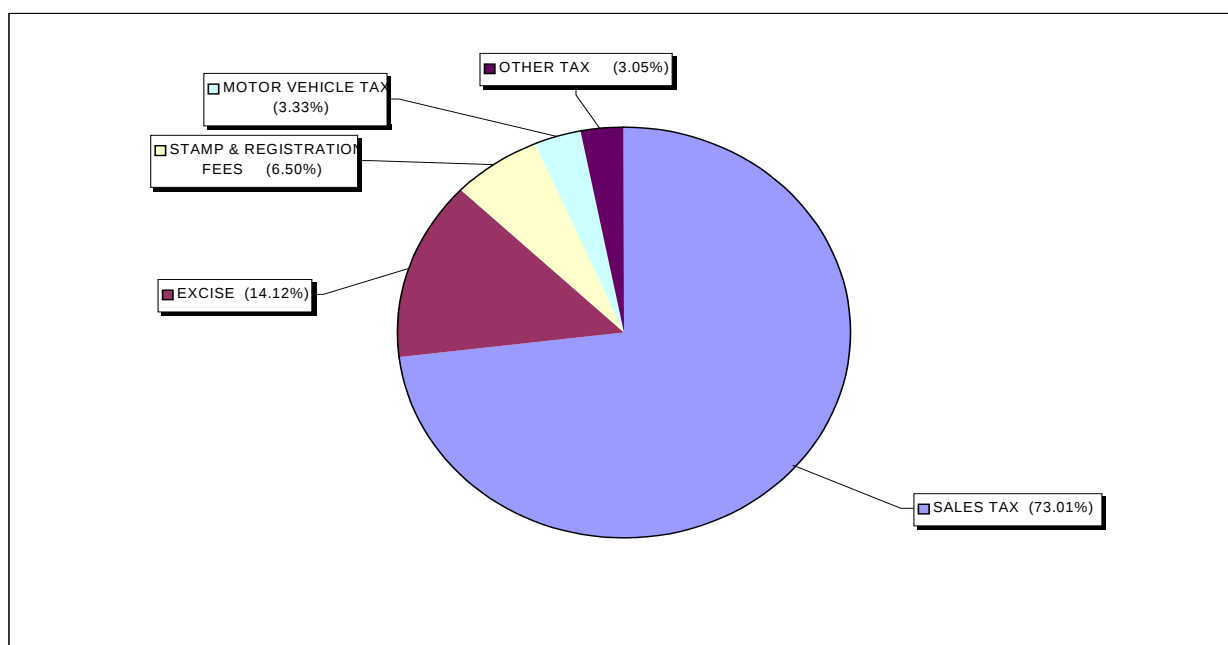
- Figure 10.12 shows the position in respect of per capita own revenue receipts graphically.

Figure 10.12-Per Capita Own Revenue Receipts-1994-1995 to 2003-2004



Tax Receipts

10.24 Tax receipts consist of receipts from: sales tax (now VAT from April 1, 2005), state excise, stamps and registration, motor vehicle tax, other taxes including the entertainment tax, betting tax, luxury tax, taxes on goods and passengers, taxes on commodities and services, and land revenue (since abandoned) as in Figure 10.13 below.

Figure 10.13-Pie-Chart showing Tax Revenue of GNCTD 1994-95 TO 2004-05

- Total tax receipts in 1985-86 were Rupees 491.85 crore. This made for a percentage share of 94.40 percent of total receipts.
- In 1993-1994 the total tax revenues were Rupees 1424.36 crore which made for a percentage share of 87.14 percent of the total receipts. The state government received Rupees 117.00 crore from the central government as block loan.
- The tax revenues increased from Rupees 491.85 crore in 1985-1986 and Rupees 1424.36 crore in 1993-1994 to Rupees 7106.13 crore in 2004-2005. The trend growth rate with 1985-1986 as the base year is 15.10 percent.
- The total tax revenues in 1994-1995 were Rupees 1787.47 crore. The trend growth rate with 1994-1995 as the base year is 14.20 percent. The trend growth rate with 1997-1998 (start of the Ninth Plan) is 13.80 percent.
- Clearly, the trend growth rate has been on a decline from: 15.10 percent (base 1985-86) to 14.20 (base 1994-1995) and 13.80 (base 1997-1998). Thus, increasing annual revenues appear to be disguising the long term secular trend.
- The average annual tax revenue in the period 1994-1995 to 2004-2005 was Rupees 3955.09 crore. Actual tax revenues were lower than the average tax revenues in six years (1994-1995 to 1999-2000). It was more than the average from 2000-2001 onwards. The single most important reason for

the step up of revenues with effect from 2000-2001 was the introduction of the Uniform Floor Rates under sales tax.

- This also confirms that the marginal rate rationalizations of earlier years did not have a significant impact. It also shows that the reported improvements in tax administration did not result in better collection efficiencies. Indeed, a study by the Planning Department, GNCTD, in 2002, noted that: if we factor out some good years when large growth was recorded (2000-01 in sales tax) due to major discretionary changes in policy, the growth in last few years has not been more than 8-10%.
- On the other hand, two trends have been noticeable: one, government have tended to abandon tax revenues over the years rather frequently, almost all tax 'rate rationalizations' having consisted of steps to lower prevalent rates. Second, there is a perceptible decline in the total utilization of mobilized revenues (see the growing size of the opening balances) and, more so, for capital expenditure. Table 10.9 depicts the actual collections in absolute and percentage terms as well as the variation over BE and RE. The projections for tax receipts at the BE stage have increased from Rupee 1933.03 crore (1994-1995) to Rupees 6521.50 crore (2004-2005). This represents an absolute increase of Rupees 4588.47 crore and a 237.37 percent increase in this period.

Table 10.9- Absolute/Percentage Variation in BE/RE and Actual Collections of tax Revenue (1994-1995 to 2004 2005)

Year	OBE (Rupees in crore)	RE (Rupees in crore)	Actual (Rupees in crore)	Absolute Variation in RE over BE (Rupees in crore)	Percentage Variation in RE over BE	Absolute Variation in Actual over BE (Rupees in crore)	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE (Rupees in crore)	Percentage Variation in Actual over RE
1994-1995	1933.03	1694.13	1787.47	-238.90	-12.36	-145.56	-75.53	93.34	5.51
1995-1996	2109.21	2070.08	2111.05	-39.13	-1.856	1.84	0.09	40.97	1.98
1996-1997	2641.10	2502.10	2534.87	-112.00	-4.28	-79.23	-3.03	32.77	1.31
1997-1998	3145.10	3049.10	2941.58	-96.00	-3.05	-203.52	-6.47	-107.52	-3.53
1998-1999	3595.12	3311.13	3088.78	-283.99	-7.90	-506.34	-14.08	-222.35	-6.72
1999-2000	3983.15	3683.16	3430.41	-300.00	-7.53	-552.74	-13.88	-252.74	-6.86
2000-2001	4700.15	4448.56	4400.63	-251.59	-5.35	-299.52	-6.37	-47.93	-1.08
2001-2002	5138.15	5088.00	4896.75	-50.15	-0.98	-241.40	-4.70	-191.25	-3.76
2002-2003	5854.00	5425.00	5324.19	-429.00	-7.33	-529.81	-9.05	-100.81	-1.86
2003-2004	6214.00	5596.00	5884.17	-618.00	-9.95	-329.83	-5.31	288.17	5.15
2004-2005	6521.50	6581.00	7106.13	59.50	0.91	584.63	8.96	515.13	7.98

- The projections at the revised estimate stage have risen from Rupees 1694.13 crore (1994-1995) to Rupees 6581.00 crore (2004-2005). The absolute increase has been Rupees 4886.87 crore reflecting a percentage increase of 288.46 percent in the period.
- The actual collections of tax revenues rose from Rupees 1787.47 crore (1994-1995) to Rupees 7106.13 crore (2004-2005). The absolute increase was Rupees 5318.66 crore and this means a 297.55 percent rise.
- The absolute variation in the RE over the BE has been negative in all the years except 2004-2005. This means that the original estimates have been revised downwards in every year other than 2004-2005. The variation has been as much as minus Rupees 618 crore (2003-2004). The downward revision has ranged from above Rupees 200 crore to more than Rupees 400 crore in five years. In three years it has been less than Rupees 100 crore though the revision even in these years was quite substantial.
- The percentage variation in the RE over the BE has been from minus 12.36 percent (1994-1995) to minus 0.98 percent (2001-2002). In most years it has been above minus 5.00 percent. The only year in which it was revised upwards, the revision was less than 1.00 percent (0.91 percent).
- The absolute variation in the actual realizations over the BE has been from minus Rupees 552.74 crore (1999-2000) to Rupees 584.63 crore (2004-2005). In nine years the actual realizations over the budget projections has been negative. This is reflected in the percentage variations also. The percentage variation has been from minus 14.08 percent (1998-1999) to 8.96 percent (2004-2005). However, most of the variation has been negative.
- Over the revised estimates the actual collections have been somewhat more encouraging. The figures of actual realizations are positive in five out of eleven years. This could well be since the budget estimates had been revised downwards at the RE stage. Nevertheless, it is worth noting that even against the lowered targets at the RE stage, the actual collections were less than the RE target in six years.
- The actual collections over the RE have ranged from minus Rupees 252.74 crore (1999-2000) to Rupees 525.13 crore (2004-2005) and in percentage terms the range has been minus 6.86 percent (1999-2000) to 7.98 percent (2004-2005).
- The trend growth rate of tax revenue receipts between 1994-1995 and 2004-2005 works out to be 14.2 percent.

10.25 Table 10.10 shows the absolute and percentage variation in BE, RE, and actual tax collections over the previous year. The absolute variation in BE has ranged from Rupees 176.18 crore (1995-1996) to Rupees 307.50 crore (2004-2005). The absolute variation in budget estimates was from Rupees 300.00 crore to Rupees 400.00 crore in three years (1999-2000, 2003-2004, and 2004-2005); from Rupees 400.00 crore to Rupees 500.00 crore in two years (1998-1999 and 2001-2002); from Rupees 500.00 crore to Rupees 600.000 crore in two years (1996-1997 and 1997-1998); and above Rupees 700.00 crore in two years (2000-2001 and 2002-2003).

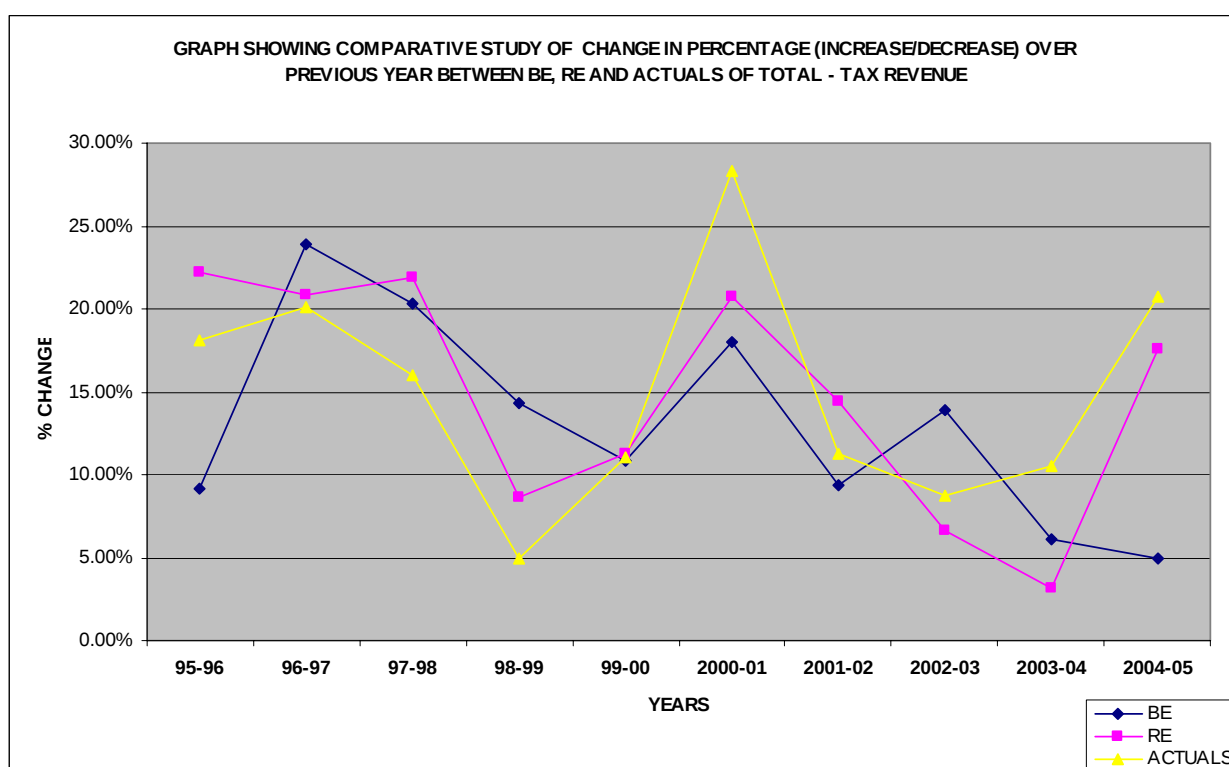
Table 10.10- Absolute/Percentage Variation in BE/RE and Actual Collections of Tax Revenue (1994-1995 to 2004 2005) Over the Previous Year

Year	OBE (Rupees in crore)	RE (Rupees in crore)	Actual (Rupees in crore)	Absolute Variation in BE (Rupees in crore)	Percentage Variation in BE	Absolute Variation in RE (Rupees in crore)	Percentage Variation RE	Absolute Variation in Actual (Rupees in crore)	Percentage Variation in Actual
1994- 1995	1933.03	1694.13	1787.47	-	-	-	-	363.11	25.49
1995- 1996	2109.21	2070.08	2111.05	176.18	9.11	375.95	22.19	323.58	18.10
1996- 1997	2641.10	2502.10	2534.87	504.89	23.94	432.02	20.87	423.82	20.08
1997- 1998	3145.10	3049.10	2941.58	531.00	20.31	547.00	21.86	406.71	16.04
1998- 1999	3595.12	3311.13	3088.78	450.02	14.31	262.03	08.59	147.20	5.00
1999- 2000	3983.15	3683.16	3430.41	388.03	10.79	372.02	11.24	341.63	11.06
2000- 2001	4700.15	4448.56	4400.63	717.00	18.00	765.41	20.78	970.22	28.28
2001- 2002	5138.15	5088.00	4896.75	438.00	9.32	639.44	14.37	496.12	11.27
2002- 2003	5854.00	5425.00	5324.19	715.85	13.93	337.00	06.62	427.44	8.73
2003- 2004	6214.00	5596.00	5884.17	360.00	6.15	171.00	03.15	559.98	10.52
2004- 2005	6521.50	6581.00	7106.13	307.50	4.95	985.00	17.60	1221.96	20.77

- The comparative position of BE, RE and actual realization of tax revenues in terms of percentage change depicted in Figure 10.14 is instructive.

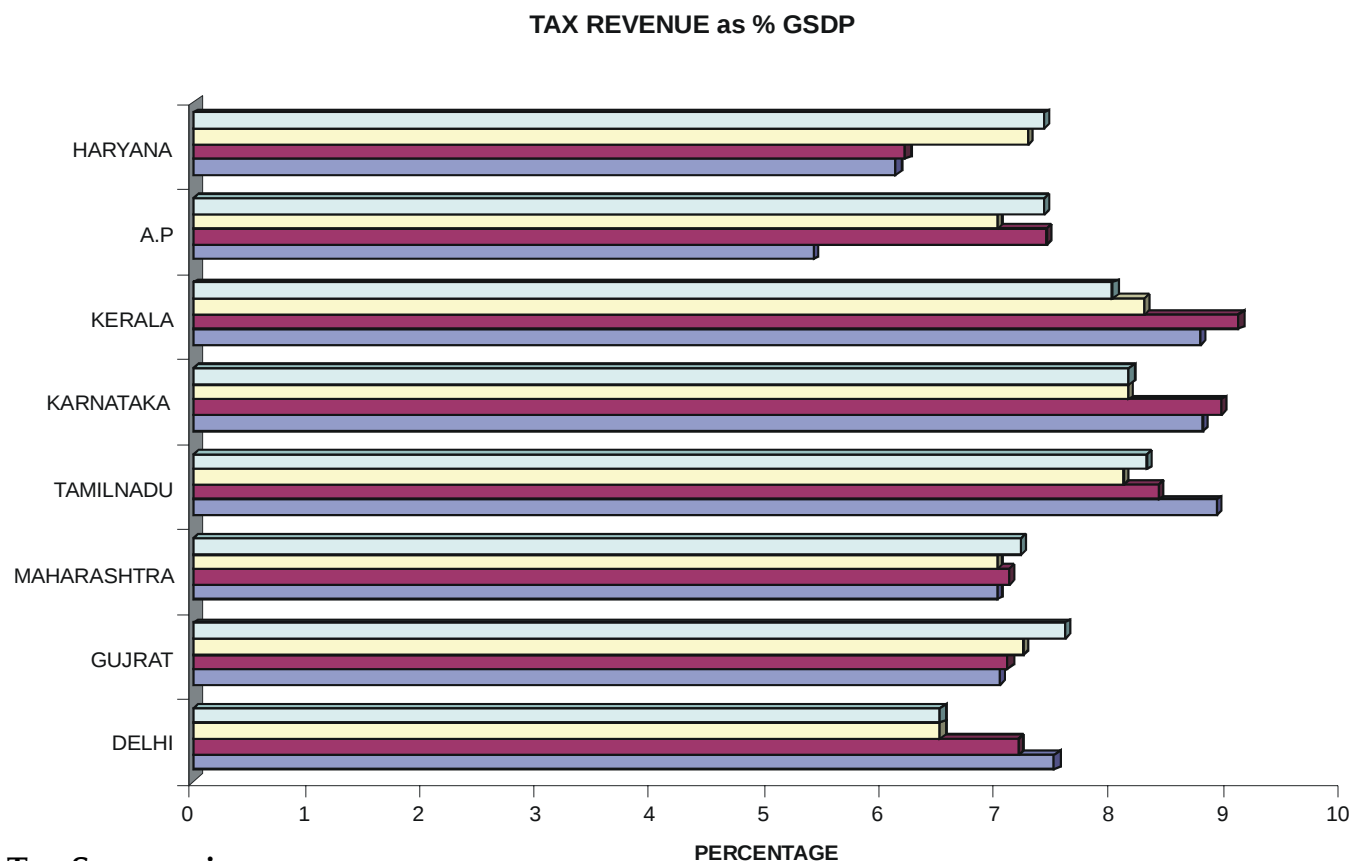
Notice that between 1996-1997 and 1999-2000, the percentage change in actual collections were consistently below the percentage change in the projected targets at both the BE and the RE stage. The surge in 2000-2001 (attributable in large to the introduction of the UFR) could not be sustained and in the very next year it went below the RE but was a little more than the BE. In the next year it exceeded the RE but was below the much reduced BE. In later years the BE and RE were pegged so much lower that much effort would probably have been required to dip below even these substantially reduced targets.

Figure 10.14-Comparative Change in Tax Revenue



- The percentage variation in BE over the previous year has varied from 4.95 percent (2004-2005) to 23.94 percent (1996-1997). The percentage variation has been from 4 to 10 percent in four years (1995-1996, 2001-2002, 2003-2004, and 2004-2005); from 10 to 20 percent in four years (1998-1999, 1999-2000, 2000-2001, and 2002-2003), and; more than 20 percent in two years (1996-1997 and 1997-1998).
- Original Budget Estimates (OBE) for tax revenues reveals no consistency and, therefore, no stability. While, the BE figures in the years 1994-1995 to 2004-2005 mostly hovered around the 10 percent mark, they nevertheless show remarkable fluctuation.

- The absolute variations in the revised estimates over the previous year have varied from Rupees 171.00 crore (2003-2004) to Rupees 985.00 crore (2004-2005). The revised estimates have always enhanced the projected tax revenue collections in a year. They were increased by Rupee 100 crore to Rupees 400 crore in five years (2003-2004, 1998-1999, 1995-1996, 1999-2000, and 2002-2003); by Rupees 400 crore to Rupees 800 crore in four years (1996-1997, 1997-1998, 2001-2002, 2000-2001) and; finally more than Rupees 900 crore in 2004-2005.
- The percentage variation in RE figures over each preceding year, vary from as low as 3.15 percent (2003-2004) to as high 22.19 percent (1995-1996). It has varied by less than 5 percent in only one year (2003-2004); from 5 to 15 percent in four years (1998-1999, 1999-2000, 2001-2002, and 2002-2003), and; from 15 to 25 percent in five years (1995-1996, 1996-1997, 1997-1998, 2000-2001, and 2004-2005).
- The absolute variation in actual collections over the previous year has been from Rupees 147.20 crore (1998-1999) to Rupees 1221.96 crore (2004-2005). The variation has been less than Rupees 500 crore in eight years, from Rupees 500 crore to Rupees 1000 crore in two years (2000-2001 and 2003-2004).
- It will be seen from the data related to the BE, RE and actual collections that the original budget estimates have always been reduced at the RE stage, and the actual collections are far below the BE and quite often below even the RE. Undeniably the actual collections tend to be closer to the revised figures. Nevertheless, the figures of projections at the BE stage of the following year are always higher than what the track record would suggest is warranted. It appears that actual performance is unrelated to the projections at both the BE and RE stages. Accordingly, the projections do not provide reliable benchmarks for evaluation or the performance of the revenue earning departments.
- The comparative position of tax revenue as a percentage of the GSDP over time and in relation to select states has been indicated in Figure 10.15. The percentage share of tax revenues in the GSDP for Delhi has never exceeded 7.5 percent (1996-1997), while in some states (such as Kerala, Karnataka, and Tamil Nadu) it has touched or even crossed 9.00 percent). In later years the share has in fact declined.

Figure 10.15- Tax Revenues as a Percentage of GSDP

Tax-Source wise Revenue Analysis

Sales Tax- VAT

10.26 The tax base in terms of registered dealers is reported in Table 10.11 below. It may be seen that the tax base which consisted of 90,530 dealers in 1985-86, increased to 1,61,283, a little less than double. The percentage variation in the number of dealers has varied between minus 6.16 percent (2004-2005) and 6.18 percent. (1986-1987). The reduction in the number of dealers by approximately 10,585 was presumably due to introduction of VAT which provided a threshold level of annual turnover of Rupees 5 lakh.

Table 10.11- Registered Dealers since 1985-1986 as an Indicator of the Tax Base

Year	DST	% Variation	WC	% Variation	RTU	CST	% Variation
1985-86	90530					84841	
1986-87	96123	6.18%				90294	6.43%
1987-88	100441	4.49%				94489	4.65%
1988-89	105342	4.88%				99311	5.10%
1989-90	108825	3.31%				102717	3.43%

1990-91	113357	4.16%				107459	4.62%
1991-92	119243	5.19%				113194	5.34%
1992-93	122914	3.08%				116681	3.08%
1993-94	128279	4.36%				121814	4.40%
1994-95	132260	3.10%				127282	4.49%
1995-96	136950	3.55%				132296	3.94%
1996-97	133285	-2.68%				129974	-1.76%
1997-98	140787	5.63%				137242	5.59%
1998-99	147542	4.80%				143905	4.85%
1999-00	155864	5.64%	7024			151352	5.17%
2000-01	155868	0.00%	8119	15.59%		146847	-2.98%
2001-02	161824	3.82%	10186	25.46%		152226	3.66%
2002-03	167446	3.47%	11371	11.63%		157748	3.63%
2003-04	171868	2.64%	12413	9.16%		161935	2.65%
2004-05	161283	-6.16%	13328	7.37%	228	151739	-6.30%

Note: DST – Delhi Sales Tax; WC- Works Contract, RTU-Registered Traders Unit; CST-Central Sales Tax

- Introduction of a tax on work contract in 1999-2000 brought 7024 contractors into the tax net. In subsequent years the number has gone up and the number was 13328 in 2004-2005.
- On the face of it looks as though there is a vast untapped potential since there has been a phenomenal growth in the commercial sector and trading activities.

10. 27 Table 10.12 exhibits the position of sales tax revenues as a percentage of various revenue parameters. As a percentage of total tax revenues, sales tax is the most dominant source of revenue. In the period 1985-1986 to 2004-2005, its share has never been below 66 percent of total tax revenue whereas from 2000-2001 onward it has been above 70.00 percent. Accordingly, sales tax is the most potent tax instrument available to the state government.

Table 10.12- Sales Tax Revenues as a percentage of Various Revenue Parameters-1995 to 2004-2005

Year	Percentage of Total Tax Revenues	Percentage of Own Revenue Receipts	Percentage of Revenue Receipts	Percentage of Total receipts
1994-1995	71.12	67.37	64.19	50.28
1995-1996	73.06	70.94	67.16	49.40
1996-1997	71.94	70.39	65.22	49.60
1997-1998	69.23	65.46	58.51	45.15
1998-1999	68.61	64.68	57.90	45.18
1999-2000	68.47	61.35	54.95	39.64
2000-2001	77.01	68.48	62.25	46.24
2001-2002	75.82	64.32	59.37	42.43
2002-2003	72.96	63.12	58.07	36.87
2003-2004	75.38	64.90	60.36	36.15
2004-2005	73.17	64.79	60.74	39.70

- As a percentage of own revenue receipts sales tax has been in the range of 61.35 percent (1999-2000) to 70.94 percent (1995-1996). It has always been more than 60 percent and more than 70 percent in two years (1995-1996 and 1996-1997).
- As a percentage of total revenue receipts, the share of sales tax in revenue receipts has been between 54.95 percent (1999-2000) and 67.16 percent (1995-1996). It has always been above 50 percent and in six years even above 60 percent.
- As a percentage of total receipts, sales tax has not ceased to be the single largest source of revenues for the state government. Even in the period of change in the receipts structure of the state government its pre-eminence has remained undiminished. However, as the percentage share of sales tax revenues in total receipts shows, it was not the most important source of receipts even as early as 1995-1996.

10.28 Table 10.13 depicts the absolute/ percentage variation in BE, RE and actual collections of sales tax during the period from 1994-1995 to 2004-2005. The projections for tax receipts at the BE stage have increased from Rupees 1391.00 crore (1994-1995) to Rupees 4800.00 crore (2004-2005). This represents an absolute increase of Rupees 3409.00 crore and a 245.08 percent increase in this period.

Table 10.13-Absolute/ Percentage variation in BE, RE and Actual collection of Sales Tax 1994-1995 to 2004-2005.

Year	OBE (Rupees in crore)	RE (Rupees in crore)	Actual (Rupees in crore)	Absolute Variation in RE over BE (Rupees in crore)
1	2	3	4	5
1994-1995	1391.00	1197.86	1271.26	-193.14
1995-1996	1500.00	1500.00	1542.33	0.00
1996-1997	1800.00	1800.00	1823.56	0.00
1997-1998	2150.00	2150.00	2036.53	0.00
1998-1999	2465.00	2240.00	2119.28	-225.00
1999-2000	2700.00	2550.00	2348.75	-150.00
2000-2001	3300.00	3300.00	3388.88	0.00
2001-2002	3800.00	3800.00	3712.83	0.00
2002-2003	4300.00	3950.00	3884.36	-350.00
2003-2004	4400.00	4200.00	4435.68	-200.00
2004-2005	4800.00	4799.00	5200.88	-1.00

Percentage Variation in RE over BE	Absolute Variation actual over BE (Rupees in crore)	Percentage Variation actual over BE	Absolute Variation in Actual over RE (Rupees in crore)	Percentage Variation in Actual over RE
6	7	8	9	10
-13.88	-119.74	-8.61	73.40	6.13
0.00	42.33	2.82	42.33	2.82
0.00	23.56	1.31	23.56	1.31
0.00	-113.47	-5.28	-113.47	-5.28
-9.13	-345.72	-14.03	-120.72	-5.39
-5.56	-351.25	-13.01	-201.25	-7.89
0.00	88.88	2.69	88.88	2.69
0.00	-87.17	-2.29	-87.17	-2.29
-8.14	-415.64	-9.67	-65.64	-1.66
-4.55	35.68	0.81	235.68	5.61
-0.02	400.88	8.35	401.88	8.37

- The projections at the revised estimate stage have risen from Rupees 1197.86 crore (1994-1995) to Rupees 4799.00 crore (2004-2005). The absolute increase has been Rupees 3601.14 crore reflecting a percentage increase of 300.63 percent in the period.
- The actual collections of sales tax revenues rose from Rupees 1271.26 crore (1994-1995) to Rupees 5200.88 crore (2004-2005). The absolute increase was Rupees 3929.62 crore and this means a 309.11 percent rise.

- The absolute variation in the RE over the BE has been negative in six out of eleven years. In remaining years there was no variation in RE over BE. The variation in these six years has been from minus Rupees 350.00 crore (2002-2003) to minus Rupees 1.00 crore (2004-2005). The variation was up to minus Rupees 200.00 crore in four years (1994-1995, 1999-2000, 2003-2004 and 2004-2005). The variation was more than minus Rupees 200.00 crore in two years (1998-1999 and 2002-2003).
- The percentage variation in the RE over the BE has been from minus 13.88 percent (1994-1995) to minus 0.02 percent (2004-2005). It was below minus 1 percent (2004-2005) upto minus 10.00 percent in four years and more than minus 10.00 percent (1994-1995).
- The absolute variation in the actual realizations over the BE has been from minus Rupees 415.64 crore (2002-2003) to Rupees 40.88 crore (2004-2005). In six years the actual realizations over the budget projections have been negative. This is reflected in the percentage variations also. The percentage variation has been from minus 14.03 percent (1998-1999) to 8.35 percent (2004-2005).
- The figures of actual realizations are positive in six out of eleven years. The absolute variation in actual over RE were in the range of minus Rupees 201.25 crore (1999-2000) to Rupees 401.88 crore (2004-2005). The negative variation was in five years and was in the range of minus Rupees 201.25 crore (1999-2000) to Rupees 65.64 crore (2002-2003). The negative variation was up to Rupees 100.00 crore in two years (2001-2002 and 2002-2003) and more than Rupees 100.00 crore in three years (1997-1998 to 1999-2000). This is also reflected in the percentage variations also. The percentage variation was from minus 7.89 percent (1999-2000) to 8.37 percent (2004-2005).
- The trend growth rate of sales tax revenue receipts between 1994-1995 and 2004-2005 works out to be 14.8 percent

10.29 Table 10.14 shows the absolute and percentage variation in BE, RE, and actual sales tax collections over the previous year. The absolute variation in BE has ranged from Rupees 100.00 crore (2003-2004) to Rupees 600.00 crore (2000-2001). The absolute variation in budget estimates was from Rupees 100.00 crore to Rupees 300.00 crore in four years (1995-1996, 1996-1997, 1999-2000 and 2003-2004), from Rupees 301.00 crore to Rupees 500.00 crore in five years (1997-1998,

1998-1999, 2001-2002, 2002-2003 and 2004-2005); above Rupees 501.00 crore in 2000-2001.

- The percentage variation in BE over the previous year has varied from 2.33 percent (2003-2004) to 22.22 percent (2000-2001). The percentage variation has been up to 10 percent in four years (1995-1996, 1999-2000, 2003-2004 and 2004-2005) from 10 to 15 percent in three years (1998-1999, 2001-2002 and 2002-2003); above 15 percent in remaining three years (1996-1997, 1997-1998 and 2000-2001).
- The absolute variation in RE over the previous year has varied from Rupees 90.00 crore (1998-1999) to Rupees 750.00 crore (2000-2001). The absolute variation was up to Rupees 300.00 crore in four years (1996-1997, 1998-1999, 2002-2003 and 2003-2004), up to Rupees 600.00 crore in five years (1995-1996, 1997-1998, 1999-2000, 2001-2002 and 2004-2005) and more than Rupees 600.00 crore in 2000-2001.
- The percentage variation in RE figures over each preceding year, vary from as low as 3.95 percent (2002-2003) to as high as 29.41 percent (2000-2001). It has varied by less than 5 percent in only two years (1998-1999 and 2002-2003); from 5 to 15 percent in three years (1999-2000, 2003-2004, and 2004-2005), from 15 to 25 percent in three years (1996-1997, 1997-1998, and 2001-2002) and; from 25 to 30 percent in two years (1995-1996 and 2000-2001).
- The absolute variation in actual collections over the previous year has been from Rupees 82.75 crore (1998-1999) to Rupees 1040.13 crore (2000-2001). The variation has been less than Rupees 500 crore in seven years, from Rupees 500 crore to Rupees 1000 crore in two years (2003-2004 and 2004-2005), and; above Rupees 1000 crore in 2000-2001.
- The percentage variation in actual over previous year has been in the range of 4.06 percent (1998-1999) to 44.28 percent (2000-2001). It has been below 10 percent in three years (1998-1999, 2000-2001, and 2002-2003); 10 to 20 percent in five years, and; above 20 percent in two years.
- Between 1994-1995 and 2004-2005, the sales tax revenues have exceeded the budget and revised estimates in 1995-1996, 1996-1997, 2000-2001, 2003-2004, and 2004-2005. In the balance six years except for 1994-1995, it has been less than both the budget estimates and the revised estimates. In either case (excess or shortfall) the projections and performance do not

appear to be correlated. Therefore, either the projections need to be rationalized or performance benchmarks deserve to be reconsidered.

Table 10.14-Absolute/ Percentage variation in BE, RE and Actual collection of Sales Tax over the previous year 1994-1995 to 2004-2005.

Year	OBE (Rupees in crore)	RE (Rupees in crore)	Actual (Rupees in crore)	Absolute Variation in BE over previous year (Rupees in crore)
1	2	3	4	5
1994-1995	1391.00	1197.86	1271.26	
1995-1996	1500.00	1500.00	1542.33	109.00
1996-1997	1800.00	1800.00	1823.56	300.00
1997-1998	2150.00	2150.00	2036.53	350.00
1998-1999	2465.00	2240.00	2119.28	315.00
1999-2000	2700.00	2550.00	2348.75	235.00
2000-2001	3300.00	3300.00	3388.88	600.00
2001-2002	3800.00	3800.00	3712.83	500.00
2002-2003	4300.00	3950.00	3884.36	500.00
2003-2004	4400.00	4200.00	4435.68	100.00
2004-2005	4800.00	4799.00	5200.88	400.00

Percentage Variation in BE over previous year	Absolute Variation in RE over previous year (Rupees in crore)	Percentage Variation in RE over previous year	Absolute Variation in actual over previous year (Rupees in crore)	Percentage Variation in actual over previous year
6	7	8	9	10
7.84	302.14	25.22	271.07	21.32
20.00	300.00	20.00	281.23	18.23
19.44	350.00	19.44	212.97	11.68
14.65	90.00	4.19	82.75	4.06
9.53	310.00	13.84	229.47	10.83
22.22	750.00	29.41	1040.13	44.28
15.15	500.00	15.15	323.95	9.56
13.16	150.00	3.95	171.53	4.62
2.33	250.00	6.33	551.32	14.19
9.09	599.00	14.26	765.20	17.25

- Macro-level analysis of tax data needs to be supplemented with micro-level understanding of the tax base, its depth, size and reach. This may well require setting up an Economic Intelligence Unit in the Planning Department or Finance Department which regularly updates information about the tax base including suspected leakages of revenue. Only then can

tax rate rationalizations yield realistic estimates of likely revenue realization, which will serve as reliable benchmarks for assessing performance.

- For instance, the Department of Trade and Taxes has confirmed that there are 1.70 lakh registered dealers in Delhi.¹³ The figure was revised to 1.85 lakh dealers as on February 28, 2006¹⁴. However, no survey has been conducted to ascertain the number of dealers whose turnover is below the threshold (rupees 5 lakh – budget speech 2005-2006)¹⁵ for registration; to determine whether all traders who should be under the tax net are paying or not paying taxes; no estimation of the revenue loss on this account has been made, and; despite the existence of the Key-Dealers Unit in the department, the department was unable to furnish details of key-dealers trade wise, realization of dues from them etc.
- Therefore, it appears that no updating of the tax base has been undertaken to secure effective implementation of the newly introduced VAT regime. Indeed, due to reasons of ‘administrative convenience’ the department says that it does not deal with small dealers who are at the tail-end of the retail/distributive chain and make very little value addition. So long as this is based on hard data (that clearly identifies dealers at the tail-end of retail/distributive trade) and a decision of government at the appropriate level, we have nothing to say. However, if it is based on an exercise of impressionistic discretion by functionaries of the department it needs the intervention of government. In fact, the computerization of the data base and its impact on revenues should also attract the attention of government.
- The sharp increase in 2000-2001 is attributable to the introduction of the Uniform Floor Rate policy with effect from January 16, 2001. Prior to the introduction of the Uniform Floor Rates (UFR) items of general schedule were taxed at 1 to 5 percent, items of First Schedule were taxed at 1 to 12 percent, and the items of Second Schedule at 1 to 4 percent. After the implementation of the UFR, all the items of all these schedules were uniformly taxed at 8 percent, 12 percent, and 4 percent respectively. A new Fourth Schedule, having tax rate at 20 percent, was also inserted along with the introduction of the UFR. Before this only lottery tickets

¹³ Data and information submitted by the Trade and Taxes Department on October 6, 2005.

¹⁴ Letter No. F.1 (136)/Policy-I/2005-06/18 dated April 19, 2006 from Additional Commissioner Policy, Department of Trade and Taxes, GNCTD.

¹⁵ Budget Speech-2005-2006, page 50.

were taxed at 20 percent. This was a major rationalization of tax rates. Its impact was also immediate. Revenues increased over the previous year by 44.28 percent. In absolute figures the increase was Rupees 1040.13 crore.

- The next major departure has come with the introduction of Value-Added Tax in 2005-2006. Revised estimates for the year suggest a surge in revenues well beyond the budget estimates. The actual collections are expected in the range of more than Rupees 6600 crore. This is a very encouraging trend.
- The revenue increase in the first year (2000-2001) after the introduction of UFR was Rupees 1040.13 crore, while the introduction of VAT has increased revenues over those of the previous year (Rupees 5200.88: crore 2003-2004), the last year of sales tax by above Rupees 1400 crore. In fact, if we compare the actual collections of 2005-2006 with budget estimates the increase is more than Rupees 1300 crore, and compared to the revised estimates (Rupees 5800.00 crore) it is more than Rupees 800 crore. The increased revenue represents a healthy increase. The percentage increase over the previous year is 26.92 percent. Nonetheless, it is only the second largest increase in percentage terms. The honour of recording the highest percentage increase still rests with the revenue realizations following the introduction of UFR.
- The trend growth rate between 1985-1986 and 2004-2005 (base year: 1985-1986) was 15.90 percent; with 1994-1995 as base year, the trend growth rate was 14.80; with 1997-1998 as the base year, the trend growth rate was 15.20 percent.
- If we factor out some of the good years when large growth was recorded (2000-2001 in sales tax) due to major discretionary changes the growth in the last few years has not been more than 8 to 10 percent.
- The sales tax revenue increased from Rupees 325.53 crore in 1985-1986 to Rupees 5200. 88 crore in 2004-2005 The percentage increase in this period of sales tax revenues was 1497.67 percent. The increase in the period 1994-1995 to 2004-2005 was from Rupees 1271.26 crore which resulted in an increase of 309.11 percent; between 1997-1998 and 2004-2005, the revenues increased from Rupees 2036.53 crore, giving an increase of 155.38 percent.
- A matter of concern should be the growing arrears.¹⁶ Table 10.15 states the position regarding the arrears of sales tax/VAT.

¹⁶ Letter No. F.1 (136)/Policy-I/2005-06/2231 dated July 27, 2006

- In 1994-1995 the opening balance of sales tax arrears was Rupees 2488.09 crore, which rose to Rupees 9615.38 crore at the close of the financial year 2005-2006. This represents an absolute increase of Rupees 7127.29 crore. In percentage term the arrears increased by 286.46 percent.
- The amount collected each year is inadequate even if we add the adjusted amount indicated in the fourth row of Table 10.15. Therefore each year the arrears have continued to mount. The increase in arrears has ranged from minus 7.78 percent (2004-2005) to 19.81 percent (2000-2001).
- The decline in arrears in 2004-2005 appears to be attributable more to the remissions, reductions, and reviews etc which resulted in the reduction of arrears by Rupees 728.90 crore. This clearly means that the reduction is not so much by improved collections.

**Table 10.15- Trends of Arrears in Sales Tax/VAT-1994-1995 to 2005-2006
(Rupees in crore)**

S.No.	Item	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
1	Demands awaiting recovery at the beginning of the year	2488.09	3023.95	3403.64	3613.95	4156.74	4688.81
2	Demand raised during the year	577.59	453.30	249.53	607.32	605.35	1118.68
3	Tax collected during the year (Recovery)	27.05	67.05	18.91	34.98	43.14	53.83
4	Adjustment on account of reduction/remission/review/rectification/re-conciliation of demand during the year	14.68	6.56	20.31	29.55	30.14	255.33
5	Demand pending at the end of the year (1+2-3-4)	3023.95	3403.64	3613.95	4156.74	4688.81	5498.33
6	Absolute increase over previous year		379.69	210.31	542.79	532.07	809.52
7	Percentage increase over previous year		12.56	6.18	15.02	12.80	17.26

S.No.	Item	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
1	Demands awaiting recovery at the beginning of the year	5498.33	6587.35	6987.15	8327.83	9364.77	8635.87
2	Demand raised during the year	1241.20	642.36	1926.77	1607.05	1470.69	1926.36
3	Tax collected during the year (Recovery)	61.22	64.67	61.00	71.39	77.19	53.89
4	Adjustment on account of reduction/remission/review/rectification/reconciliation of demand during the year	90.96	177.89	525.09	498.72	2122.40	892.96
5	Demand pending at the end of the year (1+2-3-4)	6587.35	6987.15	8327.83	9364.77	8635.87	9615.38
6	Absolute increase over previous year	1089.02	399.80	1340.68	1036.94	-728.90	979.51
7	Percentage increase over previous year	19.81	6.07	19.19	12.45	-7.78	11.34

State Excise

10.30 Table 10.16 discusses the absolute and percentage variation in the BE, RE and actual collections under excise. Original budget estimates (OBE) for state excise have been in the range of Rupees 393.00 crore (1994-1995) to Rupees 850.00 crore (2004-2005). OBE was up to Rupees 400.00 crore in three years (1994-1995 to 1996-1997), up to 600.00 crore in three years (1997-1998 to 1999-2000) up to Rupees 800.00 crore in another three years (2000-2001 to 2002-2003) and Rupees 850.00 crore in two years (2003-2004 and 2004-2005).

Table 10.16: Absolute/Percentage Variation in BE, RE and Actual collection of State Excise 1994-1995 to 2004-2005

Year	OBE (Rupees in Crore)	RE (Rupees in Crore)	Actual (Rupees in Crore)	Absolute Variation in RE over BE (Rupees in Crore)
1	2	3	4	5
1994-1995	393.00	300.83	308.47	-92.17
1995-1996	363.00	335.00	335.79	-28.00
1996-1997	370.00	400.00	446.54	30.00
1997-1998	425.00	500.00	515.01	75.00
1998-1999	525.00	525.00	526.11	0.00
1999-2000	575.00	580.00	566.41	5.00
2000-2001	665.00	600.00	557.22	-65.00
2001-2002	700.00	700.00	606.41	0.00
2002-2003	770.00	725.00	725.68	-45.00
2003-2004	850.00	700.00	710.12	-150.00
2004-2005	850.00	820.00	843.68	-30.00

Percentage Variation in RE over BE	Absolute Variation in Actual over BE (Rupees in Crore)	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE (Rupees in Crore)	Percentage Variation in Actual over RE
6	7	8	9	10
-23.45	-84.53	-21.51	7.64	2.54
-7.71	-27.21	-7.50	0.79	0.24
8.11	76.54	20.69	46.54	11.64
17.65	90.01	21.18	15.01	3.00
0.00	1.11	0.21	1.11	0.21
0.87	-8.59	-1.49	-13.59	-2.34
-9.77	-107.78	-16.21	-42.78	-7.13
0.00	-93.59	-13.37	-93.59	-13.37
-5.84	-44.32	-5.76	0.68	0.09
-17.65	-139.88	-16.46	10.12	1.45
-3.53	-6.32	-0.74	23.68	2.89

- Revised Estimates (RE) for state excise have been in the range of Rupees 300.83 crore (1994-1995) to Rupees 820.00 crore (2004-2005). RE was up to Rupees 400.00 crore in three years (1994-1995 to 1996-1997), up to 600.00 crore in four years (1997-1998 to 2000-2001) up to Rupees 800.00 crore in another three years (2001-2002 to 2003-2004) and Rupees 820.00 crore in 2004-2005.
- Actual realization of State Excise has been in the range of Rupees 308.47 crore (1994-1995) to Rupees 843.68 crore (2004-2005). Actual Realization was up to Rupees 400.00 crore in two years (1994-1995 to 1995-1996), up to 600.00 crore in five years (1996-1997 to 2000-2001) up to Rupees 800.00 crore in another three years (2001-2002 to 2003-2004) and more than Rupees 800.00 crore in 2004-2005.
- Absolute variation in RE over BE was from minus Rupees 150.00 crore (2003-2004) to Rupees 75.00 crore (1997-1998). The absolute variation was negative in six years and positive in three years (1996-1997, 1997-1998 and 1999-2000). There was no variation in two years (1998-1999 and 2001-2002).
- Percentage variation in RE over BE was from minus 23.45 percent (1994-1995) to 17.65 percent (1997-1998). The percentage variation was negative

in six years and positive in three years (1996-1997, 1997-1998 and 1999-2000). There was no variation in two years (1998-1999 and 2001-2002).

- Absolute variation in Actual over BE was from minus Rupees 139.88 crore (2003-2004) to Rupees 90.01 crore (1997-1998). The absolute variation was negative in eight years and positive in three years (1996-1997, 1997-1998 and 1998-1999).
- Percentage variation in Actual over BE was from minus 21.51 percent (1994-1995) to 21.18 percent (1997-1998). The percentage variation was negative in eight years and positive in three years (1996-1997, 1997-1998 and 1998-1999).
- Absolute variation in Actual over RE was from minus Rupees 93.59 crore (2001-2002) to Rupees 46.54 crore (1996-1997). The absolute variation was negative in three years (1999-2000 to 2001-2002) and positive in eight years.
- Percentage variation in Actual over BE was from minus 21.51 percent (1994-1995) to 21.18 percent (1997-1998). The percentage variation was negative in eight years and positive in three years (1996-1997, 1997-1998 and 1998-1999).
- Absolute variation in Actual over RE was from minus Rupees 93.59 crore (2001-2002) to Rupees 46.54 crore (1996-1997). The absolute variation was negative in three years (1999-2000 to 2001-2002) and positive in eight years.
- Percentage variation in Actual over RE was from minus 13.37 percent (2001-2002) to 11.64 percent 1996-1997. The percentage variation was negative in three years (1999-2000 to 2001-2002) and positive in eight years
- The annual percentage variation has been from as low as minus 2.14 in 2003-2004 to 32.98 in 1996-1997.
- The trend growth rate between 1985-1986 and 2004-2005 (base year: 1985-1986) was 12.10 percent; with 1994-1995 as base year, the trend growth rate was 9.4; with 1997-1998 as the base year, the trend growth rate was 7.10 percent.
- The excise revenues increased from Rupees 99.33 crore in 1985-1986 to Rupees 843. 68 crore in 2004-2005. The percentage increase in this period was 749.37 percent. The increase in the period 1994-1995 to 2004-2005 was from Rupees 308.47 crore which resulted in an increase of 173.50 percent; between 1997-1998 and 2004-2005, the revenues increased from Rupees 515.01 crore, giving an increase of 63.82 percent.

- The excise revenues in 2005-2006 are reported to be around Rupees 1024.80 crore. In the BE (2005-2007) they are projected at Rupees 975.00 crore.
- Between 1994-1995 and 2004-2005, the actual excise revenues have shown no particular relationship between the BE and RE. It has always been less than the budget estimates except in 1996-1997, 1997-1998, and 1998-1999. In comparison to RE, the actual revenues have been more than the revised estimates except in three years (1999-2000, 2000-2001, and 2001-2002). The RE itself has been lower than the BE in 1994-1995, 1995-1996, 2000-2001, 2002-2003, 2003-2004, and 2004-2005.
- The actual revenues have been less than the BE in practically all the years (1994-1995, 1995-1996, 1999-2000 to 2004-2005), except 1996-1997, 1997-1998, and 1998-1999 when it exceeded the BE projections. It was less than the RE in three years (1999-2000, 2000-2001, and 2001-2002). Interestingly, in these three years the RE was either equal to, less than or more than the BE. It was also less than the lowered RE in 2000-2001 or less than the RE when the same had not been changed.
- Clearly, there is no specific pattern and no clear correlation between estimates and actual realizations. In either case (excess or shortfall over BE or RE or both) the projections and performance do not appear to be correlated. Therefore, like in the case of sales tax, either the projections need to be rationalized or performance benchmarks deserve to be reconsidered. In the case of excise revenues, the annual excise policies and also policies in neighbouring states can have significant impacts.

10.31 Table 10.17 shows the position of excise revenue over the previous year. Absolute variation in BE over previous year was from minus Rupees 30.00 crore (1995-1996) to Rupees 100.00 crore (1998-1999). The absolute variation was negative in only one year (1995-1996) and positive in eight years. There was no variation in 2004-2005. The positive variation was up to Rupees 50.00 crore in three years (1996-1997, 1999-2000 and 2001-2002) and up to Rupees 100.00 crore in five years.

**Table : 10.17-Absolute/Percentage variation in BE, RE and Actual collection of State
Excise over the previous year 1994-1995 to 2004-2005**

Year	OBE (Rupees in Crore)	RE (Rupees in Crore)	Actual (Rupees in Crore)	Absolute Variation in BE over previous year (Rupees in Crore)	Percentage Variation in BE over previous year	Absolute Variation in RE over previous year (Rupees in Crore)	Percentage Variation in RE over previous year	Absolute Variation in Actual over previous year (Rupees in Crore)	Percent- age Variation in Actual over previous year
1994-1995	393.00	300.83	308.47						
1995-1996	363.00	335.00	335.79	-30.00	-7.63	34.17	11.36	27.32	8.86
1996-1997	370.00	400.00	446.54	7.00	1.93	65.00	19.40	110.75	32.98
1997-1998	425.00	500.00	515.01	55.00	14.86	100.00	25.00	68.47	15.33
1998-1999	525.00	525.00	526.11	100.00	23.53	25.00	5.00	11.10	2.16
1999-2000	575.00	580.00	566.41	50.00	9.52	55.00	10.48	40.30	7.66
2000-2001	665.00	600.00	557.22	90.00	15.65	20.00	3.45	-9.19	-1.62
2001-2002	700.00	700.00	606.41	35.00	5.26	100.00	16.67	49.19	8.83
2002-2003	770.00	725.00	725.68	70.00	10.00	25.00	3.57	119.27	19.67
2003-2004	850.00	700.00	710.12	80.00	10.39	-25.00	-3.45	-15.56	-2.14
2004-2005	850.00	820.00	843.68	0.00	0.00	120.00	17.14	133.56	18.81

- Percentage variation in BE over previous year was from minus 7.63 percent (1995-1996) to 23.53 percent (1998-1999). There was no variation in 2004-2005. The percentage variation was negative in only one year (1995-1996) and positive in eight years. The positive variation was up to 10 percent in four years (1996-1997, 1999-2000, 2001-2002 and 2002-2003), up to 20 percent in three years and more than 20 percent in only one year (1998-1999).
- Absolute variation in RE over previous year was from minus Rupees 25.00 crore (2003-2004) to Rupees 100.20 crore (2004-2005). The absolute variation was negative in only one year (2003-2004) and positive in remaining years. The positive variation was up to Rupees 50.00 crore in four years (1995-1996, 1998-1999, 2000-2001 and 2002-2003), up to Rupees 100.00 crore in four years (1996-1997, 1997-1998, 1999-2000 and 2001-2002) and more than Rupees 100.00 crore in 2004-2005.
- Percentage variation in RE over previous year was from minus 3.45 percent (2003-2004) to 25.00 percent (1997-1998). The percentage variation was negative in one year (2003-2004) and positive in remaining years. The positive variation was up to 10 percent in three years (1998-1999, 2000-

2001 and 2002-2003) up to 20 percent in five years and more than 20 percent in 1997-1998.

- Absolute variation in actual over previous year was from minus Rupees 15.56 crore (2003-2004) to Rupees 133.56 crore (2004-2005). The absolute variation was negative in two years (2000-2001 to 2003-2004) and positive in remaining years. The positive variation was up to Rupees 50.00 crore in four years (1995-1996, 1998-1999, 1999-2000 and 2001-2002) up to Rupees 100.00 crore in one year 1997-1998 and more than Rupees 100.00 crore in three years (1996-1997, 2002-2003 and 2004-2005).
- Percentage variation in actual over previous year was from minus 2.14 percent (2003-2004) to 32.98 percent 1996-1997. The percentage variation was negative in two years (2000-2001 to 2003-2004) and positive in remaining years.

10.32 Table 10.18 depicts the position of state excise as a percentage of various revenue parameters. As a percentage of total tax revenues, state excise is the second most dominant source of revenue. In the period 1985-1986 to 2004-2005, on an average its percentage share has shown a downward trend. In 1985-1986, the share was 20.20 and 20.60 in 1992-1993. It was at its lowest in 2004-2005 (11.87 percent).

**Table 10.18- Excise Revenues as a percentage of Total Tax Revenues-
1994-1995 to 2004-2005**

Year	Percentage of Total Tax Revenues	Percentage of Own Revenue Receipts	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	17.26	16.35	15.58	12.20
1995-1996	15.91	15.44	14.62	10.76
1996-1997	17.62	17.24	15.97	12.15
1997-1998	17.51	16.55	14.80	11.42
1998-1999	17.03	16.06	14.37	11.22
1999-2000	16.51	14.80	13.25	9.56
2000-2001	12.66	11.26	10.24	7.60
2001-2002	12.38	10.50	9.70	6.93
2002-2003	13.63	11.79	10.85	6.89
2003-2004	12.07	10.39	9.66	5.79
2004-2005	11.87	10.51	9.85	6.44

- As a percentage of own revenue receipts the state excise collections have been in the range of 10.39 percent (2003-2004) and 17.24 percent (1996-1997). The share has declined from 16.35 percent in 1994-1995 to 10.51 percent in 2004-2005. Between 1994-1995 and 1999-2000, the share was from 15 to 18 percent and the same was 10 to 12 percent during the period 2000-2001 and 2004-2005.
- The same trend is visible when we consider the share of state excise as a percentage of total revenue receipts, which declined from 15.58 percent (1994-1995) to 9.85 percent (2004-2005).
- As a percentage of total receipts, excise revenues were as indicated in Table 10.18 Excise has also not ceased to be the second largest source of tax revenues for the state government. Even in the period of change in the receipts structure of the state government its contribution is still important. However, as the percentage share of excise revenues in total receipts shows, it was not among the more important sources of receipts even as early as 1994-1995. With the increasing share of sources such as central loans, the share of excise in total receipts has diminished to around 6 percent in 2003-2004 and 2004-2005.
- The trend growth between 1985-1986 and 2004-2005 (base year 1985-1986) was 12.1 percent; with base year 1994-1995 was 9.4 percent, and; base year 1997-1998 was 7.1 percent. This implies that the trend growth is declining.
- The percentage increase between 1985-1986 and 2004-2005 was 749.37 percent, between 1994-1995 and 2004-2005 was 173.50 percent, and; between 1997-1998 and 2004-2005 was 63.82 percent. The declining trend is also reflective of the increasing reliance on other sources of receipts.

Stamps and Registration Fee

10.33 Table 10.19 discusses the absolute and percentage variation in the BE, RE and actual collections under Stamp Duty and Registration fee. Original budget estimates (OBE) for Stamps and Registration fee have been in the range of Rupees 70.00 crore (1994-1995) to Rupees 425.00 crore (2004-2005). OBE was up to Rupees 200.00 crore in three years (1994-1995 to 1996-1997), up to Rupees 400.00 crore in six years (1997-1998 to 2002-2003) and above Rupees 400.00 crore in two years (2003-2004 and 2004-2005)

Table 10.19- Absolute/Percentage variation in BE, RE and Actual collection of Stamp & Registration - 1994-1995 to 2004-2005

Year	OBE (Rupees in Crore)	RE (Rupees in Crore)	Actual (Rupees in Crore)	Absolute Variation in RE over BE (Rupees in Crore)	Percentage Variation in RE over BE	Absolute Variation in Actual over BE (Rupees in Crore)	Percent- age Variat- ion in Actual over BE	Absolute Variation in Actual over RE (Rupees in Crore)	Percentage Variation in Actual over RE
1994-1995	70.00	103.22	111.92	33.22	47.46	41.92	59.89	8.70	8.43
1995-1996	115.00	135.00	127.43	20.00	17.39	12.43	10.81	-7.57	-5.61
1996-1997	200.00	160.00	114.63	-40.00	-20.00	-85.37	-42.69	-45.37	-28.36
1997-1998	238.00	144.00	117.38	-94.00	-39.50	-120.62	-50.68	-26.62	-18.49
1998-1999	238.00	240.00	151.01	2.00	0.84	-86.99	-36.55	-88.99	-37.08
1999-2000	268.00	240.00	190.47	-28.00	-10.45	-77.53	-28.93	-49.53	-20.64
2000-2001	330.00	220.00	191.69	-110.00	-33.33	-138.31	-41.91	-28.31	-12.87
2001-2002	250.00	270.00	283.16	20.00	8.00	33.16	13.26	13.16	4.87
2002-2003	400.00	450.00	436.80	50.00	12.50	36.80	9.20	-13.2	-2.93
2003-2004	500.00	400.00	435.23	-100.00	-20.00	-64.77	-12.95	35.23	8.81
2004-2005	425.00	600.00	668.34	175.00	41.18	243.34	57.26	68.34	11.39

- Revised Estimates (RE) for Stamps and Registration fee have been in the range of Rupees 103.22 crore (1994-1995) to Rupees 600.00 crore (2004-2005). RE was up to Rupees 200.00 crore in four years (1994-1995 to 1997-1998), up to Rupees 400.00 crore in five years (1998-1999 to 2001-2002 and 2003-2004) and above Rupees 400.00 crore in two years (2002-2003 and 2004-2005).
- Actual collection of Stamps and Registration fee has been in the range of Rupees 111.92 crore (1994-1995) to Rupees 668.34 crore (2004-2005). Actual collection was up to Rupees 200.00 crore in seven years (1994-1995 to 2000-2001), up to Rupees 400.00 crore only in one year (2001-2002), Rupees 400.00 crore to Rupees 600.00 crore in two years (2002-2003 and 2003-2004) and above Rupees 600.00 crore in 2004-2005.
- Absolute variation in RE over BE was from minus Rupees 110.00 crore (2000-2001) to Rupees 175.00 crore (2004-2005). The absolute variation was negative in five years and positive in remaining six years
- Percentage variation in RE over BE was from minus 39.50 percent (1997-1998) to 47.46 percent (1994-1995). The percentage variation was negative in five years and positive in remaining six years.
- Absolute variation in actual over BE was from minus Rupees 138.31 crore (2000-2001) to Rupees 243.34 crore (2004-2005). The absolute variation was negative in six years and positive in remaining five years.

- Percentage variation in Actual over BE was from minus 50.68 percent (1997-1998) to 59.89 percent (1994-1995). The percentage variation was negative in six years and positive in remaining five years.
- Absolute variation in Actual over RE was from minus Rupees 88.99 crore (1998-1999) to Rupees 68.34 crore (2004-2005). The absolute variation was negative in seven years and positive in remaining four years.
- Percentage variation in Actual over BE was from minus 37.08 percent (1998-1999) to 11.39 percent (2004-2005). The percentage variation was negative in seven years and positive in remaining four years.
- The variation is however not the only interesting point about the annual variations in BE, RE, and actual. The fact is that as in other sources of revenue, the figures of actual realization and the estimates of the years to which they relate are simply not correlated. The absolute increase and decrease in RE over the BE has been from minus Rupees 110.00 crore (2002-2001) to Rupees 175.00 crore (2004-2005). The changes in revised estimates do not suggest any trend or pattern.
- The budget estimate for 1996-1997 projected revenue receipts of Rupees 200 crore from stamp and registration. Against this the actual realization was only to the tune of Rupees 114.63 crore. Again, against the budget estimates of Rupees 330 crore in 2000-2001, the actual realization was Rupees 191.69 crore only, and in the year 2004-2005, as against the original budget estimate of Rupees 425.00 crore, the department realized the actual collection of Rupees 668.34 crore.
- The variation of the actual realizations over the RE has also no clear relationship. It has varied from minus Rupees 88.99 crore (1998-1999) to Rupees 68.34 crore (2004-2005).
- The trend growth rate between 1985-1986 and 2004-2005 (base year: 1985-1986) was 20.00 percent; with 1994-1995 as base year, the trend growth rate was 19.8 percent; with 1997-1998 as the base year, the trend growth rate was 27.4 percent.
- The stamps and registration fee revenues in 2005-2006 are reported to be around Rupees 827.65 crore. They are projected to rise to Rupees 850.00 crore in 2006-2007

10.34 Table 10.20 shows the position of Stamps and Registration fee revenue over the previous year. Absolute variation in BE over previous year was from minus Rupees 80.00 crore (2001-2002) to Rupees 150.00 crore (2002-2003). The

absolute variation was negative in two years (2001-2002 and 2004-2005) and positive in seven years. There was no variation in 1998-1999. The positive variation was up to Rupees 50.00 crore in three years (1995-1996, 1997-1998 and 1999-2000) and up to Rupees 100.00 crore in three years (1996-1997, 2000-2001 and 2003-2004) and above Rupees 100.00 crore in one year 2002-2003).

Table 10.20: Absolute/Percentage variation in BE, RE and Actual collection of Stamp & Registration over the previous year 1994-1995 to 2004-2005

Year	OBE (Rupees in Crore)	RE (Rupees in Crore)	Actual (Rupees in Crore)	Absolute Variation in BE over previous year (Rupees in Crore)	Percentage Variation in BE over previous year	Absolute Variation in RE over previous year (Rupees in Crore)	Percentage Variation in RE over previous year	Absolute Variation in Actual over previous year (Rupees in Crore)	Percentage Variation in Actual over previous year
1994-1995	70.00	103.22	111.92						
1995-1996	115.00	135.00	127.43	45.00	64.29	31.78	30.79	15.51	13.86
1996-1997	200.00	160.00	114.63	85.00	73.91	25.00	18.52	-12.80	-10.04
1997-1998	238.00	144.00	117.38	38.00	19.00	-16.00	-10.00	2.75	2.40
1998-1999	238.00	240.00	151.01	0.00	0.00	96.00	66.67	33.63	28.65
1999-2000	268.00	240.00	190.47	30.00	12.61	0.00	0.00	39.46	26.13
2000-2001	330.00	220.00	191.69	62.00	23.13	-20.00	-8.33	1.22	0.64
2001-2002	250.00	270.00	283.16	-80.00	-24.24	50.00	22.73	91.47	47.72
2002-2003	400.00	450.00	436.80	150.00	60.00	180.00	66.67	153.64	54.26
2003-2004	500.00	400.00	435.23	100.00	25.00	-50.00	-11.11	-1.57	-0.36
2004-2005	425.00	600.00	668.34	-75.00	-15.00	200.00	50.00	233.11	53.56

- Percentage variation in BE over previous year was from minus 24.24 percent (2001-2002) to 73.91 percent (1996-1997). There was no variation in 1998-1999. The percentage variation was negative in two years (2001-2002 and 2004-2005) and positive in seven years. The positive variation was up to 25 percent in four years (1997-1998, 1999-2000, 2000-2001 and 2003-2004). The variation was 60 percent or more in three years (1995-1996, 1996-1997 and 2002-2003). There was no variation in 1998-1999.
- Absolute variation in RE over previous year was from minus Rupees 50.00 crore (2003-2004) to Rupees 200.00 crore (2004-2005). The absolute variation was negative in three years (1997-1998, 2000-2001 and 2003-2004) and positive in remaining six years. There was no variation in 1999-2000. The positive variation was up to Rupees 50.00 crore in three year (1995-1996, 1996-1997, and 2001-2002), up to Rupees 100.00 crore in one year (1998-1999) and more than Rupees 175.00 crore in two years (2002-2003 and 2004-2005).

- Percentage variation in RE over previous year was from minus 11.11 percent (2003-2004) to 66.67 percent (1998-1999 and 2002-2003). The percentage variation was negative in three years (1997-1998, 2000-2001 and 2003-2004) and positive in remaining six years. There was no variation in one year (1999-2000). The positive variation was up to 50 percent in four years and more than 50 percent in two years (1998-1999 and 2002-2003)
- Absolute variation in actual over previous year was from minus Rupees 12.80 crore (1996-1997) to Rupees 233.11 crore (2004-2005). The absolute variation was negative in two years (1996-1997 and 2003-2004) and positive in remaining years. The positive variation was up to Rupees 50.00 crore in five years (1995-1996, 1997-1998, 1998-1999, 1999-2000 and 2000-2001) up to Rupees 100.00 crore in one year 2001-2002 and more than Rupees 150.00 crore in two years (2002-2003 and 2004-2005).
- Percentage variation in actual over previous year was from minus 10.04 percent (1996-1997) to 54.26 percent (2002-2003). The percentage variation was negative in two years 1996-1997 and (2003-2004) and positive in remaining years.

10.35 Table 10.21 discusses Stamps and Registration Fee as a percentage of various revenue parameters 1994-1995 to 2004-2005

Table: 10.21- Stamps and Registration Fee as a percentage of various revenue parameters- 1994-1995 to 2004-2005

Year	Percentage of Total Tax Revenues	Percentage of Own Revenues receipts	Percentage of total Revenues receipts	Percentage of Total receipts
1994-1995	6.26	5.93	5.65	4.43
1995-1996	6.04	5.86	5.55	4.08
1996-1997	4.52	4.42	4.10	3.12
1997-1998	3.99	3.77	3.37	2.60
1998-1999	4.89	4.61	4.13	3.22
1999-2000	5.55	4.98	4.46	3.21
2000-2001	4.36	3.87	3.52	2.62
2001-2002	5.78	4.91	4.53	3.24
2002-2003	8.20	7.10	6.53	4.15
2003-2004	7.40	6.37	5.92	3.55
2004-2005	9.41	8.33	7.81	5.10

- As a percentage of total tax revenues, stamps and registration fee is the next important source of tax revenues. In the period 1985-1986 to 2004-2005, on an average its percentage share has shown an upward trend. In 1985-1986, the share was 3.34 and 6.26 in 1994-1995. It was at the highest in 2004-2005 (9.41 percent).
- As a percentage of total tax revenue the stamps and registration fee rose from 6.26 percent (1994-1995) to 9.41 percent (2004-2005). It has been within the range of 4 to 10 percent throughout during the period 1994-1995 to 2004-2005.
- Stamps and registration fee as a percentage of own revenue receipts increased from 5.93 percent (1994-1995) to 8.33 percent (2004-2005). It was in the range of 3.77 percent (1997-1998) to 8.33 percent (2004-2005).
- Stamps and registration fee as a percentage of total revenue receipts increased from 5.65 percent (1994-1995) to 7.81 percent (2004-2005). As a percentage of total revenue receipts it was in the range of 3.37 percent (1997-1998) to 7.81 percent (2004-2005).
- As a percentage of total receipts, stamps and registration fee were as indicated in Table 10.21. Stamps and registration have gained in importance over the years as both a percentage share of total tax revenue and total receipts. Its share in total receipts has hovered around 3 percent, touching over 5 percent in 2004-2005.

Policy Changes in Recent Years 10.36 Some of the increase is attributable to changes in policy in the recent years. The comparative rates of stamp duty and transfer duty and the relevant cut off dates have been provided in Table 10.22

**Table 10.22-Comparative Rates of Stamp duty and Transfer
Duty-Cut-off Dates**

Year	Rate of Stamp Duty	Surcharge duty on transfer of property under Sec. 147 of the MCD Act, 1957	Total Stamp Duty	Actual Receipts Total	Govt. Revenue after exclusion of MCD share	Percentage Growth of over last year receipts	Share of MCD	Share of NDMC	Registration Fees
1	2	3	4	5	6	7	8	9	10
1996-1997	3%	5%	8%	179.31	114.63	-10.04	62.04	2.64	2.01
1997-1998	3%	5%	8%	172.16	117.38	2.40	52.66	2.12	0.36
1998-1999	3%	5%	8%	210.19	151.01	28.65	57.68	1.50	31.20
1999-2000	3%	5%	8%	269.13	190.47	26.13	66.54	12.12	1.47
2000-2001	3%	5%	8%	281.62	191.68	0.64	85.27	4.67	0.32
2001-2002	3%	5%	8%	353.41	283.16	47.73	68.04	2.21	0.08
w.e.f. 31.7.2001	8%	5%	13%						
2002-2003	8%	5%	13%	549.03	436.80	54.26	108.79	3.44	0.04
2003-2004	8%	5%	13%	584.63	435.23	-0.36	134.02	15.38	16.21
w.e.f. 19.5.2003	5%	3%	8%						
w.e.f. 20.5.2003	3%	3%	6%						
For ladies									
2004-2005				904.31	668.34	53.56	224.66	11.31	102.08
Gents	5%	3%	8%						
Ladies	3%	3%	6%						
2005-2006				1099.66	827.65	23.84	259.13	12.88	10.57
Gents	5%	3%	8%						
Ladies	3%	3%	6%						
Figures in Col. No.5, 6, 8 and 9 are Rupees in crore whereas as in Col. 10 figures are in Rupees lakh.									

- The recent policy changes having revenue implications are :
 - a) Lower rates of stamp duty for registering property in the name of women to the extent of their share in the property.
 - b) Registration of power of attorney in favour of persons other than blood relation now attracts stamp duty.¹⁷

¹⁷ Order No. FPS/DCW/03/SR/1022/3087-3157 dated 16.06.2004.

Analysis of data for fluctuation in revenue collection and reasons for non-achievement of targets

10.37 The department has reported that targets are fixed arbitrarily by government. For instance, against the budgetary target of Rs.238.00 crore for the year 1997-98 and 1998-1999, the revenue collection figures (during these years are only Rs.117.30 and Rs.151.00 Crore respectively) since the target fixed by the Finance Department was on the higher side.¹⁸ These proposals included the proposal for revision of stamp duty on various instruments and the proposal to impose the same stamp duty on power of attorney as the conveyance deed. As such, the targets kept proved speculative in nature in retrospect since both these proposals could not come through during the financial year 1997-1998 and 1998-1999.

- The targets for 1999-2000 were again fixed on a higher side at Rs.268.00 crore. The department was allegedly advised to enforce valuation of property while registering the document. This again could not be done in the absence of supporting legal provisions, which, incidentally are still under finalization. In fact, the relevant rules and the proposal for circle rates are pending even now. Obviously, the department could not achieve the revised targets in 1999-2000 even though it made substantial increase of around 27% in the year 1999-2000.
- The revenue targets in 2000-01, were also arbitrarily fixed on the higher side. The proposal for revision of fees for registration was also pending during that financial year. Even though the revised estimates were significantly lower than the original budgetary figure, the revenue achieved could barely reach the previous year's level.
- The original budgetary figures in the year 2001-02 were comparatively lower than the previous year based on the experience of last five years. But since during the year, the amendments proposed came through, the achievements rose significantly, even higher than the figures for the revised budget estimates.
- The original budget estimates between 1996 and 2000 proved over optimistic while those between 2001 and 2005 have proved more realistic. Thus, the original budget had to be reduced in the revised estimate in the years 1996 – 2000 but it was generally surpassed between the years 2001 and 2005 except in the year 2003 - 2004 because of mid-term policy changes (reduction in the rate of stamp duty and transfer duty).

¹⁸ Minutes of the meeting dated September 24, 1999 indicates that the higher targets were fixed in view of the pending Additional Resource Mobilization proposals.

**Comparison
of figures
over time**

10.38 There has generally been an increase in the revenue achievement. However, in the years 1994-1995 to 1997-98, 1999-2000, 2000-01, 2002-2003 and 2003-04, the figures have by and large remained static at the level of previous year.

- While the revenue achievements have been more than the revised estimates between 2001-2002, 2003-2004, and 2004-2005, it has been less than the revised estimates between 1995-1996 and 2000-2001. According to the Department this was because the targets at both the BE and RE stage were fixed arbitrarily on the higher side. Hence, the original and revised estimates were mostly based on the speculation that the then proposed amendments would come through.
- The revenue collection achievement has increased by eight times in the past decade from Rs.111.92 crore (1994-1995) to Rs.827.65 crore (2005-2006). This undoubtedly is a reasonably satisfactory position. This is reinforced by another set of data. The total amount projected (1994-1995 to 2005-2006) in the BE was Rupees 3734 crore; in the RE was Rupees 3712.22 crore, and; the actual collections were Rupees 3655.71 crore.
- This it may be recalled has been the achievement in the face of targets that the department considered unrealistically high. Therefore, the higher realizations, much of which came in the years after the policy changes (2003-2004), would be attributable to the changes themselves rather than any specific exertions by the department. After 2002-2003, the revenues jumped from Rupees 283.16 crore (2001-2002) the highest figure up to that year, to Rupees 436.80 crore (2002-2003); Rupees 435.23 crore (2003-2004); Rupees 668.34 crore (2004-2005), and; Rupees 827.65 crore (2005-2006). This also indicates that for many years the potential of this revenue source remained underutilized.
- The better impact of the change in policy was not restricted to the overall increase in revenues from the stamp and registration fee. As a natural corollary, the relative share of the state government and the local bodies also saw a dramatic increase. For example the share of the state government increased from Rupees 114.63 crore (1996-1997) to Rupees 827.65 crore (2005-2006). Simultaneously, in the same period the share of the MCD rose from Rupees 62.04 crore to rupees 259.13 crore – a more than four-fold increase-and that of the NDMC increased from Rupees 2.64 crore to Rupees 12.88 crore-approximately a five-fold increase.

Taxes on Motor Vehicles

10.39 Table 10.23 discusses the absolute and percentage variation in BE, RE and actual collection of taxes on vehicles during the period 1994-1995 to 2004-2005. Original budget estimates (OBE) for taxes on vehicles have been in the range of Rupees 55.00 crore (1994-1995) to Rupees 310.00 crore (2003-2004). The OBE was below Rupees 100.00 crore in 1994-1995, up to Rupees 200.00 crore in four years (1995-1996 to 1998-1999), up to Rupees 300.00 crore in five years (from 1999-2000 to 2002-2003 and 2004-2005) and more than Rupees 300.00 crore in 2003-2004.

Table 10.23-Absolute/Percentage variation in BE, RE and Actual collection of Motor Vehicle Tax - 1994-1995 to 2004-2005

Year	OBE (Rupees in Crore)	RE (Rupees in Crore)	Actual (Rupees in Crore)	Absolute Variation in RE over BE (Rupees in Crore)	Percentage Variation in RE over BE	Absolute Variation in Actual over BE (Rupees in Crore)	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE (Rupees in Crore)	Percentage Variation in Actual over RE
1994-1995	55.00	62.77	66.49	7.77	14.13	11.49	20.89	3.72	5.93
1995-1996	105.00	70.00	70.51	-35.00	-33.33	-34.49	-32.85	0.51	0.73
1996-1997	112.00	77.00	78.12	-35.00	-31.25	-33.88	-30.25	1.12	1.45
1997-1998	195.00	100.00	105.11	-95.00	-48.72	-89.89	-46.10	5.11	5.11
1998-1999	195.00	140.00	125.39	-55.00	-28.21	-69.61	-35.70	-14.61	-10.44
1999-2000	270.00	160.00	160.87	-110.00	-40.74	-109.13	-40.42	0.87	0.54
2000-2001	230.00	190.00	142.34	-40.00	-17.39	-87.66	-38.11	-47.66	-25.08
2001-2002	220.00	180.00	166.76	-40.00	-18.18	-53.24	-24.20	-13.24	-7.36
2002-2003	235.00	190.00	160.40	-45.00	-19.15	-74.60	-31.74	-29.60	-15.58
2003-2004	310.00	170.00	175.24	-140.00	-45.16	-134.76	-43.47	5.24	3.08
2004-2005	275.00	200.00	195.98	-75.00	-27.27	-79.02	-28.73	-4.02	-2.01

- Revised Estimates (RE) for taxes on vehicles have been in the range of Rupees 62.77 crore (1994-1995) to Rupees 200.00 crore (2004-2005). RE was up to Rupees 100.00 crore in four years (1994-1995 to 1997-1998), up to Rupees 200.00 crore in remaining seven years.
- Actual realization of taxes on vehicles has been in the range of Rupees 66.49 crore (1994-1995) to Rupees 195.98 crore (2004-2005). Actual realization was up to Rupees 100.00 crore in three years (1994-1995 to 1996-1997) and more than Rupees 100.00 crore in remaining eight years.
- Absolute variation in RE over BE was from minus Rupees 140.00 crore (2003-2004) to Rupees 7.77 crore (1994-1995). The absolute variation was negative in all the years except 1994-1995. The negative variation was of Rupees 35.00 crore in two years (1995-1996 and 1996-1997), Rupees 40.00 to 45.00 crore in three years (2000-2001 to 2002-2003), from Rupees 50.00

crore to Rupees 100.00 crore in three years (1997-1998, 1998-1999 and 2004-2005) and more than Rupees 100.00 crore in two years (1999-2000 and 2003-2004).

- Percentage variation in RE over BE was from minus 48.72 percent (1997-1998) to 14.13 percent (1994-1995). The percentage variation was negative in all the years except 1994-1995.
- Absolute variation in Actual over BE was from minus Rupees 134.76 crore (2003-2004) to Rupees 11.49 crore (1994-1995). The absolute variation was negative in all the years except 1994-1995. The negative variation was up to Rupees 100 crore in eight years and more than Rupees 100.00 crore in two years (1999-2000 and 2003-2004).
- Percentage variation in Actual over BE was from minus 46.10 percent (1997-1998) to 20.89 percent (1994-1995). The percentage variation was negative in all the years except 1994-1995. The negative variation throughout the period was between 24 percent and 46 percent.
- Absolute variation in Actual over RE was from minus Rupees 47.66 crore (2000-2001) to Rupees 5.24 crore (2003-2004). The absolute variation was negative in five years out of eleven years and in remaining six years it was more than RE up to Rupees 5.25 crore. The negative variation was up to Rupees 5.00 crore in one year (2004-2005), up to Rupees 15.00 crore in two years (1998-1999 and 2001-2002) and between Rupees 25.00 crore to 50.00 crore in two years (2000-2001 and 2002-2003).
- Percentage variation in Actual over RE was from minus 25.08 percent (2000-2001) to 5.93 percent (1994-1995). The percentage variation was negative in five out of eleven years (1998-1999, 2000-2001 to 2002-2003 and 2004-2005) and positive in remaining six years. The negative variation was up to Rupees 10.00 crore in two years (2001-2002 and 2004-2005) and between Rupees 10.00 crore and Rupees 25.00 crore in three years (1998-1999, 2000-2001 and 2002-2003).
- The trend growth rate between 1985-1986 with 1985-1986 as the base year was 15.60 percent and between 1994-1995 to 2004-2005 with 1994-1995 as base year was 11.80 percent and from 1997-1998 to 2004-2005 with 1997-1998 as the base year was 7.60 percent. It will be seen that the trend growth rate during the period from 1985-1986 to 2004-2005 has been declining all along.
- The percentage increase in revenues between 1985-1986 and 2004-2005 with 1985-1986 as the base year was 1483.04 percent, for the period from

1994-1995 to 2004-2005 with 1994-1995 as the base year was 194.75 percent and for the period from 1997-1998 to 2004-2005 with 1997-1998 as the base year it was 86.45 percent. Here too the trend is declining.

10. 40 Table 10.24 discusses the absolute and percentage variation in the BE, RE and actual collection of taxes on vehicles over the previous year.

Table: 10.24-Absolute/Percentage variation in BE, RE and Actual collection of Motor Vehicle Tax over the previous year 1994-1995 to 2004-2005

Year	OBE (Rupees in Crore)	RE (Rupees in Crore)	Actual (Rupees in Crore)	Absolute Variation in BE over previous year (Rupees in Crore)	Percentage Variation in BE over previous year	Absolute Variation in RE over previous year (Rupees in Crore)	Percentage Variation in RE over previous year	Absolute Variation in Actual over previous year (Rupees in Crore)	Percentage Variation in Actual over previous year
1994-1995	55.00	62.77	66.49						
1995-1996	105.00	70.00	70.51	50.00	90.91	7.23	11.52	4.02	6.05
1996-1997	112.00	77.00	78.12	7.00	6.67	7.00	10.00	7.61	10.79
1997-1998	195.00	100.00	105.11	83.00	74.11	23.00	29.87	26.99	34.55
1998-1999	195.00	140.00	125.39	0.00	0.00	40.00	40.00	20.28	19.29
1999-2000	270.00	160.00	160.87	75.00	38.46	20.00	14.29	35.48	28.30
2000-2001	230.00	190.00	142.34	-40.00	-14.81	30.00	18.75	-18.53	-11.52
2001-2002	220.00	180.00	166.76	-10.00	-4.35	-10.00	-5.26	24.42	17.16
2002-2003	235.00	190.00	160.40	15.00	6.82	10.00	5.56	-6.36	-3.81
2003-2004	310.00	170.00	175.24	75.00	31.91	-20.00	-10.53	14.84	9.25
2004-2005	275.00	200.00	195.98	-35.00	-11.29	30.00	17.65	20.74	11.84

- Absolute Variation in BE over previous year was from minus Rupees 40.00 crore (2000-2001) to Rupees 83.00 crore (1997-1998). The absolute variation was negative in three years (2000-2001, 2001-2002 and 2004-2005) and was positive in six years. There was no variation in 1998-1999. The negative variation was of Rupees 10.00 crore (2001-2002) and Rupees 35.00 to Rupees 40.00 crore (2000-2001 and 2004-2005). The positive variation was up to Rupees 15.00 crore in two years (1996-1997 and 2002-2003), Rupees 50.00 crore to Rupees 75.00 crore in three years (1995-1996, 1999-2000 and 2003-2004) and of Rupees 83.00 crore in one year (1997-1998).
- Percentage variation in BE over previous year was from minus 14.81 percent (2000-2001) to 90.91 percent (1995-1996). The variation was negative in three years (2000-2001, 2001-2002 and 2004-2005). Negative variation was between 4 to 15 percent in these years. The positive variation was up to 10 percent in two years (1996-1997 and 2002-2003) and between 30 to 40 percent in two years (1999-2000 and 2003-2004). The

positive variation of more than 70 percent was in two years (1995-1996 and 1997-1998). There was no variation in 1998-1999.

- Absolute variation in RE over previous year was from minus Rupees 20.00 crore (2003-2004) to Rupees 40.00 crore (1998-1999). The negative variation was of Rupees 10.00 crore in 2001-2002 and of Rupees 20.00 crore (2003-2004). In remaining years the variation was positive. The positive variation was up to Rupees 10.00 crore in three years (1995-1996, 1996-1997 and 2002-2003) and between Rupees 20.00 crore and Rupees 40.00 crore in five years.
- Percentage variation in RE over previous year was from minus 10.53 percent (2003-2004) to 40.00 percent (1998-1999). The negative variation was from 5 to 11 percent in two years (2001-2002 and 2003-2004). The positive variation in all other years was in the range of 5.00 percent to 40.00 percent.
- Absolute variation in Actual over previous year was from minus Rupees 18.53 crore (2000-2001) to Rupees 35.48 crore (1999-2000). The absolute variation was negative in the range of Rupees 5.00 crore to Rupees 20.00 crore (2000-2001 and 2002-2003). The positive variation was up to Rupees 10.00 crore in two years (1995-1996 and 1996-1997) and more than Rupees 10.00 crore in remaining years.
- Percentage variation in Actual over previous year was from minus 11.52 percent (2000-2001) to 34.55 percent (1997-1998). The negative variation was below 15 percent in two years (2000-2001 and 2002-2003) and the positive variation between 5 percent to 35 percent in eight years.

10.41 Table 10.25 discusses taxes on vehicles as a percentage of various revenue parameters from 1994-1995 to 2004-2005.

Table 10.25-Taxes on vehicles as a percentage of various revenue parameters from 1994-1995 to 2004-2005.

Year	As a percentage of tax revenue	As a percentage of own revenue receipts	As a percentage of total revenue receipts	As a percentage of total receipts
1994-1995	3.72	3.52	3.72	2.63
1995-1996	3.34	3.24	3.34	2.26
1996-1997	3.08	3.02	3.08	2.12
1997-1998	3.57	3.38	3.57	2.33
1998-1999	4.06	3.83	4.06	2.67

1999-2000	4.69	4.20	4.69	2.72
2000-2001	3.23	2.88	3.23	1.94
2001-2002	3.41	2.89	3.41	1.91
2002-2003	3.01	2.61	3.01	1.52
2003-2004	2.98	2.56	2.98	1.43
2004-2005	2.76	2.44	2.76	1.50

- The taxes on vehicles as a percentage of total tax revenue have been in the range of 2.76 percent (2004-2005) to 4.69 percent (1999-2000). As a percentage of total tax revenue, the vehicle tax has been hovering around 3 to 4 percent throughout the period.
- As a percentage of own revenue receipts it has been from 2.44 percent (2004-2005) to 4.20 percent (1999-2000).
- Vehicle tax as a percentage of total revenue receipts was from 2.29 percent (2004-2005) to 3.76 percent (1999-2000).
- As a percentage of total receipts the vehicle tax has been from 1.43 percent (2003-2004) to 2.72 percent (1999-2000).
- It will be gathered from the above that as a percentage of various revenue parameters the vehicle tax has been declining all along.

Other Taxes and Duties

(Entertainment, Betting and Luxury Tax)

10.42 Table 10.26 shows the absolute and percentage variation in BE, RE and actual collection of 'other taxes' in the period 1994-1995 to 2004-2005.

Table : 10.26-Absolute/Percentage variation in BE, RE and Actual collection of Other Tax - 1994-1995 to 2004-2005

Year	OBE (Rupees in Crore)	RE (Rupees in Crore)	Actual (Rupees in Crore)	Absolute Variation in RE over BE (Rupees in Crore)	Percentage Variation in RE over BE	Absolute Variation in Actual over BE (Rupees in Crore)	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE (Rupees in Crore)	Percentage Variation in Actual over RE
1994-1995	24.03	29.45	29.33	5.42	22.56	5.30	22.06	-0.12	-0.41
1995-1996	26.21	30.08	34.99	3.87	14.77	8.78	33.50	4.91	16.32
1996-1997	132.10	65.10	72.02	-67.00	-50.72	-60.08	-45.48	6.92	10.63
1997-1998	137.10	155.10	167.55	18.00	13.13	30.45	22.21	12.45	8.03
1998-1999	172.12	166.13	166.99	-5.99	-3.48	-5.13	-2.98	0.86	0.52
1999-2000	170.15	153.15	163.91	-17.00	-9.99	-6.24	-3.67	10.76	7.03
2000-2001	175.15	138.56	120.50	-36.59	-20.89	-54.65	-31.20	-18.06	-13.03
2001-2002	168.15	138.00	127.59	-30.15	-17.93	-40.56	-24.12	-10.41	-7.54
2002-2003	149.00	110.00	116.95	-39.00	-26.17	-32.05	-21.51	6.95	6.32
2003-2004	154.00	126.00	127.90	-28.00	-18.18	-26.10	-16.95	1.90	1.51
2004-2005	171.50	162.00	197.25	-9.50	-5.54	25.75	15.01	35.25	21.76

- The BE has increased from Rupees 24.03 crore (1994-1995) to Rupees 171.50 crore (2004-2005). The BE was up to Rupees 30 crore in two years (1994-1995) and 1995-1996), and it has been more than Rupees 130 crore in all the years after 1995-1996. The maximum was Rupees 175.15 crore in 2000-2001.
- In the same period RE has been from Rupees 29.45 crore (1994-1995) to Rupees 162.00 crore (2004-2005). It was below Rupees 100 crore in the first three years (from 1994-1995 to 1996-1997) and more than Rupees 100 crore in the years after 1996-1997. The maximum was Rupees 166.13 crore 1998-1999.
- The actual collections were Rupees 29.33 crore (1994-1995) to Rupees 197.25 crore (2004-2005). It was within Rupees 100 crore in the first three years (1994-1995 to 1996-1997) and was more than Rupees 100 crore thereafter. The maximum was Rupees 197.25 crore in 2004-2005.
- The absolute variation in the RE over the BE was from minus Rupees 67.00 crore (1996-1997) to Rupees 18.00 crore (1997-1998). The variation was negative in eight out of eleven years and positive in the balance years. The range of negative variation was from minus Rupees 67.00 crore (1996-1997) to minus Rupees 5.99 crore (1998-1999). It was up to minus Rupees 20 crore in three years (1998-1999, 1999-2000, and 2004-2005); up to minus Rupees 40.000 crore in four years (2000-2001 to 2003-2004), and it was maximum at minus Rupees 67.00 crore in 1996-1997. The positive variation was only in three years and that was below Rupees 20.00 crore.
- The downward revision of the BE at the RE stage shows that the earlier were over optimistic. This also shows that the determination of estimates at the BE stage was not based on the track record of actual collections. To illustrate the point consider the figures of the BE, RE and the actual collections of just one year: 1996-1997. The RE was Rupees 65.10 crore against the budget estimate of Rupees 132.10 crore, while the actual collections settled at Rupees 72.02 crore. Now, it may well be argued that the actual was more than the projected RE. However, what determined the fixation of the BE at as high as Rupees 132.10 crore, if it was to be slashed by almost half at the RE stage? The actual collection was just a little over half (54.52 percent) the BE projection.
- The percentage variation in RE over BE was from minus 50.72 percent (1996-1997) to 22.56 percent (1994-1995). Naturally, in percentage terms also the variation was negative in eight out eleven years.

- The absolute variation in actual collections over BE was from minus Rupees 60.08 crore (1996-1997) to Rupees 30.45 crore (1997-1998). The absolute variation was negative in seven out of eleven years and positive in the remaining years. The positive variation was below Rupees 10.00 crore in two years (1994-1995 and 1995-1996) and more than Rupees 25.00 crore in two years (1997-1998 and 2004-2005). The negative variation was below Rupees 10.00 crore in two years (1998-1999 and 1999-2000); within Rupees 25 crore to Rupees 35 crore in two years (2002-2003 and 2003-2004), and; more than Rupees 40 crore in three years (1996-1997, 2000-2001, 2001-2002).
- The percentage variation in actual collections over BE was from minus 45.48 percent (1996-1997) to 33.55 percent (1995-1996). The percentage variation was negative in seven out of eleven years and positive in the remaining years. The positive variation was below 20 percent in one year (2004-2005) and more than 20 percent in three years (1994-1995, 1995-1996 and 1997-1998). The negative variation was below 5 percent in two years (1998-1999 and 1999-2000); within 20 percent in one year (2003-2004), and; more than 20 percent in four years (1996-1997, 2000-2001, 2001-2002, and 2002-2003).
- The absolute variation in actual collections over RE was from minus Rupees 18.06 crore (2000-2001) to Rupees 35.25 crore (2004-2005). The absolute variation was negative in three out of eleven years (1994-1995, 2000-2001, and 2001-2002) and positive in the remaining years. The positive variation was below Rupees 10.00 crore in five years (1995-1996, 1996-1997, 1998-1999, 2002-2003 and 2003-2004) and more than Rupees 10.00 crore in three years (1997-1998, 1999-2000, and 2004-2005). The negative variation was below Rupees 10.00 crore in one year (1994-1995); below Rupees 20 crore in two (2000-2001 and 2001-2002).
- The percentage variation in actual collections over RE was from minus 13.03 percent (2000-2001) to 21.76 percent (2004-2005). The percentage variation was negative in three out of eleven years (1994-1995, 2000-2001, and 2001-2002) positive in the remaining years. The positive variation was below 20 percent in seven years (2004-2005) and more than 20 percent in three years (1994-1995, 1995-1996 and 1997-1998). The negative variation was below 10 percent in two years (1994-1995 and 2001-2002); and below 15 percent in one year (2000-2001).

- The relationship between BE, RE and actual realizations remains weak in the case of 'other taxes' also. The percentage changes in RE over BE have been from minus 50.72 percent to 22.56 percent. The actual realizations over the years have no connection to the budget estimates that have ranged from minus 45.48 percent (1996-1997) to 33.50 percent (1995-1996). In most years the actual have been less than the OBE. The actual realizations have been less than even RE in three years and just marginally more than the RE in 1998-1999. The range of variation in the actual over the RE has been minus 13.03 percent (2000-2001) to 21.76 percent (2004-2005).
- The trend growth rate during the period from 1985-1986 to 2004-2005, with 1985-1986 as base year was 8.80 percent; with 1994-1995 as the base year it was 14.90 percent, and; with 1997-1998 as the base year, the trend growth rate was minus 1.4 percent.

10. 43 Table 10.27 depicts the absolute and percentage variation in BE, RE and actual collections of 'other taxes' over the previous year during the period 1994-1995 to 2004-2005.

Table 10.27-Absolute/Percentage variation in BE, RE and Actual collection of Other Taxes over the previous year 1994-1995 to 2004-2005

Year	OBE (Rupees in Crore)	RE (Rupees in Crore)	Actual (Rupees in Crore)	Absolute Variatio n in BE over previous year (Rupees in Crore)	Percentage Variation in BE over previous year	Absolute Variation in RE over previous year (Rupees in Crore)	Percentage Variation in RE over previous year	Absolute Variation in Actual over previous year (Rupees in Crore)	Percentage Variation in Actual over previous year
1994-1995	24.03	29.45	29.33						
1995-1996	26.21	30.08	34.99	2.18	9.07	0.63	2.14	5.66	19.30
1996-1997	132.10	65.10	72.02	105.89	404.01	35.02	116.42	37.03	105.83
1997-1998	137.10	155.10	167.55	5.00	3.79	90.00	138.25	95.53	132.64
1998-1999	172.12	166.13	166.99	35.02	25.54	11.03	7.11	-0.56	-0.33
1999-2000	170.15	153.15	163.91	-1.97	-1.14	-12.98	-7.81	-3.08	-1.84
2000-2001	175.15	138.56	120.50	5.00	2.94	-14.59	-9.53	-43.41	-26.48
2001-2002	168.15	138.00	127.59	-7.00	-4.00	-0.56	-0.40	7.09	5.88
2002-2003	149.00	110.00	116.95	-19.15	-11.39	-28.00	-20.29	-10.64	-8.34
2003-2004	154.00	126.00	127.90	5.00	3.36	16.00	14.55	10.95	9.36
2004-2005	171.50	162.00	197.25	17.50	11.36	36.00	28.57	69.35	54.22

- Absolute variation in BE over previous year was from minus Rupees 19.15 crore (2002-2003) to Rupees 105.89 crore (1996-1997). The absolute variation was negative in three years (1999-2000, 2001-2002 and 2002-2003) and was positive in the balance seven years. The negative variation was from Rupees 1.97 crore (1999-2000) to Rupees 19.15 crore (2002-2003). The positive variation was up to Rupees 20.00 crore in five years (1995-1996, 1997-1998, 2000-2001, 2003-2004, and 2004-2005); Rupees 35.02 crore (1998-1999) and of Rupees 105.89 crore in 1996-1997.
- Percentage variation in BE over previous year was from minus 11.39 percent (2002-2003) to 404.01 percent (1996-1997). The variation was negative in three years (1999-2000, 2001-2002 and 2002-2003). Negative variation was up to 4 percent in two years (1999-2000 and 2001-2002), and of 11.39 percent in 2002-2003. The positive variation was up to 15 percent in five years (1995-1996, 1997-1998, 2000-2001, 2003-2004, and 2004-2005) and it was 25.54 percent in 1998-1999 and 404.01 percent in 1996-1997.
- Absolute variation in RE over previous year was from minus Rupees 28.00 crore (2002-2003) to Rupees 90.00 crore (1997-1998). The negative variation was in four years (1999-2000 to 2002-2003) and was up to Rupees 15.00 crore in three years and Rupees 28.00 crore in 2002-2003. In remaining years the variation was positive. The positive variation was up to Rupees 20.00 crore in three years (1995-1996, 1998-1999 and 2003-2004); up to Rupees 40.00 crore in two years (1996-1997 and 2004-2005), and of Rupees 90.00 crore in 1997-1998.
- Percentage variation in RE over previous year was from minus 20.29 percent (2002-2003) to 138.25 percent (1997-1998). The negative variation was from minus 0.40 percent (2001-2002) to 20.29 percent in two years (2002-2003). The negative variation was in four years (1999-2000 to 2002-2003). The positive variation was in the range from 2.14 (1995-1996) to 138.25 percent (1997-1998). The positive variation ranged from 2 percent to 15 percent in three years (1995-1996, 1998-1999, and 2003-2004). It was 28.57 percent in 2004-2005 and more than 100 percent in two years (1996-1997 and 1997-1998).
- Absolute variation in actual over previous year was from minus Rupees 43.41 crore (2000-2001) to Rupees 95.53 crore (1997-1998). The absolute variation was negative in four years and was in the range of minus Rupees 0.56 crore (1998-1999) to minus Rupees 43.41 crore (2000-2001). The positive variation in the remaining years was from Rupees 5.66 crore

in (1995-1996) and more than Rupees 95.53 crore in 1997-1998. The positive variation was up to Rupees 15.00 crore in three years (1995-1996, 2001-2002, and 2003-2004); between Rupees 35 crore and Rupees 40 crore in two years (1996-1997 and 2004-2005). It was Rupees 90 crore in 1997-1998.

- Percentage variation in actual over previous year was from minus 26.48 percent (2000-2001) to 132.64 percent (1997-1998). The negative variation was below 10 percent in three years (1998-1999, 1999-2000, and 2002-2003) and of minus 26.48 percent in 2000-2001. The positive variation was below 20 percent in three years (1995-1996, 2001-2002, and 2003-2004). It was 54.22 percent 2004-2005 and more than 100 percent in two years (1996-1997 and 1997-1998).

10.44 Table 10.28 exhibits the other taxes as a percentage of various revenue parameters. As a percentage of total tax revenues, the share of 'other taxes' has never been very substantial. It has mostly been in the range of around 2 percent in the years 1994-1995 and 2004-2005. In some years it has been less than even 2 percent, though in a few it was over 5 percent. The increase in revenues after 1996-1997 can be attributed to the introduction of the luxury tax in 1996-1997. The impact however started declining from 2000-2001.

Table 10.28- Other Taxes as a percentage of various revenue parameters 1994-1995 to 2004-05

Year	Percentage of Total Tax Revenues	Percentage of Own Revenue Receipts	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	1.64	1.55	1.48	1.16
1995-1996	1.66	1.61	1.52	1.12
1996-1997	2.84	2.78	2.58	1.96
1997-1998	5.70	5.39	4.81	3.71
1998-1999	5.41	5.10	4.56	3.56
1999-2000	4.78	4.28	3.83	2.77
2000-2001	2.84	2.43	2.21	1.64
2001-2002	2.61	2.21	2.04	1.46
2002-2003	2.20	1.90	1.75	1.11
2003-2004	2.17	1.87	1.74	1.04
2004-2005	2.78	2.46	2.30	1.51

- The share of other taxes as a percentage of own revenue receipts has been in the range of 1.55 percent (1994-1995) to 5.39 percent (1997-1998). Mostly it has been around two percent. In three years from 1997-1998 to 1999-2000 it has been around 5 percent
- As a percentage of total revenue receipts the collection of other taxes has been from 1.04 percent (2003-2004) to 3.56 percent (1998-1999). The data merely confirms the position of 'other taxes' as above. It was below 2 percent in eight out of eleven years and around 3 percent in three years (1997-1998 to 1999-2000).
- The share of 'other taxes' in total receipts was between 1.04 (2003-2004) to 3.71 percent (2003-2004) in the years 1994-1995 to 2004-2005. After 1997-1998, up to 2003-2004, there has been a continuous decline in the percentage share in total receipts. In 2004-2005, there was a slight increase.

Land Revenue: 10.45 Land revenue has not been a major revenue source. In fact, it has since been done away with.

Non-Tax Revenues 10.46 Table 10.29 depicts the absolute and percentage change in the BE, RE and actual collections of non-tax revenues between 1994-1995 and 2004-2005.

**Table 10.29- Absolute and percentage change in the BE, RE, Actual collections
Non-tax Revenues- 1994-1995 to 2004-2005 (Rupees in crore).**

Year	BE	RE	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-1995	62.00	113.07	99.63	51.07	82.37	37.63	60.69	-13.44	-11.89
1995-1996	47.95	47.95	63.13	0.00	0.00	15.18	31.66	15.18	31.66
1996-1997	55.90	50.11	55.74	-5.79	-10.36	-0.16	-0.29	5.63	11.24
1997-1998	52.68	183.63	169.52	130.95	248.58	116.84	221.79	-14.11	-7.68
1998-1999	216.30	265.43	187.96	49.13	22.71	-28.34	-13.10	-77.47	-29.19
1999-2000	315.00	457.95	397.85	142.95	45.38	82.85	26.30	-60.10	-13.12
2000-2001	411.63	679.48	548.35	267.85	65.07	136.72	33.21	-131.13	-19.30

2001-2002	699.24	1059.59	876.06	360.35	51.53	176.82	25.29	-183.53	-17.32
2002-2003	515.72	813.60	829.56	297.88	57.76	313.84	60.85	15.96	1.96
2003-2004	643.54	974.82	950.33	331.28	51.48	306.79	47.67	-24.49	-2.51
2004-2005	856.55	916.30	921.33	59.75	6.98	64.78	7.56	5.03	0.55

- The BE of non-tax revenues increased from Rupees 62.0 crore (1994-1995) to Rupees 856.55 crore (2004-2005). The BE ranged from Rupees 47.95 crore (1995-1996) to Rupees 856.55 crore (2004-2005). It was below Rupees 100 crore in the first four years (1994-1995 to 1997-1998); it was Rupees 216.30 crore in 1998-1999 and Rupees 315.00 crore in 1999-2000; between Rupees 400.00 crore and Rupees 700.00c crore in four years (2000-2001 to 2003-2004), and; exceeded Rupees 850 crore in 2004-2005.
- The RE of non-tax revenues increased from Rupees 113.07 crore (1994-1995) to Rupees 916.30 crore (2004-2005). The RE ranged from Rupees 47.95 crore (1995-1996) to Rupees 1059.59 crore (2001-2002). It was below Rupees 200 crore in the first four years (1994-1995 to 1997-1998); it was Rupees 265.43 crore in 1998-1999 and Rupees 457.95 crore in 1999-2000; between Rupees 650.00 crore and Rupees 1100.00 crore in the next five years (2000-2001 to 2004-2005).
- The data suggest an impressive growth in the contribution of non-tax revenues over the period 1994-1995 to 2004-2005. The non-tax revenues have increased from Rupees 99.63 crore in 1994-1995 to Rupees 921.33 crore in 2004-2005-an almost 10 fold increase. In absolute terms much of the growth has taken place from 1997-1998. The actual collections were below Rupees 200 crore in the first five years (1994-1995 to 1998-1999); was Rupees 397.85 crore in 1999-2000, and; between Rupees 500.00 crore and Rupees 950.00 crore in the next five years.
- The absolute variation in RE over BE was from minus Rupees 5.79 crore (1996-1997) to Rupees 360.35 crore (2001-2002). The percentage variation in RE over the BE was from minus 10.36 percent (1996-1997) to 248.58 percent (1997-1998).
- The absolute variation in RE over BE was from minus Rupees 5.79 crore (1996-1997) to Rupees 360.35 crore (2001-2002). The percentage variation

in RE over the BE was from minus 10.36 percent (1996-1997) to 248.58 percent (1997-1998).

- The absolute variation in actual over BE was from minus Rupees 28.34 crore (1998-1999) to Rupees 313.84 crore (2002-2003). The percentage variation in actual over the BE was from minus 13.10 percent (1998-1999) to 221.79 percent (1997-1998).
- The absolute variation in actual over RE was from minus Rupees 183.53 crore (2001-2002) to Rupees 15.96 crore (2002-2003). The percentage variation in actual over the RE was from minus 29.19 percent (1998-1999) to 31.66 percent (1995-1996).
- The percentage increase in RE over BE in 1997-1998 stands out (248.58 percent). Otherwise the variation varies from minus 10.36 percent (1996-1997) to 82.37 percent (1994-1995). The other extreme is the drop from 51.48 percent in (2003-2004) to just 6.98 percent in 2004-2005. The percentage increases between 1999-2000 and 2003-2004 have been quite substantial. The increase in actual over BE has been from minus 13.10 percent (1998-1999) to 60.85 percent (2002-2003), with 1997-1998 serving as an exception (221.79 percent). The variation of actual over RE ranges from minus 29.19 percent (1998-1999) to 31.66 (1995-1996). Interestingly, the actual over RE of 1997-1998 (minus 7.68 percent) contradicts the optimism reflected in RE over BE and actual over BE.
- The trend growth between 1985-1986 and 2004 –2005 was 25.50 percent (base year 1985-1986); 36.70 percent with 1994-1995 as the base year, and; 30.90 percent with 1997-1998 as the base year.
- Table 10.30 discusses the absolute and percentage change in the BE, RE, Actual collections in non-tax revenues over the previous year in the period 1994-1995 to 2004-2005.

Table 10.30- Absolute and percentage change in the BE, RE, Actual collections Non-tax Revenues over the Previous Year- 1994-1995 to 2004-2005 (Rupees in crore).

Year	BE	RE	Actual	Absolute Variation in BE	Percentage Variation in BE	Absolute Variation in RE	Percentage Variation in RE	Absolute Variation in Actual	Percentage Variation in Actual
1994-1995	62.00	113.07	99.63	-	-	-	-	-	-
1995-1996	47.95	47.95	63.13	-14.05	-22.66	-65.12	-57.59	-36.50	-36.64
1996-1997	55.90	50.11	55.74	7.95	16.58	2.16	4.50	-7.39	-11.71
1997-1998	52.68	183.63	169.52	-3.22	-5.76	133.52	266.45	113.78	204.13
1998-1999	216.30	265.43	187.96	163.62	310.59	81.80	44.55	18.44	10.88

1999-2000	315.00	457.95	397.85	98.70	45.63	192.52	72.53	209.89	11.67
2000-2001	411.63	679.48	548.35	96.63	30.68	221.53	48.37	150.50	37.83
2001-2002	699.24	1059.59	876.06	287.61	69.87	380.11	55.94	327.71	59.76
2002-2003	515.72	813.60	829.56	-183.52	-26.25	-245.99	-23.22	-46.50	-5.31
2003-2004	643.54	974.82	950.33	127.82	24.78	161.22	19.82	120.77	14.56
2004-2005	856.55	916.30	921.33	213.01	33.10	-58.52	-6.00	-29.00	-3.05

- The absolute variation in BE of non-tax revenue over the previous year has been from minus Rupees 183.52 crore (2002-2003) to Rupees 287.61 crore (2001-2002). The percentage variation in the BE has been from minus 26.25 percent (2002-2003) to 310.59 percent (1998-1999).
- The absolute variation in RE of non-tax revenue over the previous year has been from minus Rupees 245.99 crore (2002-2003) to Rupees 380.11 crore (2001-2002). The percentage variation in the RE has been from minus 57.59 percent (1995-1996) to 266.45 percent (1997-1998).
- The absolute variation in the actual collection of non-tax revenue over the previous year has been from minus Rupees 46.50 crore (2002-2003) to Rupees 327.71 crore (2001-2002). The percentage variation in the actual realizations has been from minus 36.64 percent (1995-1996) to 204.13 percent (1997-1998).

10. 47 The share of non-tax revenues as a percentage of 'own revenue' receipts, total revenue receipts and the total receipts between 1994-1995 and 2004-2005 is reported in Table 10.31. The share of non-tax revenues in 'own receipts' have been in the range of 2.15 percent (1996-1997) to 15.18 percent (2001-2002). The share has been in the range of 2 percent to 5 percent in the period 1994-1995 to 1998-1999. Thereafter it has been from 10 percent to 15 percent.

Table 10.31- Non tax Revenues as a percentage of various revenue parameters 1994-1995 to 2004-2005

Year	Percentage of Own Revenue Receipts	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	5.28	5.03	3.94
1995-1996	2.90	2.75	2.02
1996-1997	2.15	1.99	1.52
1997-1998	5.45	4.87	3.76
1998-1999	5.74	5.14	4.01
1999-2000	10.39	9.31	6.71

2000-2001	11.08	10.07	7.48
2001-2002	15.18	14.01	10.01
2002-2003	13.48	12.40	7.87
2003-2004	13.90	12.93	7.75
2004-2005	11.48	10.76	7.03

- As a percentage of total revenue receipts the non-tax revenues have ranged from 1.99 percent (1996-1997) to 14.01 percent (2001-2002). Here too the pattern is repeated: there is a small share in the initial years which increased substantially since 1999-2000.
- The share in total receipts touched the 4 percent mark in 1998-1999 and crossed the 10 percent barrier in 2001-2002. Between 1994-1995 and 1998-1999, its share in total receipts has been from 1.50 percent to 4.00 percent. Thereafter it has generally ranged between 6 to 8 percent, 2001-2002 being the exception (10.01 percent).

10.48 The increase in Non Tax Revenue has been mainly due to book adjustment of interest on outstanding loans from DTC, MCD, DJB and from DVB (up to 2001-02). Interest receipts from these bodies during the years 1994-95 to 2004-05 have been as shown in Table 10.32 below.

**Table 10.32-Interest Receipts from Public Utilities Forming part of Non-Tax Revenues
1994-1996 to 2004-2005 (Rs. in Crore)**

Years	Total Non Tax Revenue	Of which Interest	Balance Non-Tax revenue	Percentage share of interest in Non-Tax Revenues
1994-95	99.63	20.06	79.57	20.13
1995-96	63.13	7.13	56.00	11.29
1996-97	55.74	5.42	50.32	9.72
1997-98	169.52	132.83	36.69	78.36
1998-99	187.96	139.01	48.95	73.96
1999-00	397.85	300.77	97.08	75.60
2000-01	548.35	477.28	71.07	87.04
2001-02	876.06	789.83	86.23	90.16
2002-03	829.56	741.42	88.14	89.38
2003-04	950.33	868.83	81.50	91.42
2004-05	921.39	719.60	101.79	78.10

- It is evident that out of the total non-tax revenues the share of interest dues from various organizations is increasing. The contribution has risen from Rupees 20.06 crore (1994-1995) to Rupees 719.60 crore (2004-2005). This represents an absolute increase of Rupees 699.54 crore and an increase of 3487.24 percent. It is a thirty five fold increase. In other words an impressive growth by any yardstick.
- This impressive growth however disguises the fact that a large part of the interest revenues is illusory. There is no significant change in the realization of non-tax revenue of the government. Interest dues from DTC and DJB, which form a major part of the non-tax revenue of Delhi government, are not received in cash in view of the intrinsic financial performance of these organizations. The government recovers their interest dues by converting the interest into further non-plan loan by way of book adjustment. The interest dues from MCD are recovered at source from out of their global tax share from the Delhi government as recommended by First Delhi Finance Commission.
- The percentage share of interest in non-tax revenues has increased from 20.13 percent (1994-1995) to 78.10 percent (2004-2005). It has been below 20 percent in the initial three years and was between 74 percent and 92 percent in the balance years. This clearly is a reversal of the situation of 1994-1995. However, 1997-1998 marks the year in which the situation changed apparently unalterably.
- The non-tax revenue by way of service charges from various government departments remained nominal though there was scope for significant resource mobilization.

Capital Receipts

10. 49 Table - 10.33 reflects the position regarding the capital receipts of the state government. Delhi government's capital receipts consist of loans from the center including small savings loan and block loans (i.e. 70 percent of Central Plan assistance), and recovery of loans and advances from local bodies/public utilities/government servants.

Table 10.33-Capital Receipts- (Rupees in crore)

Year	Block Loan	Small Saving Loan	Loan under CSS	Total (2+3+4)	Loans & Advances (Recovery)	Of which Recoveries from Local Bodies	Total (5+6)
1	2	3	4	5	6	7	8
1994-1995	167.30	343.03		510.33	37.66	33.30	547.99
1995-1996	189.00	607.38		796.38	29.00	24.52	825.38
1996-1997	184.59	666.61		851.20	29.37	25.66	880.57
1997-1998	207.71	668.32		876.03	154.15	150.47	1030.18
1998-1999	220.89	754.66		975.55	54.92	51.28	1030.47
1999-2000	234.73	1164.81	0.04	1399.54	251.05	245.96	1650.59
2000-2001	259.00	1505.08		1764.08	121.12	115.07	1885.20
2001-2002	264.61	1773.96		2038.57	457.85	451.33	2496.42
2002-2003	384.73	3276.84	0.16	3661.73	206.63	198.21	3868.36
2003-2004	256.41	4408.07	0.10	4664.58	255.73	249.64	4920.31
2004-2005	278.97	3732.38		4011.35	528.02	521.94	4539.37

- The capital receipts increased from Rupees 547.99 crore in 1994-1995 to Rupees 4539.37 crore in 2004-2005.
- The trend growth rate between 1985-1986 and 2004-2005 (base year 1985-1986) was 44.50 percent, with base year as 1994-1995 was 25.00 percent; and with 1997-1998 base year was 28.40 percent.
- The trend growth rate of capital receipts was 16.00 percent during 1994-1995 to 1998-1999. It was 27.00 percent in the period 1999-2000 to 2004-2005. The main reason for the steep increase is the receipt of a large volume of small savings loan during 1999-2000 to 2004-2005. The trend growth of small savings loans in the first half was 18.20 percent, whereas in the second half it was 31.80 percent.
- Block loans have ceased with effect from the financial year 2005-2006. Loans under centrally sponsored schemes too are rather small and marginal.
- Recoveries from the local bodies have increased from Rupees 33.30 crore in 1994-1995 to Rupees 521.94 crore in 2004-2005. The increase in recoveries with effect from 1997-1998 is attributed to the deduction of due amounts from the global share of the local bodies in taxes.

10.50 Capital receipts as a percentage of total receipts is depicted in Table 10.34. The increased share of capital receipts (from around one-fifth to around one-third) consisting mainly of small savings loans suggests the availability of larger sums for development works and funding capital projects. In the next chapter we shall evaluate as to whether this larger availability of funds has translated into expenditure on capital works.

Table 10.34- Capital Receipts as a Percentage of Total Receipts

Year	Total Receipts	Total Capital Receipts	Capital Receipts as a percentage of total receipts
1994-1995	2528.45	547.99	21.67
1995-1996	3121.88	825.38	26.44
1996-1997	3676.56	880.57	23.95
1997-1998	4510.90	1030.18	22.84
1998-1999	4690.59	1030.47	21.07
1999-2000	5924.92	1650.59	27.96
2000-2001	7329/19	1885.20	25.72
2001-2002	8750.13	2496.42	28.53
2002-2003	10534.30	3868.36	36.50
2003-2004	12268.84	4920.31	40.10
2004-2005	13101.94	4539.37	34.65

Loans Received from Central Government

10.51 Table 10.35 relates to details of loans received from the central government.

Table 10.35 – Details of Loans received from Central Government (Rs. in Crore)

Year	Loans against Small Savings Recd	Absolute Change over Previous Year	% Change Over Previous Year	Block Loans Recd	Absolute Change over Previous Year
1	2	3	4	5	6
1994-95	343.03			167.30	
1995-96	607.38	264.35	77.06%	189.00	21.70
1996-97	666.61	59.23	9.75%	184.59	-4.41
1997-98	668.32	1.71	0.26%	207.71	23.12
1998-99	754.66	86.34	12.92%	220.89	13.18
1999-00	1164.81	410.15	54.35%	234.69	13.80
2000-01	1505.08	340.27	29.21%	259.00	24.31

2001-02	1773.96	268.88	17.86%	264.61	5.61
2002-03	3276.84	1502.88	84.72%	361.71	97.10
2003-04	4408.07	1131.23	34.52%	256.41	-105.30
2004-05	3732.38	-675.69	-15.33%	278.97	22.56
Total	18901.14	3689.35		2624.88	111.67

% Change Over Previous Year	Loans for Centrally Sponsored Schemes	Total loans	Absolute Change over Previous Year	% Change Over Previous Year
7	8	9	10	11
	0	510.33		
12.97%	0	796.38	286.05	56.05%
-2.33%	0	851.20	54.82	6.88%
12.53%	0	876.03	24.83	2.92%
6.35%	0	975.55	99.52	11.36%
6.25%	0.04	1399.54	423.99	43.46%
10.36%	0	1764.08	364.54	26.05%
2.17%	0	2038.57	274.49	15.56%
36.70%	0.16	3638.71	1600.14	78.49%
-29.11%	0.10	4664.58	1002.85	27.39%
8.80%	0	4011.35	-653.23	-14.00%
	0.30	21526.32	3478.00	

- The overall trend growth rate of loans received in the period 1994-1995 to 2004-2005 is 24.40 percent. The trend growth for small savings loans is 28.10 percent, for block loans is 6.00 percent (discontinued with effect from the financial year 2005-2006). Thus, loans from the central government basically are against small savings collections.
- From 1999-2000 to 2004-2005, the small savings loans have been on the higher side, particularly in 2002-2003, 2003-2004, 2004-2005. The absolute annual increase in small savings loans was on the higher side in the years 1999-2000, 2000-2001 and 2001-2002. It was extraordinarily high in the years 2002-2003 and 2003-2004. Similarly, the annual percentage increase in small savings loans was extra ordinarily high 1995-1996, 1999-2000, 2002-2003, and 2003-2004.

10.52 The loans from the center (inclusive of block loans and small savings loans) as a percentage of total receipts and as a percentage of capital receipts are depicted in Table 10.36.

Table 10.36-Loan from Center as a percentage of Capital and Total Receipts

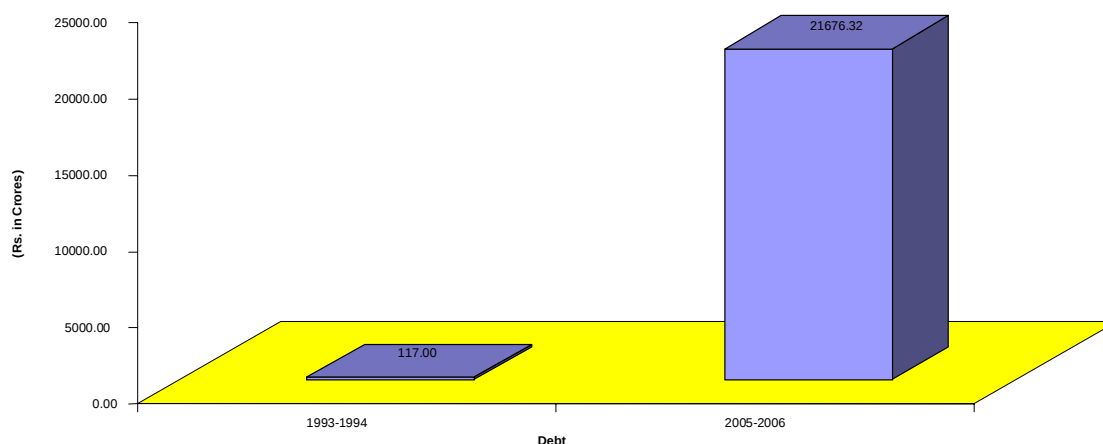
Year	Loans From the Center as a percentage of capital receipts	Loans from the Center as a percentage of total receipts	Small Savings Loans as a percentage of capital receipts	Small Savings Loans as a percentage of total receipts	Block Loans as a percentage of capital receipts	Block Loans as a percentage of total receipts
1994-1995	93.13	20.18	62.60	13.57	30.53	6.62
1995-1996	96.49	25.51	73.59	19.46	22.90	6.05
1996-1997	96.66	23.15	75.70	18.13	20.96	5.02
1997-1998	85.04	19.42	64.87	14.82	20.16	4.60
1998-1999	94.67	20.80	73.23	16.09	21.44	4.71
1999-2000	84.79	23.62	70.57	19.66	14.22	3.96
2000-2001	93.58	24.07	79.84	20.54	13.74	3.53
2001-2002	81.66	23.30	71.06	20.27	10.60	3.02
2002-2003	94.63	34.54	85.22	31.11	9.41	3.43
2003-2004	94.80	38.02	89.59	35.93	5.21	2.09
2004-2005	88.37	30.62	82.22	28.49	6.15	2.13

- The share of central loans in capital receipts has varied from 81.66 percent (2001-2002) to 96.66 percent (1996-1997). This means that the contribution of other sources of capital receipts (recovery of loans from local bodies, government servants, and public utilities) has either been insignificant or sporadic. For instance, in 1997-1998 and 1999-2000, the share of central loans came down to 85.04 and 84.79 percent respectively, presumably due to the recovery of loan amounts from the MCD as recommended by the First Delhi Finance Commission. In 2001-2002, the share (81.66 percent) was low due to the recovery of loan amount from Pragati Power Corporation Limited. In 2004-2005, similarly, the share was comparatively (88.37 percent) low because of loan recovery from Delhi Power Corporation Limited.
- The growth of small savings is not surprising in the light of growing prosperity of Delhi. The signs are: the increasing per capita income, growth of the service sector, and the expanding professional middle class, which is inclined to save more due to either economic reasons or financial incentives such as the reduction of income tax liabilities. This implies that larger savings will continue to be sourced to Delhi resulting in larger

small savings loans-wanted or unwanted. This also means that government needs to plan utilization of the loan amounts far more effectively. Otherwise the loan amounts merely create a liability in the form of principal amount and interest payments, which also raises the non-plan expenditure at the cost of plan expenditure. The detailed examination of utilization of the loan amount is taken up in the next chapter.

- At this stage we may take note of the growth of debt. It has increased from a mere Rupees 117 crore in 1993-1994 to Rupees 21676.32 crore in 2005-2006. Figure 10.16 depicts the growth of the state government's debt position.

Figure 10.16- Growth of the State Government's Debt: 1993-1994 to 2005-2006



Performance of Revenue Collections

10.53 Table 10.37 summarizes the position of actual performance of revenue instruments against the projections at the BE and RE stage.

Table 10.37-Actual Revenues as a percentage of BE and RE-1994-1995 to 2004-2005

Year	Sales Tax		Excise		Stamps and Registration		Taxes on Vehicles		Other Taxes		Non-Tax Revenues	
	BE	RE	BE	RE	BE	RE	BE	RE	BE	RE	BE	RE
1994-1995	91.39	106.13	78.49	102.54	159.89	108.43	120.89	105.93	122.06	99.59	160.69	88.11
1995-1996	102.82	102.82	92.50	100.24	110.81	94.39	67.15	100.73	133.50	116.32	131.66	131.66
1996-1997	101.31	101.31	120.69	111.64	57.32	71.64	69.75	101.45	54.52	110.63	99.71	111.24
1997-1998	94.72	94.72	121.18	103.00	49.32	81.51	53.90	105.11	122.21	108.03	321.79	92.32
1998-1999	85.97	94.61	100.21	100.21	63.45	62.92	64.30	89.56	97.02	100.52	86.90	70.81
1999-2000	86.99	92.11	98.51	97.66	71.07	79.36	59.58	100.54	96.33	107.03	126.30	86.88
2000-2001	102.69	102.69	83.79	92.87	58.09	87.13	61.89	74.92	68.80	86.97	133.21	80.70
2001-2002	97.71	97.71	86.63	86.63	113.26	104.87	75.80	92.64	75.88	92.46	125.29	82.68
2002-2003	90.33	98.34	94.24	100.09	109.20	97.07	68.26	84.42	78.49	106.32	160.85	101.96
2003-2004	100.81	105.61	83.54	101.45	87.05	108.81	56.53	103.08	83.05	101.51	147.67	97.49
2004-2005	108.35	108.37	99.26	102.89	157.26	111.39	71.27	97.99	115.01	121.76	107.56	100.55

- The performance of sales tax as a percentage of both the BE and the RE is more than satisfactory. Only in two years it was below 90 percent of the BE projection (1998-1999 and 1999-2000). It was more than 90 percent against both the BE and the RE in three years. It exceeded the 100 percent mark against both BE and the RE in five years. This would certainly qualify as an above average performance.
- The excise collections have been below 80 percent against the BE only in one year (1994-1995). They have been more than 80 percent of the BE in three years and above 90 percent in four years. The collections exceeded 100 percent in three years against the BE and against the RE in eight out of eleven years.
- The stamps and registration fee were less than 50 percent of the BE in 1997-1998, less than 60 percent in two years, and exceeded 100 percent of the BE in five years. Against RE, the collections were above 90 percent in two years and exceeded 100 percent in four years.
- Taxes on vehicles, against the BE, were between 50 percent and 70 percent in eight out of eleven years. It was above 70 percent in two years. As far as RE is concerned, the position improves dramatically. It was more than 100 percent in six years and above 90 percent in two years.
- Other taxes as a percentage of BE were above 100 percent in four years and above 90 percent in two years. It was more than 50 percent and less

than 85 percent in five years. Against the RE, the collections were more than 100 percent in eight years and more than 90 percent in two years.

- The percentage share of non-tax revenues as against the BE was more than 100 percent in nine years. In fact in 1997-1998, it was a startling 321.79 percent. Against RE the position changes. Now the percentage share is above 100 percent only in four years; above 80 percent in six years.
- The performance over and above the projections at the BE or RE stage or both the BE and RE stages are reflective of one of two trends. Either the departments concerned have displayed extraordinary efficiency or the targets have been an underestimation of the potential. In either case there are grounds to believe that higher targets and projections are a distinct possibility and conservative projections that enable claims of higher performance need to be reconsidered.

**Observations
of
Comptroller
and Auditor
General of
India**

10. 54 A reference to the observations of the Comptroller and Auditor General of India¹⁹ on some of the revenue earning Departments would help to highlight some issues that deserve the attention of the department and the government.

**CAG on
Sales Tax-
VAT**

10. 55 Grant of incorrect exemption and concessional rate of tax resulted in short realization of Government revenue of Rupees 11.74 crore.

- Grant of incorrect exemption from tax on transfer of goods to places other than those declared in registration certificates resulted in short realization of tax of Rupees 14.55 crore.
- Grant of exemption of invalid F- forms resulted in short realization of tax of Rupees 9.45 crore.
- Incorrect grant of exemption on inter-state sale of Rupees 568.36 crore was allowed though there was no proof of movement of goods resulting in loss of government revenue of Rupees 91.61 crore.
- The internal audit structures were weak and ineffective and afforded no assurance as to whether the provisions of the rules or departmental instructions were being adhered to by the various assessing authorities. The internal audit wing of the department had never conducted any cross verification of statutory forms relating to interstate sales which_would

¹⁹ Report of the Comptroller and Auditor General of India for the year ended March 31, 2005, Volume III, Revenue Receipts), Government of the NCT of Delhi. The reproduction of the CAGs observations does not take into account the views and responses of the concerned Departments.

have revealed the discrepancies and lacunae which had resulted in loss of revenue to the public exchequer.

- Incorrect grant of exemption of Rupees 55.06 crore on 31 fake H- forms resulted in short levy of tax of Rupees 25.96 crore.
- Incorrect application of rate of tax resulted in short levy of tax amounting to Rupees 3.88 crore. In addition interest of Rupees 1.63 crore and penalty of Rupees 6.89 crore were also leviable.
- Irregular grant of excess exemption on tax paid goods resulted in short levy of tax amounting to Rupees 91.98 lakh inclusive of interest.
- Grant of exemption on statutory forms beyond the prescribed limit resulted in non levy of tax amounting to Rupees 15.34 crore inclusive of interest.
- Irregular grant of exemption on transit sale to a dealer resulted in a short levy of tax of rupees 2.08 crore inclusive of interest.
- Short account of purchases/sale/stock resulted in under assessment of tax amounting to Rupees 6.55 crore inclusive of interest and penalty.
- Non-levy of tax on sale of tradable licenses resulted in non levy of tax of Rupees 79.85 lakh inclusive of interest.
- According to information furnished by the department, the sales tax collection per assessee during the years from 2002-03 to 2004-05 was as under at Table 10.38:

Table 10.38- Collection of Sales Tax per Assessee (Rupees in crore)

Year	No. of assesses	Sales tax revenue	Revenue/assessee
2002-03	178832	3883.17	2.17
2003-04	184303	4435.07	2.41
2004-05	174611	5199.93	2.98

- As on 31 March, 2005, the arrears of revenue under Sales Tax as reported by the department, were as under at Table 10.39:

Table: 10.39- Analysis of arrears of revenue (Rupees in crore) in Sales Tax

Serial. No.	Head of Revenue	Amount outstanding as on 31 March 2005	Remarks
1.	Sales Tax	8635.87	The stage at which the amounts outstanding were pending collection was not made available.

- The number of cases of evasion of tax detected by the sales tax and state excise entertainment and luxury tax departments during the year 2002-03 to 2004-05 as reported by the departments were as follows at Table 10.40:

Table 10.40-Evasion of Tax

Serial No.	Item of Tax	Cases detected during the year		
		2002-03	2003-04	2004-05
1.	Sales Tax	2639	4104	2708

- Test check of records relating to sales tax, conducted in audit during the year 2004-05 revealed non assessment/under assessment of tax and other irregularities involving Rs.478.29 crore in 1420 cases which broadly fall under the following categories as at Table 10.41:

10. 56 The CAG accordingly recommended that:

- ✓ A system needs to be devised and linkages established for periodic cross verification of the statutory forms on test check basis from the assessment records of the issuing states.
- ✓ As it may not be possible to detect each and every case of evasion or false declaration, it is necessary that an element of deterrence be introduced by way of strict and rigorous imposition of penalties on persistent defaulters.
- ✓ There should be no deviation from the rules and regulations governing inter state sales and assessing authorities should be held accountable for any deviation which may have either resulted in short collection of tax or raised the possibility of such short collection of tax.
- ✓ The internal audit system in the department needs to be urgently strengthened. Given the fact that over 70 percent of the revenue of the government of Delhi is contributed by this department alone, the directorate of internal audit should conduct an internal audit exercise in the sales tax department every year covering a certain number of wards, circles in a rotational manner.

**CAG on
State
Excise**

10. 57 Regarding state excise, the Comptroller and Auditor General of India in his report for the year ended March 31, 2005 observed that:

- ✓ Failure of the excise department to procure 41,499 cases of country liquor short supplied by a supplier at his risk and cost in accordance with the terms of the license resulted in revenue loss of Rupees 1.16 crore.
- ✓ Reduction in excise element while fixing retail price of country liquor instead of passing on the marginally higher cost of Rupee 1 per bottle to the consumer resulted in loss of state excise of Rupees 3.44 crore.

10. 58 Test check of the records of sales tax, Motor Vehicles Tax, State Excise and other revenue earning departments conducted during the year 2004-05 revealed under assessment/short levy/loss of revenue, etc; amounting to Rs.671.70 crore in 1545 cases. The concerned departments accepted under assessment, non recovery, etc; of Rs.204.50 crore involved in 78 cases which had been pointed out in audit during 2004-05 and earlier years. Of these, the department recovered Rs.15.36 lakh in 8 cases and raised additional demand of Rs.38.52 crore during the year 2004-05.

Table 10.41 - Result of Audit (Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non/short levy of interest and penalty	13	25.95
2.	Irregular deduction/exemption	72	19.15
3.	Application of incorrect rate and mistake in computation	49	15.06
4.	Incorrect determination of Gross turnover, taxable turnover	52	6.55
5.	Performance appraisal of levy of sales tax in respect of Interstate sales	1	151.61
6.	Other cases	1233	259.97
	Total	1420	478.29

10. 59 Any review of the finances of the state government would be incomplete without a review of resource mobilization, per se, of course but also of resource utilization, and their inter-relationship. We take up a consideration of expenditure management in the next chapter. Meanwhile, it is important to list the more significant conclusions that the brief review of state government revenues suggests.

**Some Data-
Based
Conclusions**

10.60 The receipts structure of the Delhi government has clearly been altered. Apart from expenditure not being strictly linked to resource mobilization, the receipts structure in 1985-1986 to 1993-1994 did not include several sources of funding. These new sources of funding, such as grant in lieu of share in central taxes, central plan assistance, and loans from the central government, accessed post 1993-1994, have fundamentally altered the revenue structure.

- As clear from Table 10.42 overall, the percentage share of tax revenues has declined from 70.69 percent (1994-1995) to 54.24 percent (2004-2005) and then to 52.40 percent (2005-2006). In the same period, non-tax revenues have increased from 3.94 percent to 7.03 percent and finally to 8.20 percent. The share in central taxes is a fixed amount of Rupees 325 crore. Accordingly, its percentage share is declining. Central plan assistance is also declining. Capital receipts on the contrary are rising: from 21.68 percent in 1994-1995 to 34.65 percent in 2004-2005 to 36.43 percent in 2005-2006 (Table 10.42).

**Table 10.42-Variou Sources as a percentage of Total Receipts-
1994-1995 and 2004-2005**

Item	1994-1995	2004-2005	2005-2006
Tax Revenues	70.69	54.24	52.40
Non-Tax Revenues	3.94	7.03	8.20
Share in central taxes	0.00	2.48	1.91
Central Plan assistance	3.69	1.60	1.06
Capital Receipts*	21.68	34.65	36.43

(*Includes: Recovery of loans, loan repayments by government servants, loan from central government, loan against small savings, block loans, loans for centrally sponsored schemes)

- Out of the total capital receipts (21.68 percent in 1994-1995) the share of small saving loans was 13.57 percent. In 2004-2005, this share was 28.49 percent of the total share of 34.65 percent. In 2005-2006, the percentage share of small savings loans was as much as 34.56 percent out of 36.43 percent. A consideration of whether this increase in capital receipts, which includes small saving loans, is beneficial for the state's finances is taken up in the next chapter. Meanwhile, it is necessary to note that, while it has not been possible to make productive use of much of the loan amount, it has

also not been possible to stem the increasing amounts of loans particularly after 2001-2002. Thus, loans from the central government were nil up to December 1, 1993. However, as on March 31, 2006, the net accumulated loan amount was Rupees 21676.32 crore, which constitutes an alarming 127.06 percent of the total receipts in the year.

- Indeed, in 2005-2006, small saving loans were second only to the revenues from VAT: revenues from VAT being Rupees 6500.56 crore and the amount of small saving loans being Rupees 5896.45 crore.
- Consider the position regarding plan resources. At the BE stage the projected plan resources have increased every year except in 2004-2005. However, they have declined, and fairly rapidly, at the RE stage. For example in 1999-2000, the decline was of more than rupees 1000 crore. In 2004-2005 it was around Rupees 1700 crore, and in 2005-2006 the decline was above Rupees 1750 crore. By any standards this represents a startling reduction in RE over the BE.
- The growth in non-plan resources has been unusually high. In fact, it has outstripped by far the growth of plan resources. The projected non-plan resources at BE stage grew every year, and that too very rapidly. It grew by more than 30 percent over the previous year in four out of the twelve year period 1994-1995 to 2005-2006). It grew by more than Rupees 900 crore in 1998-1999 and by more than Rupees 1200 crore in 2004-2005 and more than Rupees 2200 crore in 2003-2004. This kind of growth is extraordinary but disturbing as we shall see.
- This increase in the projected non-plan resources is not restricted to the BE stage. It also covers the RE and the actual figures (which represents the actual incurred expenditure). For instance, the non-plan resources increased at the RE stage by more than Rupees 1000 crore in seven out of twelve years (1999-2000 to 2005-2006). The increase was more than Rupees 3200 crore in 2003-2004. Non-plan (actual) similarly increased from Rupees 1239.84 crore (1994-1995) to Rupees 8607.94 crore (2004-2005).
- The increase in plan resources at the BE stage was by less than 3.5 times in the time span of twelve years and that of non-plan resources by more than eight times. This is repeated at the RE stage, when the plan resources increased by only 2.60 times as compared to non-plan increase which was approximately 7.4 times.
- In 1994-1995 the difference between plan and non-plan expenditure was Rupees 72.66 crore (Rupees 1239.84 crore, non-plan, minus Rupees 1167.18

crore, plan). In 2004-005, the difference was Rupees 4340.46 crore (Rupees 8607.94 crore, non-plan, minus Rupees 4267.48 crore, plan). In a short span of eleven years, the gap has increased approximately sixty fold.

- The declining resources earmarked for plan (at RE stage) and the increasing allocation of resources for non-plan (at both the BE and RE stage) is leading to a growing divergence between the two. This growing divergence between plan and non-plan resources is surely a matter of concern.
- If non-plan revenue expenditure continues to remain uncontrolled, as will become obvious (see Chapter XI), then sooner or later this is bound to affect the BCR (Balance from Current Revenue) adversely in turn affecting plan size.

10. 61 The trend growth rate in the period 1985-1986 to 1993-1994 and then from 1994-1995 to 2004-2005 in respect of revenue receipts, capital receipts, and total receipts has been depicted in Table 10.43.

Table 10.43- Trend Growth Rates: 1985-1986 to 1993-1994 and 1994-1995 to 2004-05

Item	1985-1986 to 1993-1994	1994-1995 to 2004-2005
Revenue Receipts	14.70	15.80
Capital Receipts	35.70	25.00
Total receipts	15.50	18.50

- The trend growth rate of revenue receipts has accelerated in the period 1994-1995 to 2004-2005 against the trend growth in the period 1985-1986 to 1993-1994. The total receipts have also displayed an upward growth rate. However, the capital receipts have slowed down, a 10.70 percentage point change. This might well be because in the first phase the capital receipts started from a narrow base (loans started only in 1993-1994) so that even a small increase resulted in a huge percentage increase. As the size of the base increased, each year's incremental increase meant a smaller percentage rise. The impact of these trends will be considered in the chapter on projections.
- The contribution of public utilities was not taken into account in the earlier phase since the DTC and the DJB were not part of the Delhi government. However, with the transfer of the DTC and the creation of the DJB in 1996-1997, this contribution has become relevant to the resource position of the government. As we shall see, this contribution which is

negative is having a substantially adverse effect on the finances of the state government

- Further, though non-tax revenues have shown a healthy increase from 3.94 percent in 1985-1986 to 7.03 percent in 2004-2005, the fact is that this increase is largely illusory, consisting as it does of book adjustments of interest dues from public utilities.
- Now consider the data for individual taxes. The tax regime has of course been and remains singularly dependent on just one tax: the sales tax or its newer version, the VAT.
- Tax revenues have increased across the board. The yield of all tax instruments have increased. This is true of sales tax/VAT, excise, stamps and registration and entertainment and luxury tax and tax on motor vehicles. Nevertheless it is also true that the annual revenue yields of all the taxes have shown considerable fluctuations. In other words, steep increases and decreases characterize the performance and behavior of all the tax instruments.
- Since the performance is not consistent, there is neither reliability nor predictability about the actual realizations with reference to either the projections of each year nor the track record of previous years. This too is true of all tax instruments. This is established by the data for absolute changes, percentage changes, percentage point changes, and irrespective of whether the change being examined is within the year or over the years. In such circumstances long term forecasting is really of dubious value.

10. 62 The cost of tax administration is depicted in Table 10.44. It is self-evident that the cost of administration is good in absolute and relative terms except in respect of the taxes on vehicles.

Table 10.44- Cost of Collection (Rupees in Crore)

Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2003-2004
Sales Tax	2002-2003	3883	22.04	0.6	
	2003-2004	4435	22.27	0.5	1.15
	2004-2005	5200	28.66	0.5	
State Excise	2002-2003	726	3.74	0.5	
	2003-2004	710	13.27	1.9	3.81

	2004-2005	844	5.57	0.6	
Motor	2002-2003	160	11.28	7.1	
Vehicles	2003-2004	175	9.13	5.2	2.57
Taxes	2004-2005	196	12.87	6.5	
Stamp	2002-2003	437	4.02	0.9	
Duty	2003-2004	453	2.86	0.6	3.66
	2004-2005	668	4.55	0.6	

(Source: Report of the Comptroller and Auditor General of India Year ended March 31, 2005, Volume III, Revenue Receipts, Government of the NCT of Delhi)

- There are small variations between the cost of collections figures reported by the CAG and those determined from the data of the state government. This indicates that there is a need to firm up the cost of tax administration to arrive at the net proceeds due to the local bodies as assigned taxes. There is also a need to define 'net proceeds' forming the basis for transfer of resources to the local bodies as assigned taxes and institutionalize a mechanism for certifying the correctness of the cost of collection figures.

Some Issues- Based Conclusions

10. 63 An important issue that arises from the review is the basis for projecting the resource needs. The mechanics of this exercise, as we saw in the previous chapter, is determined by the annual budgetary circulars. There is nothing to show that the rigours of the budgetary circulars are applied strictly. For example, to what are the resource projections related? Are they related to the needs of planned development of the city? Are they indicative of the resource potential of various revenue generating instruments? How about the track record of realizations? The fact is that it is not possible to determine from the data alone as to the factors that have helped to decide the resource needs and projections.

- Further, the changes in tax rates have frequently not been backed by any analysis of their impact on revenues or the economy.
- The declarations in budget speeches notwithstanding, there are little indication of the exact nature of the tax policy or its larger objectives.
- What determines the projected resource needs? Do the trends of earlier years – whether of budget estimates or revised estimates or actual expenditures of previous years – have material influences? Evidently, not. In fact even the proposed plan size of each year is merely notional since there is no connection between proposed plan size and actual plan expenditure. Additionally, there is no evidence of realistic estimates of resource needs guiding resource mobilization.

- In so far as the track record of realizations is concerned, it would be useful to determine as to whether the implementing departments generate data to evaluate the impact of changes in, say, tax rates. If, for example, rebates or concessions are announced in sales tax (VAT) rates, what the effect is in terms of realized revenues is generally neither available nor analysed. This absence of a reliable data/information base needs attention.
- Irrespective of the final outcome in terms of the actual realizations, the departments do not appear to relate their performance to the targets determined at the BE or the RE stage. Even the BE and RE projections are apparently more for the record rather than benchmarks to assess the departmental performance. In such a situation the figures are no guide as to what is achievable, what is the actual potential, and what are the levels of performance that should be relied upon to evaluate the success or failure of the department concerned. As a matter of fact the projections of each year should be treated as benchmarks to assess the performance of departments.
- There is also overwhelming evidence of reliance on just one source of revenue: the sales tax or its new version the VAT. This inability to diversify the resource base coupled with incapacity to utilize the loan amounts productively, as we shall see in the next chapter, is not a healthy sign. Indeed, the dependence on just one source also means that any sudden shortfalls in revenue can have a serious impact on the financial stability of the state government.
- In this context, the low level of non-tax revenues also needs attention. The fact that they are low yielding sources is not sufficient grounds to neglect a thorough review of all aspects including the utility and relevance of such activities. After all we do recommend that local bodies should diversify their resource base and also, wherever possible, revise the user charges. The same applies to the state government also. For example, the non-tax revenue returns in 2005-2006 from the various services provided under the fisheries sector resulted in a yield of just Rupees 4.16 lakh: the revenues from minor irrigation were a pattern Rupees 5.14 lakh; other agricultural programs was Rupees 2.49 lakh. Against this in 2005-2006, the department incurred an expenditure of Rupees 28.50 lakh (fisheries), Rupees 737.46 lakh (minor irrigation, and; Rupees 179.83 lakh (other agricultural programs).

Chapter-11

The State Government: Financial Operations; Resource Allocation and Resource Utilization

Issues in Expenditure Management

Literature related to governmental finances has generally focused on resource mobilization. Expenditure management has drawn somewhat limited attention though there are several reasons for a more detailed review of expenditure policies. Illustratively:

- (i) The full potential of governmental operations will remain unrealised unless expenditures rise sufficiently to keep up with the demand pressure and investment levels are raised. What prevents it, and how can this be achieved?
- (ii) If reductions in capital expenditure (excluding loan repayments) or increases in interest expenditure are unavoidable, they have necessarily to be accompanied by structural change that raises the share of the private sector. Without such a linkage, the reductions in capital expenditure would result in further and continued exclusion of those already out of the reach of social services. How is this to be achieved?
- (iii) The tendency to go in for large plan budgets needs to be reviewed
- (iv) because over ambitious plans, which project the governments of the day as developmental, are frequently responsible for under-planning of both capital and program expenditures. Are more realistic plan sizes possible?
- (v) Public procurement is a major activity of any government and items procured span almost the entire variety of goods and services in the economy. Yet government procurement has typically been based on the lowest price tender, with certain mechanisms such as inspection and certification, to get over the problems of varying specifications and quality. Procurement of complex multi-faceted goods whose specifications cannot easily be written down, codified, or verified would require very different procurement processes from the procurement of standardized shelf goods. Has this been examined? Is there scope for improving procurement processes?

- (vi) Cost and time overruns in the execution of capital projects are another area deserving a closer examination. Has it received the requisite levels of attention?
- (vii) What about expenditure on social services? How significant or vestigial has their impact been? What needs to be done?
- (viii) The Tenth Report of the Expenditure Reforms Commission (ERC) on the Urban Development Ministry brings out a category entitled 'decision taken but not implemented' (such as elimination of posts and items of expenditure no longer needed). The Report forcefully brought out a major problem-the inability or difficulty in shedding activities and staff no longer required, which is true for the state government too.
- (ix) One of the key dysfunctionalities of the Ministry identified by the ERC was overlapping of jurisdictions. For example, though Delhi has an independent state government and administrative mechanism, the ministry continues with its direct involvement in Delhi affairs, much beyond what is technically mandated. In effect multiple agencies are involved within a complex legal framework, like the case of the Land and Development Office (under the ministry) and the MCD/NDMC that has created an anomalous situation. The Report is critical about the above situation.¹

11.2 In this chapter we shall be examining the allocation and utilization of mobilized resources: across proposed and actual utilization, plan and non-plan, capital and revenue, and socio-economic sectors. We shall review the position of public sector utilities, and the agency wise availability of resources. In addition, the efficiency of expenditure management against various criteria such as financial allocations, physical targets, norms, and effectiveness of utilization shall be examined.

¹ According to the Report, 'With the setting up of MCD and NDMC there is the anomalous situation wherein L & DO lands and NDMC/MCD maintenance coexist in the same locality. Also, building norms and property tax come in the jurisdiction of the NDMC/MCD. The municipal corporations are providing basic civic amenities for all these lands. The administration by L & DO is restricted to collection of ground rent, which is one rupee per annum in most cases. There are a large number of re-habilitation colonies with L & DO, e.g Defence Colony. (Municipal functions of Defence Colony are with the MCD). As such, the Defence Colony can be transferred either to MCD or to NDMC by extending the jurisdiction of NDMC' (p.36).

**State
Government:
Financial
Operations:
Resource
Availability
and Allocation**

11.3 What is the availability of funds for investments? The budgetary figures provide a picture of the overall financial operations of the state government. Table 11.0 provides a summary of the total receipts and expenditure of the government of the NCT of Delhi from 1994-1995 to 2005-2006.

Table: 11.0-Total Receipts and Expenditure of GNCTD 1994-1995 to 2006-2007 (BE)
(Rupees in crore)

Year	Total Receipts				Total Expenditure			
	BE	RE	Actual	% Increase/ Decrease of Actual Receipts over the previous year	BE	RE	Actual	% Increase/ Decrease of Actual Expenditure Over the Previous Year
1994-1995	2572.52	2521.58	2528.45		2572.52	2410.52	2407.02	
1995-1996	2975.82	2953.89	3121.88	23.47%	2975.82	2975.34	2951.44	22.62%
1996-1997	3435.00	3520.00	3676.56	17.77%	3435.00	3721.06	3515.34	19.11%
1997-1998	4073.00	4190.96	4510.90	22.69%	4073.00	4545.00	4210.79	19.78%
1998-1999	5135.00	5100.86	4690.59	3.98%	5135.00	5754.99	4942.61	17.38%
1999-2000	5880.00	6138.87	5924.92	26.32%	5880.00	6536.30	5911.67	19.61%
2000-2001	6950.00	7281.05	7329.19	23.70%	6950.00	7508.93	7362.28	24.54%
2001-2002	7575.00	8987.70	8750.13	19.39%	7575.00	9370.00	8630.72	19.43%
2002-2003	8850.00	10109.43	10534.30	20.39%	8850.00	10464.00	10213.50	16.15%
2003-2004	9800.00	12178.63	12268.84	16.47%	9800.00	12854.00	11720.17	14.75%
2004-2005	12780.00	12546.24	13101.94	6.79%	12780.00	13770.28	12875.42	9.86%
2005-2006*	11500.00	14608.87	-	-	11500.00	14000.00	-	-
2006-2007**	11286.05	-	-	-	13345.48	-	-	-

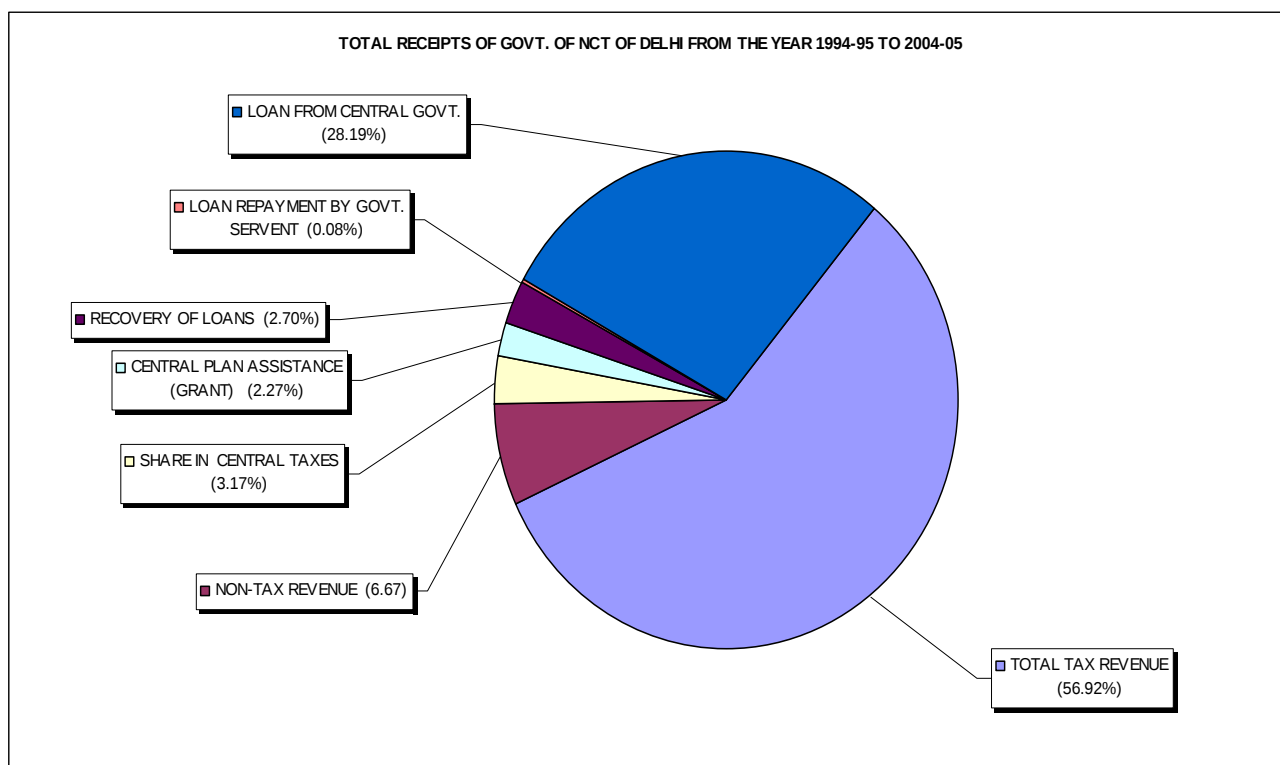
Note: *Figures are for BE or RE as the case may be.

**Actual figures of receipt and expenditure are not available at the time of writing the Report.

- 11.3.1 Clearly, the total receipts of the government have grown from Rupees 2528.45 crore in 1994-1995 to a hefty Rupees 13101.94 crore in 2004-2005.
- 11.3.2 The trend growth rate works out to be 18.5 percent with a buoyancy of 1.3 percent.
- 11.3.3 There is considerable variation in the total receipts from year to year. For instance they increased by as low as 3.98 percent in 1996-1997. However, the very next year they were up by 26.32 percent. For the next three years they were around 20 percent (23.70 percent, 19.39 percent, and 20.39 percent), till the increase in total receipts dropped steeply to 6.79 percent in 2004-2005.

- 11.3.4 While the volatility of total receipts speaks of the absence of a long-term fiscal policy, it also indicates that the annual fiscal management could be better.
- 11.3.5 The figures of total receipts at the budget estimates and the revised estimates stage show considerable fluctuation. RE figures have been marginally lower than the budget estimates, in 1994-1995, 1995-1996, and 1998-1999. They have been revised upward in all other years, with the upward revision in 1999-2000 (Rupees 258.87 crore), 2000-2001 (Rupees 331.05 crore) and 2001-2002 (Rupees 331.05 crore) being fairly substantial.
- 11.3.6 The revisions suggest that the original budget estimates were either conjectural or rather conservative.
- 11.3.7 Figure 11.0 summarizes the receipt structure of the state government between 1994-95 and 2004-05.

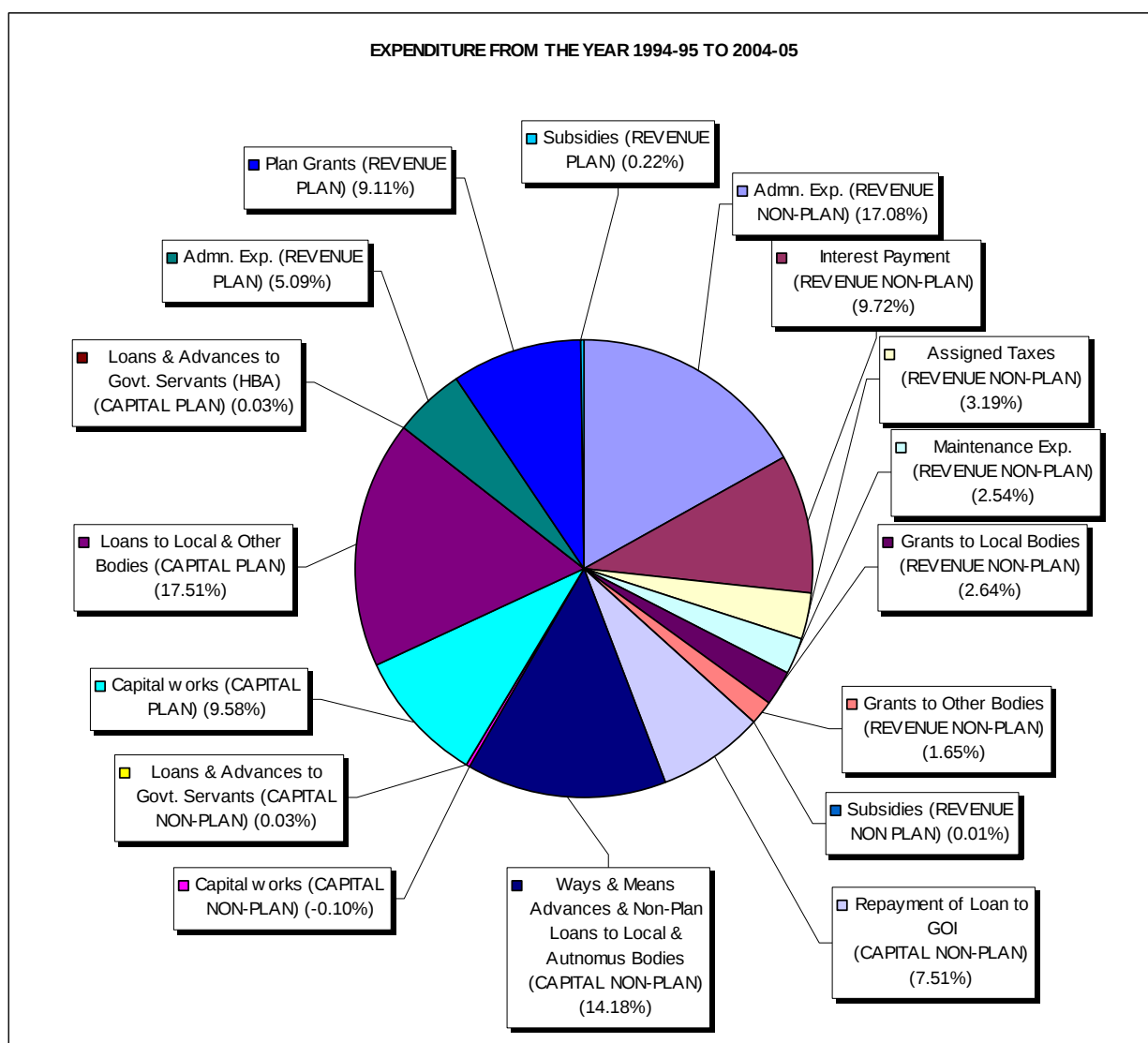
Figure-11.0-Total Receipts of Government of NCT of Delhi-1994-1995 to 2004-2005



- 11.3.8 Expenditure has grown from Rupees 2407.02 crore in 1994-1995 to Rupees 12875.42 crore in 2004-2005.

- 11.3.9 The trend growth rate is 18.80 percent.
- 11.3.10 The actual expenditure has always been lower than the revised estimates, though the revised have always been higher than the budget estimates except in the year 1994-1995 and 1995-1996.
- 11.3.11 The position of actual expenditure compared to the budget estimates shows a fluctuating trend. In some years it has been higher, while in others it has been lower. It has been substantially higher in 2001-2002, 2002-2003, and 2003-2004.
- 11.3.12 The annual percentage growth has varied from 9.86 percent in 2004-2005 to 24.54 percent in 2000-2001. It has been below the trend growth rate in the years 1998-1999, 2002-2003, 2003-2004, and 2004-2005.
- 11.3.13 The actual expenditure has been substantially more than the actual receipts in 1998-1999, and marginally in 2000-2001 and 2001-2002.
- 11.3.14 This actual expenditure is with reference to the actual receipts of each year i.e. without taking in to account the opening balances of each year. When we take cognizance of the opening balances, which have grown over the years, the gap between available resources and actual expenditure will widen.
- 11.3.15 Figure 11.1 reflects the expenditure pattern between 1994-95 to 2004-05.

Figure: 11.1-Expenditure from 1994-1995 to 2004-2005



Allocation of Available Resource between Plan and Non-Plan

11.4 Now look at the figures of the distribution of total available resources between plan and non-plan based on budget estimates (Table 11.1). The plan allocation in the years 1997-1998 to 2001-2002 represents the period of the Ninth Plan while the allocation from 2002-2003 indicates the position in the years of the Tenth Plan.

**Table: 11.1- Allocation of Total Receipts Between Plan and non-Plan (Rs in Crore)-
1997-1998-2001-2002 (Budget Estimates)**

Year	Total Receipts	Plan Allocation	Centrally Sponsored Schemes	Non-Plan Allocation	Total Allocation
1997-1998	4073.00	2325.00	44.22	1703.78	4073.00
1998-1999	5135.00	2681.16	47.78	2406.06	5135.00
1999-2000	5880.00	3000.00	48.60	2831.40	5880.00
2000-2001	6950.00	3300.00	52.49	3597.51	6950.00
2001-2002	7575.00	3800.00	54.61	3720.39	7575.00
Total	29613.00	15106.16	247.70	14259.14	29613.00
2002-2003	8850.00	4700.00	54.37	4095.63	8850.00
2003-2004	9800.00	5025.00	61.46	4713.54	9800.00
2004-2005	12780.00	5000.00	65.00	7715.00	12780.00
2005-2006	11500.00	5100.00	72.00	6328.00	11500.00
2006-2007*	11286.05	5200.00	70.00	8075.48	13345.48
Total					

(*Note: Figures for 2006-2007 are BE figures)

11.4.1 The budget estimates for the Ninth Plan suggest total receipts of Rupees 29,613 crore. The actual receipts were Rupees 31,205.73 crore a difference of Rupees 1592.73 crore. Of course against the figures of revised estimates (Rupees 31699.44 crore) the variation is marginal.

**Table: 11.2-Allocation of Total Receipts Between Plan and non-Plan (Rs in Crore)-
1997-1998 to 2001-2002 (Revised Estimates)**

Year	Total Receipts	Opening Balance	Total (1+2)	Plan Allocation	Centrally Sponsored Schemes	Non-Plan Allocation	Total Allocation
1	2	3	4	5	6	7	8
1997-1998	4190.96	354.04	4545.00	2073.00	58.50	2413.50	4545.00
1998-1999	5100.85	654.15	5755.00	2365.85	52.82	3336.33	5755.00
1999-2000	6138.87	402.13	6541.00	2500.00	62.19	3978.81	6541.00
2000-2001	7281.05	415.39	7696.44	3300.00	62.49	4333.95	7696.44
2001-2002	8987.71	382.29	9370.00	4200.00	64.83	5105.17	9370.00
Total	31699.44	2208	33907.44	14438.85	300.83	19167.76	33907.44
2002-2003	10109.43	354.57	10464.00	4700.00	60.15	5703.85	10464.00
2003-2004	12178.63	675.37	12854.00	4864.00	65.68	7924.32	12854.00
2004-2005	12546.24	1224.04	13770.28	4532.28	75.56	9162.44	13770.28

- 11.4.2 Budget estimates of the distribution between plan and non-plan expenditure show that while Rupees 15106.16 crore were meant for plan expenditure, an amount of Rupees 14259.14 crore was earmarked for non-plan expenditure. The revised estimates for the Ninth Plan period reversed this. Plan expenditure was now Rupees 14438.85 crore and non-plan expenditure was more at Rupees 19167.76 crore.
- 11.4.3 The figures of actual plan and non-plan expenditure (Table 11.3) in the years 1997-1998 to 2001-2002 were Rupees 13412.48 crore and Rupees 17645.59 crore. In other words a difference of Rupees 4233.11 crore. Therefore, the non-plan expenditure consistently outstripped plan expenditure in this period.

Table: 11.3-Total Actual Receipts and Actual Expenditure (Plan and non-Plan)
(Rs in Crore)-1997-1998-2001-2002

Year	Total Receipts	Opening Balance	Total (1+2)	Plan Expenditure	Non-Plan Expenditure	Total Expenditure	Closing Balance
1	2	3	4	5	6	7	8
1997-1998	4510.90	354.04	4864.94	1988.19	2222.60	4210.79	654.15
1998-1999	4690.59	654.15	5344.74	2049.02	2893.59	4942.61	402.13
1999-2000	5924.92	402.13	6327.05	2268.27	3643.40	5911.67	415.38
2000-2001	7329.19	415.38	7744.57	3122.13	4240.15	7362.28	382.29
2001-2002	8750.13	382.29	9132.42	3984.87	4645.85	8630.72	501.70
Total	31205.73	2207.99	33413.72	13412.48	17645.59	31058.07	
2002-2003	10534.30	354.57	10888.87	4412.65	5800.85	31991.24	675.37
2003-2004	12268.84	675.37	12944.21	4572.70	7147.47	37608.59	1224.04
2004-2005	13101.94	1224.04	14325.98	4267.48	8607.94	41527.38	1450.56

- 11.4.4 Do advanced repayments of central government loans explain the surge in non-plan expenditure? Evidently, not. Most of the substantial advance repayments came in later years while non-plan expenditure exceeded the plan allocations as early as 2000-2001 and 2001-2002. In any case, even if it does, this is not a satisfactory position at all. Indeed, the more probable explanation for low utilization of funds earmarked for plan expenditure is technical, administrative and procedural incapacities of the departments to absorb funds on any substantial scale.
- 11.4.5 Again, consider the Tenth plan figures. The figures of actual utilization are even more disturbing. Budget estimates for the first two years (2002-

2003 and 2003-2004) projected non-plan expenditure modestly below plan expenditure. Revised estimates show the difference growing in favour of non-plan till non-plan expenditure exceeded plan allocations substantially in 2004-2005 (by Rupees 2715 crore) and 2005-2006 (Rupees 1228 crore).

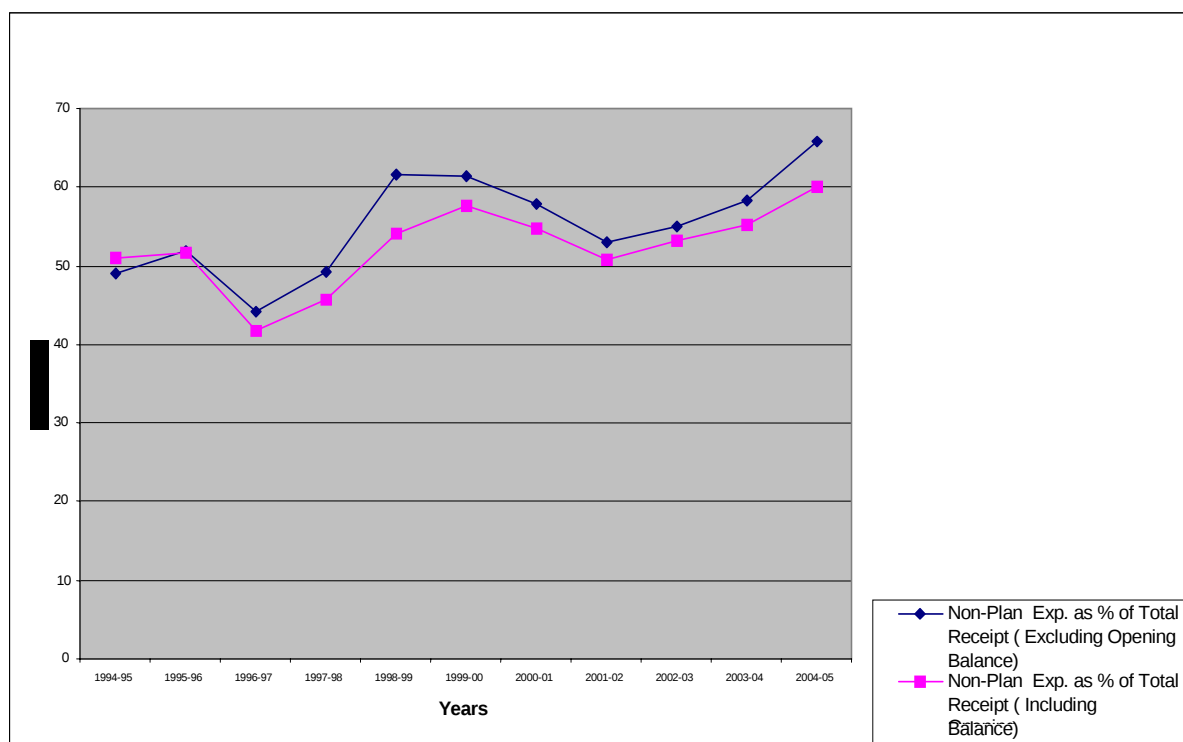
11.4.6 It means that non-plan expenditure is eating into funds available for development schemes. The explanation for mounting non-plan expenditure, in the Tenth Plan period, may more reasonably be advance repayments of central loans. Nonetheless, as already noted, poor absorptive capacity of departments is still a potent factor and this, by any yardstick, is not a happy situation.

11.4.7 Plan and non-plan expenditure as a percentage of total receipts excluding opening balance is shown in Table 11. 4 and Figure 11.4. This reflects the position with reference to receipts arising in each year. As is evident, the plan expenditure as a percentage of total receipts of a year has (with the exception of 1996-1997) been mostly in the range of 41 to 46 percent. Significantly, in 2003-2004 and 2004-2005 it dipped below even 40 percent.

**Table: 11.4- Plan and Non-Plan Expenditure as a Percentage of Total Receipts
Excluding Opening Balance**

Year	Total Receipts	Plan Expenditure	Plan expenditure as percentage of Total Receipts	Non-Plan Expenditure	Non-Plan expenditure as percentage of Total Receipts
1994-1995	2528.45	1167.17	46.16	1239.85	49.04
1995-1996	3121.88	1328.47	42.55	1622.98	51.99
1996-1997	3676.56	1895.14	51.55	1620.20	44.07
1997-1998	4510.90	1988.19	44.08	2222.60	49.27
1998-1999	4690.59	2049.02	43.68	2893.59	61.69
1999-2000	5924.92	2268.27	38.28	3643.40	61.49
2000-2001	7329.19	3122.13	42.60	4240.15	57.85
2001-2002	8750.13	3984.87	45.54	4645.85	53.09
2002-2003	10534.30	4412.65	41.89	5800.85	55.07
2003-2004	12268.84	4572.70	37.27	7147.47	58.26
2004-2005	13101.94	4267.48	32.57	8607.94	65.70

Figure: 11.2-Plan and Non-plan Expenditure as a percentage of Total Receipts (Excluding and Including Opening Balance).



11.4.8 On the other hand, non-plan expenditure has been mostly over 50 percent. In three years it has exceeded even 60 percent.

11.4.9 The obvious conclusion is that the percentage share of plan expenditure out of the total receipts of each year is shrinking, and correspondingly the share of non-plan expenditure in each year's receipts is expanding. It should be the reverse.

11.4.10 When we take into account the opening balance, the position actually worsens. Under utilization of available resources becomes even more evident. In fact, the plan utilization (Table 11.5) slips below even 30 percent (2004-2005). Though the initial (1994-1995) position was not totally satisfactory, it has not been possible to even maintain the rather low utilization figure of the early years. All along the utilization of plan funds has been below 50 percent.

Table 11.5: Plan and Non-plan Expenditure as Percentage of Total Receipts (Including Opening Balance)

Year	Total Receipts	Plan Expenditure	Plan expenditure as percentage of Total Receipts	Non-Plan Expenditure	Non-Plan expenditure as percentage of Total Receipts
1994-1995	2429.40	1167.17	48.04	1239.85	51.04
1995-1996	3144.26	1328.47	42.25	1622.98	51.62
1996-1997	3879.38	1895.14	48.85	1620.20	41.76
1997-1998	4864.94	1988.19	40.87	2222.60	45.69
1998-1999	5344.74	2049.02	38.34	2893.59	54.14
1999-2000	6327.05	2268.27	35.85	3643.40	57.58
2000-2001	7744.57	3122.13	40.31	4240.15	54.75
2001-2002	9132.42	3984.87	43.63	4645.85	50.87
2002-2003	10888.87	4412.65	40.52	5800.85	53.27
2003-2004	12944.21	4572.70	35.33	7147.47	55.22
2004-2005	14325.98	4267.48	29.79	8607.94	60.09

11.4.11 As a percentage of the resources earmarked at the stage of budget estimates, plan expenditure (Table 11.6) has varied from 73.65 percent (1994-1995) to 105.39 percent (2001-2002). Against revised estimates, the variation has been from 86.84 percent (1998-1999) to 100.24 percent (1994-1995). In two years the revised estimates matched the projections of the budget estimates stage (2000-2001 and 2002-2003). In one year they exceeded. In all others the revised estimates were lower than the budget estimates (2001-2002). Therefore, in eight out of eleven years, the revised estimates provided a smaller resource base compared to the budget estimates. Against the budget estimates, therefore, the percentage expenditure is considerably lower. As against the lowered revised estimates too, the expenditure was more than 100 percent only in 1994-1995. In all others, the expenditure was less than 100 percent of even the revised figure.

Table: 11.6-Plan Utilization as a Percentage of Projected Plan Resources-1994-1995 to 2004-2005*

Year	Plan Resource Projections (BE)/Allocations	Plan Resource Revised Projections	Actual Plan Expenditure	Plan Resource Utilization as percentage of BE	Plan Resource Utilization as percentage of RE
1994-1995	1560.00	1146.28	1149.00	73.65	100.24
1995-1996	1720.00	1306.57	1298.25	75.48	99.36
1996-1997	2104.94	1931.94	1880.86	89.35	97.36
1997-1998	2325.00	2073.00	1978.30	85.09	95.43
1998-1999	2681.16	2365.85	2050.55	76.63	86.84
1999-2000	3000.00	2500.00	2298.20	76.61	91.93
2000-2001	3300.00	3300.00	3129.11	94.92	94.82
2001-2002	3800.00	4200.00	4004.91	105.39	95.36
2002-2003	4700.00	4700.00	4405.89	93.74	93.74
2003-2004	5025.00	4864.00	4609.21	91.73	94.76
2004-2005	5000.00	4532.28	4270.96	85.42	94.23

(*Note: Excludes Amounts for CSS)

Utilization of Funds

11.5 Thus, utilization of funds earmarked for the plan has been on a rather low side. This is true of plan fund utilization both as a percentage of projected resource needs and as a percentage of funds allocated. The data for both is reproduced in Table 11.7. Indeed, as we shall see, the density of expenditure, that is, the per capita expenditure, trails off as we descend the sector chain. After the top end sectors (transport, water and sanitation, energy, education, medical and public health) there is a sharp drop. To what then are projections and allocations related?

11.5.1 This raises a few issues. First, the expenditure on capital works and socio-economic services is of critical importance to the citizen. Both the state and local governments earmark large sums of money for the infrastructure. There are gross inadequacies in infrastructure, services, and amenities – therefore the declining share of plan resources or the poor utilization of allocated funds and declining share of ‘real’ capital expenditure is indicative of the growing gap between required and actual investment.

11.5.2 Absolute and percentage variations are a poor substitute for assessing, mobilizing, allocating and utilizing resources with reference to the need for planned development and provision of services and infrastructure.

In fact volumetric analyses need to be supplemented with an evaluation of operational efficiency and effectiveness.

- 11.5.3 Second, management of public expenditure does not cease with the budgeting of revenues. Expenditure accountability is influenced by factors within the system—the process of budgeting, including allocation and authorization of resources, audit of expenditures and incentives for expenditure control. The methods of control, regulation, and oversight are shown to be largely dysfunctional with very little follow up on the actual spending and outcomes.
- 11.5.4 Each of the points contained in the annual budgetary circulars is instructive: seeking realistic estimates, emphasizing need for assessing and projecting actual expenditure, drawing attention to outdated norms, reviewing utility of continuing schemes and programs, watching trends of expenditure, and controlling unauthorized expenditure. Experience has shown that mere issue of instructions does not always secure adherence
- 11.5.5 There is need for a thorough assessment of the normative deficits in all the spheres of infrastructure, services, and amenities and for a realistic evaluation of resource needs. A study can be done under the supervision of a Physical and Socio-economic Infrastructure Assessment Committee. This intensive assessment should be with reference to the general need to improve the quality of services and amenities, the forthcoming Commonwealth Games and the larger objective of developing Delhi into a world-class city. It would surely be less beneficial if, for instance, the Commonwealth Games create or upgrade infrastructure and services only in connection with the games or in the vicinity of facilities connected with the games. As we have seen, ‘development’ in connection with mega events, while making huge demands on the city infrastructure and resources, also distorts the growth of the city because they generally fail to trigger virtuous circles of socio-economic development.
- 11.5.6 Third, the departments of the state government have not been able to utilize the receipts of each year except in 2000-2001, which has resulted in an increasing closing balance at the end of each financial year. This is

highlighted by the implementation of even the high-profile projects approved by the Expenditure Finance Committee of the state government.² It is debatable as to whether this is due to a lack of adequate number of projects, programs and schemes or whether the existing programs are plagued by administrative and procedural delays.³ In either case, the matter deserves a thorough review by government.

Table: 11.7-Cost Overruns in Public Sector Projects in Delhi⁴

State	No. of Projects	Cost Original	Cost Anticipate	Cost Incurred upto Previous Year	Cost cumulative to date	Cost overrun	Annual Expn	Years for project	Years remaining
	1	2	3	4	5	6*	7**	8***	9
Delhi	17	666.60	961.40	351.10	429.9	44.20	78.9	12.2	6.7

(Note 1: *Cost Overruns=[(3)-2]/(2)*100; **Annual Expenditure=(5)-(4); Projects are repeated if they occur in various annual reports; ***Years of Project=[(3)+(2)*2/(7); Years remaining=[(3)-(5)/7.

Note 2: The projects outstanding in the list of projects of the Ministry of Program

Implementation have been aggregated over the years 1986 and 1991 to 1998))

[Source: Originally from the Department of Program Implementation, Annual reports, various issues, compiled, corrected, and summarized]

11.5.7 The number of delayed projects in Delhi, compared to other states is relatively low. This could be because it does not suffer the distance constraints of some other states (as in the north-east) or because the total number of projects is small.⁵ The India Infrastructure Report 2003 notes that there has been an improvement in the public sector project implementation performance since the 1980s, when cost overruns were of the order of 60 percent. However, this has to be weighed against the fact that the share of public sector capital formation has also come down rather sharply over the late 1980s and 1990s. This naturally implies that

² Refer chapter 9.

³India Infrastructure Report 2003, Governance Issues for Commercialisation, 3iNetwork, Infrastructure Development Finance Company, Indian Institute of Management, Ahmedabad, Indian Institute of Technology, Kanpur, Oxford University Press.

⁴ Ibid; page 121.

⁵ The number of similar projects reported for Bihar was 143, Maharashtra was 181, Madhya Pradesh was 111, and West Bengal was 158. But Himachal Pradesh had 10, Tripura just 04, and Rajasthan 19.

the effect of project implementation handicap is far less today. In the context of Delhi, for instance, the privatisation of power distribution has reportedly eased pressures on budgetary support and released funds for alternative projects and a different investment profile.

- 11.5.8 This is highlighted by another fact. The reasons for delays and cost overruns have changed from the 1980s (Table 11.8). Funds constraint (including the thin spreading of resources) as a factor has declined relatively. But this may also be reflective of the increasing importance of land (particularly in the Delhi where the state government has no say in the matter of land management) and other environment factors in contributing to project risk. The clearances and procedural delays continue to be an important factor in delays and cost overruns. This in itself may be more the result of procurement policies, and differences of perceptions regarding equipment, technology and contractor choice.
- 11.5.9 The constitution of an Expenditure Reforms Commission on the lines of the central government and other state governments, as a standing body deserves consideration since expenditure reform is a continuous objective. Its mandate should include non-financial sectors such as administrative, procedural and manpower issues.

Table: 11.8- Reasons for Delays and Cost Overruns in Public Sector Projects

	Relative score for the mentioned reason*
Clearance	18.6
Contract	11.0
Imports	0.7
Contractor Selection	3.6
Finalization (all other government clearances)	1.9
Technology	1.4
Environment	20.2
Infrastructural	4.1
Intersectoral	5.8
Law	6.6
Other	1.6
Terrain	2.2

Funds Constraint	10.3
Lack of availability	8.7
Change in funding	1.6
Implementation problems	30.2
Foreign Equipment	3.9
Foreign other	4.1
Indian equipment	5.1
Indian other	2.0
Internal other	6.1
Equipment (source not known)	6.2
Other (source not known)	2.8
Land	13.7
Clearance	7.4
Environment	1.5
Forest	3.2
Law	1.6
Price change or revision	7.0
Clearance	0.9
Devaluation and depreciation	0.8
Escalation and inflation	3.9
Scope change	1.4
All Factors	100.00
	100. 00

[*Note: Weighted for the size of the project, and apportioned to all mentioned reasons equally.

Projects could be considered more than once, if they occur in lists for several years. Where additional factors are mentioned, these are included]

Source: India Infrastructure Report 2003.

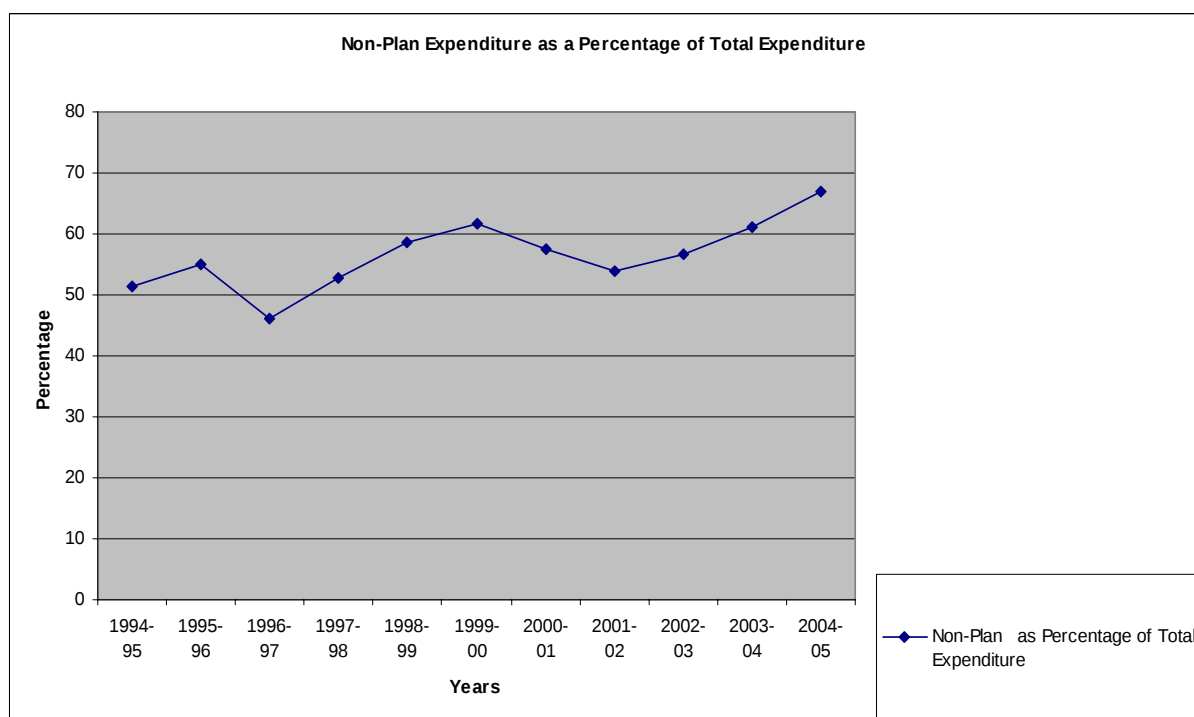
11.5.10 Table 11.9 depicts the share of total plan and non-plan expenditure as a percentage of total expenditure. The data confirm the broad trend in plan and non-plan expenditure streams. Plan expenditure as percentage of total expenditure has been declining. Plan expenditure as a percentage of total expenditure was 48.49 percent in 1994-1995, which came down to 33.14 percent of the total expenditure in 2004-2005. On the contrary, the non-plan expenditure, which was 51.51 percent of the total expenditure in 1994-1995 had risen to 66.86 percent in 2004-2005 (Figure 11.3). The non-plan expenditure in 2004-2005 was more than

double the plan expenditure in absolute and percentage terms. Again, it is evident that the unproductive (non-plan) expenditure is growing at a much faster pace than plan expenditure.

Table: 11.9 -Total Plan and Non-plan Expenditure as a percentage of Total Expenditure (Rupees in crore)

Year	Total (Plan-Non-Plan) Expenditure	Total Plan Expenditure	Plan as percentage of Total Expenditure	Total Non-Plan Expenditure	Non-Plan as percentage of total Expenditure
1994-1995	2407.02	1167.17	48.49	1239.85	51.51
1995-1996	2951.45	1328.47	45.01	1622.98	54.99
1996-1997	3515.34	1895.14	53.91	1620.20	46.09
1997-1998	4210.79	1988.19	47.22	2222.60	52.78
1998-1999	4942.60	2049.02	41.46	2893.58	58.54
1999-2000	5911.67	2268.27	38.37	3643.40	61.63
2000-2001	7362.27	3122.13	42.41	4240.14	57.59
2001-2002	8630.72	3984.87	46.17	4645.85	53.83
2002-2003	10213.51	4412.65	43.20	5800.86	56.80
2003-2004	11720.17	4572.70	39.02	7147.47	60.98
2004-2005	12875.41	4267.48	33.14	8607.93	66.86

Figure: 11.3-Non-plan Expenditure as a percentage of Total Expenditure



**Allocation
between
Revenue and
Capital**

11.6 Plan and non-plan revenue expenditure includes items such as administrative expenses, maintenance expenditure on roads and buildings, grants, subsidies, and interest payments. Capital expenditure covers items such as construction of roads and buildings, release of loans to local bodies and public utilities, or government servants, and repayment of loans to central government.

11.6.1 Revenue Expenditure: Table 11.10 and Figure 10.4 relates to details of total revenue expenditure (plan and non-plan). Trend growth rate is 14.90 percent. The total revenue expenditure in the years 1994-1995 to 2004-2005 was Rupees 38278.41 crore.

11.6.2 The trend growth rate for plan revenue expenditure is 13.60 percent and it is higher for non-plan revenue expenditure at 15.30 percent.

Table: 11.10- Total Revenue Expenditure (Plan & Non-Plan). (Rupees in crore)

Year	Plan Expend	Non-Plan Expend	Total Expend	Absolute change in TE over previous Year	% change over previous year
1994-1995	391.29	1039.62	1430.91	-	-
1995-1996	562.46	1314.70	1877.16	446.25	31.19%
1996-1997	658.88	1372.93	2031.81	154.65	8.24%
1997-1998	636.33	1685.67	2322.00	290.19	14.28%
1998-1999	795.05	2045.07	2840.12	518.12	22.31%
1999-2000	882.67	2640.33	3523.00	682.88	24.04%
2000-2001	967.75	2718.75	3696.50	173.50	4.92%
2001-2002	1955.01	3089.13	5044.14	1347.64	36.46%
2002-2003	1218.20	3380.00	4598.20	-445.94	-8.84%
2003-2004	1321.92	3765.17	5087.09	488.89	10.63%
2004-2005	1391.12	4436.36	5827.48	740.39	14.55%
Total	10780.68	27497.73	38278.41	-	-

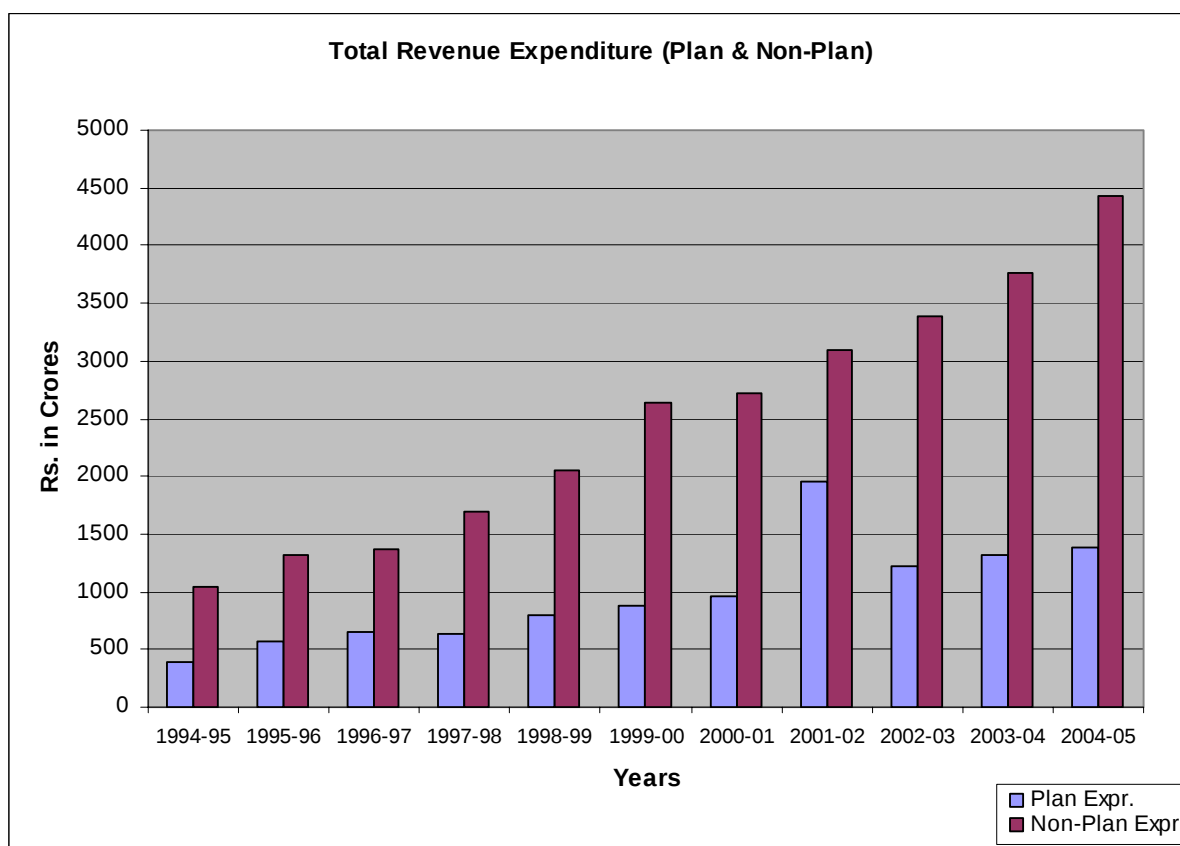
Absolute change in PE	% change over previous year	Absolute change in NPE	% change over previous year
-	-	-	-
171.17	43.75	275.08	26.46
96.42	17.14	58.23	4.43
-22.55	-3.42	312.74	22.78
158.72	24.94	359.40	21.32
87.62	11.02	595.26	29.11

85.08	9.64	88.42	3.35
987.26	102.02	360.38	13.21
-736.81	-37.69	290.87	9.42
103.72	8.51	385.17	11.40
69.20	5.23	671.19	17.83
-	-	-	-

(Note: TE is Total Expenditure; PE is Plan Expenditure; NPE is Non-Plan Expenditure)

11.6.3 The figures of absolute and percentage increase of revenue expenditure indicate that the increase has been quite substantial in a number of years (1995-1996, 1998-1999, 1999-2000, and 2001-2002) moderate in some (1997-1998, 2003-2004 and 2004-2005), and acceptably low in others (1996-1997, 2000-2001, 2003-2004).

Figure-11.4-Total Revenue Expenditure (Plan and Non-plan



11.6.4 Unproductive Non-plan Revenue expenditure far outstrips plan (development) funds. Table 11.11 shows the details of total capital expenditure (plan and non-plan). Trend growth rate is 23.30 percent. The total capital expenditure (plan and non-plan- Rupees 36462.54

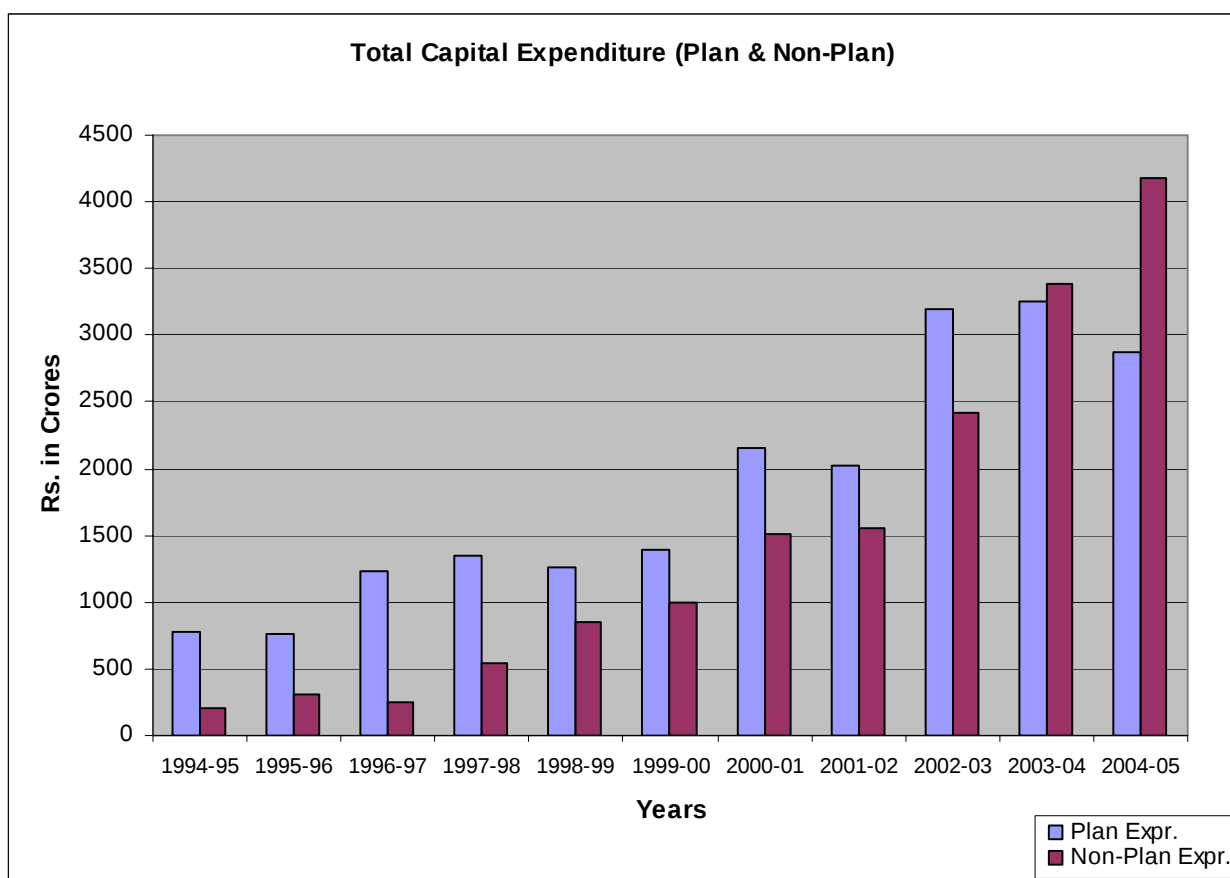
crore) in the period 1994-1995 to 2004-2005 has been less than the total revenue expenditure (plan and non-plan- Rupees 38278.41 crore) by Rupees 1815.87 crore.

- 11.6.5 The trend growth rate of plan capital expenditure is 16.20 percent and non-plan capital is 36.60 percent.

Table: 11.11- Total Capital Expenditure (Plan & Non-Plan). (Rupees in crore)

Year	Plan Expend	Non-Plan Expend	Total Expend	Absolute change in TE over previous Year
1994-1995	775.88	200.22	976.11	-
1995-1996	766.01	308.27	1074.28	98.18
1996-1997	1236.26	247.27	1483.53	409.24
1997-1998	1352.86	536.93	1888.79	405.26
1998-1999	1253.97	848.52	2102.49	213.69
1999-2000	1385.60	1003.07	2388.67	286.19
2000-2001	2154.38	1511.40	3665.78	1277.10
2001-2002	2029.86	1556.72	3586.58	-79.19
2002-2003	3194.45	2420.85	5615.30	2028.73
2003-2004	3250.78	3382.30	6633.08	1017.77
2004-2005	2876.36	4171.58	7047.94	414.85
Total	20275.41	16187.13	36462.54	-
% change over previous year	Absolute change in PE	% change over previous year	Absolute change in NPE	% change over previous year
-	-	-	-	-
10.06	-9.87	-1.27	108.05	53.97
38.10	470.25	61.39	-61.01	-19.79
27.32	115.60	9.35	289.66	117.14
11.31	-97.89	-7.24	311.58	58.03
13.61	131.63	10.50	154.56	18.21
53.47	768.78	55.48	508.32	50.68
-2.16	-124.52	-5.78	45.33	3.00
56.56	1164.59	57.37	864.14	55.51
18.13	56.33	1.76	961.44	39.72
6.25	-374.42	-11.52	789.27	23.34
-	-	-	-	-

(Note: TE is Total Expenditure; PE is Plan Expenditure; NPE is Non-Plan Expenditure)

Figure: 11.5-Total Capital Expenditure (Plan and Non-plan)

11.6.6 Even here Non-plan capital expenditure is outstripping Plan capital expenditure.

11.6.7 The percentage share of revenue and capital expenditure over the years has been changing in favour of capital expenditure. While revenue expenditure declined from 59.45 percent (1994-1995) to 45.26 percent in (2004-2005), capital expenditure has risen from 40.55 percent in 1994-1995 to 54.74 percent in 2004-2005. In fact in 2002-2003, 2003-2004, and 2004-2005, capital expenditure has exceeded 50 percent. This by itself is an encouraging feature (Table 11.12).

Table: 11.12-Percentage Share of Revenue and Capital Expenditure in Total Expenditure-1994-1995 to 2004-2005

Year	Total Expenditure (Rupees in crore)	Total Revenue expenditure (Rupees in crore)	Total Capital expenditure (Rupees in crore)	Revenue expenditure as a Percentage of Total expenditure	Capital expenditure as a Percentage of Total expenditure
1994-1995	2407.02	1430.91	976.11	59.45	40.55
1995-1996	2951.45	1877.16	1074.28	63.60	36.40
1996-1997	3515.34	2031.81	1483.53	57.80	42.20
1997-1998	4210.79	2322.00	1888.79	55.14	44.86
1998-1999	4942.60	2840.12	2102.49	57.46	42.54
1999-2000	5911.67	3523.00	2388.67	59.59	40.41
2000-2001	7362.27	3696.50	3665.78	50.21	49.79
2001-2002	8630.72	5044.14	3586.58	58.72	41.28
2002-2003	10213.51	4598.20	5615.30	45.02	54.98
2003-2004	11720.17	5087.09	6633.08	43.40	56.60
2004-2005	12875.41	5827.48	7047.94	45.26	54.74

11.6.8 However, while the volume of capital expenditure relative to revenue expenditure is cause for satisfaction, the composition of capital expenditure is equally relevant. The capital expenditure, which includes repayments of loan amounts to the central government and loans to local bodies and public utilities, does not contribute to creation of capital assets. These are an important aspect of the capital expenditure being incurred by the state government (Table 11.13).

11.6.9 In the early years (1994-1995, 1995-1996, and 1996-1997) loans to public utilities/local bodies constituted about a fifth of the total capital expenditure. From 1997-1998 to 2001-2002, the share ranged from 30 to 40 percent, before settling at around one-fourth of the capital expenditure (2002-2003, 2003-2004, and 2004-2005). In the early years, repayment was not a major component. The real repayment has begun in 1998-1999 and caught momentum in 2000-2001. Together they now constitute approximately 58 percent of the total capital expenditure.

Table: 11.13-Total Capital expenditure Minus Repayment of Loans to Government of India and Loans to Public Utilities/Local Bodies (Rupees in crore)

Year	Total Revenue Expenditure	Total Capital expenditure	Total Loan Repayment to Central Government	Non-Plan Loans to Public Utilities/Local Bodies	Net Capital Expenditure 3-(4+5)	Percentage share of 4 in 3	Percentage share of 5 in 3
1994-1995	1430.91	976.11	-	186.52	789.59	-	19.11
1995-1996	1877.16	1074.28	70.00	225.00	779.28	6.52	20.94
1996-1997	2031.81	1483.53	-	306.75	1176.78	-	20.68
1997-1998	2322.00	1888.79	-	576.55	1312.24	-	30.52
1998-1999	2840.12	2102.49	268.32	721.56	1112.61	12.76	34.32
1999-2000	3523.00	2388.67	4.70	1087.86	1296.11	0.20	45.54
2000-2001	3696.50	3665.78	187.51	1143.74	1334.53	5.12	31.20
2001-2002	5044.14	3586.58	162.59	1447.94	1976.05	4.53	40.37
2002-2003	4598.20	5615.30	944.50	1348.24	2292.74	16.82	24.01
2003-2004	5087.09	6633.08	1677.19	1746.71	3209.18	25.29	26.33
2004-2005	5827.48	7047.94	2301.65	1805.73	2940.56	32.66	25.62

11.6.10 Therefore, if these components were excluded as in Table 11.14, the gap between revenue and capital expenditure will widen even further. At no point of time did the capital expenditure exceed the revenue expenditure. In fact, as is evident from Table 11.14, the gap between the two has been quite substantial. Revenue expenditure has never come down below 60 percent and capital expenditure never exceeded 40 percent. In some years, capital expenditure has been less than even 30.00 percent.

Table: 11.14-Total Revenue and Capital Expenditure (Minus Repayment of Loans to Government of India and Loans to Public Utilities/Local Bodies)-1994-1995-2004-2005 (Rupees in crore) as a percentage of Total Expenditure

Year	Total Revenue Expenditure	Net Capital Expenditure 3-(4+5)	Total expenditure (2+3)	Revenue Expenditure as Percentage of 4	Capital Expenditure as a percentage of 4
1	2	3	4	5	6
1994-1995	1430.91	789.59	2220.50	64.44	35.56
1995-1996	1877.16	779.28	2656.44	70.66	29.34
1996-1997	2031.81	1176.78	3208.59	63.32	36.68
1997-1998	2322.00	1312.24	3634.24	63.89	36.11
1998-1999	2840.12	1112.61	3952.73	71.85	28.15
1999-2000	3523.00	1296.11	4819.11	73.10	26.90
2000-2001	3696.50	1334.53	6031.03	61.29	38.71
2001-2002	5044.14	1976.05	7020.19	71.85	28.15
2002-2003	4598.20	2292.74	6890.94	66.73	33.27
2003-2004	5087.09	3209.18	8296.27	61.32	38.68
2004-2005	5827.48	2940.56	8768.04	66.46	33.54

Non-Plan Revenue Expenditure

11.7 The allocation to various non-plan heads is indicated in the figures below. In this context, 'allocation' amounts to the actual expenditure incurred for the purposes identified.

11.7.1 Table 11.15 provides details of non-plan revenue expenditure in the years 1994-1995 to 2004-2005. The trend growth rate has been 15.31 percent.

Table: 11.15 – Non-plan Revenue Expenditure (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	1039.62	-	-
1995-1996	1314.70	275.08	26.46
1996-1997	1372.93	58.23	04.43
1997-1998	1685.67	312.74	22.78
1998-1999	2045.07	359.40	21.32
1999-2000	2640.33	595.26	29.11
2000-2001	2728.75	88.42	03.35
2001-2002	3089.13	360.38	13.21
2002-2003	3380.00	290.87	9.42
2003-2004	3765.17	385.17	11.40
2004-2005	4436.36	671.19	17.83
Total	27497.73	-	-

- 11.7.2 Non-plan revenue expenditure as a percentage of total revenue has ranged between 48.43 (1997-1998) to 61.77 percent (1999-2000); as percentage of total receipts it has been from 30.69 percent (2003-2004) to 44.56 percent (1999-2000); as a percentage of total non-plan expenditure it has been within the range of 51.54 percent (2004-2005) to 84.74 percent (1996-1997); and as a percentage of total expenditure it varied from 32.12 percent (2003-2004) to 44.66 percent (1999-2000).
- 11.7.3 Balance from current revenue (BCR) is the difference between revenue receipts and net non-plan revenue expenditure. The fact that non-plan revenue expenditure has continued to be so high all through out the period means that, if it is not controlled, it is bound to have an adverse impact on the BCR which could also turn negative. (Table 11.16).
- 11.7.4 As a percentage of tax revenue non-plan revenue expenditure has ranged from 54.16 percent (1996-1997) to 76.97 percent (1999-2000). In the last five years (2000-2001 to 2004-2005), it has never been below 60 percent. This means that the bulk of own tax revenues is going into non-plan revenue expenditure. The steep increase in 1999-2000 was on account of the implementation of the recommendations of the First Delhi Finance Commission involving release of arrears of assigned taxes and non-plan grants to the Municipal Corporation of Delhi, the New Delhi Municipal Committee, and the Delhi Cantonment Board.

Table: 11.16- Non-Plan Revenue Expenditure as percentage

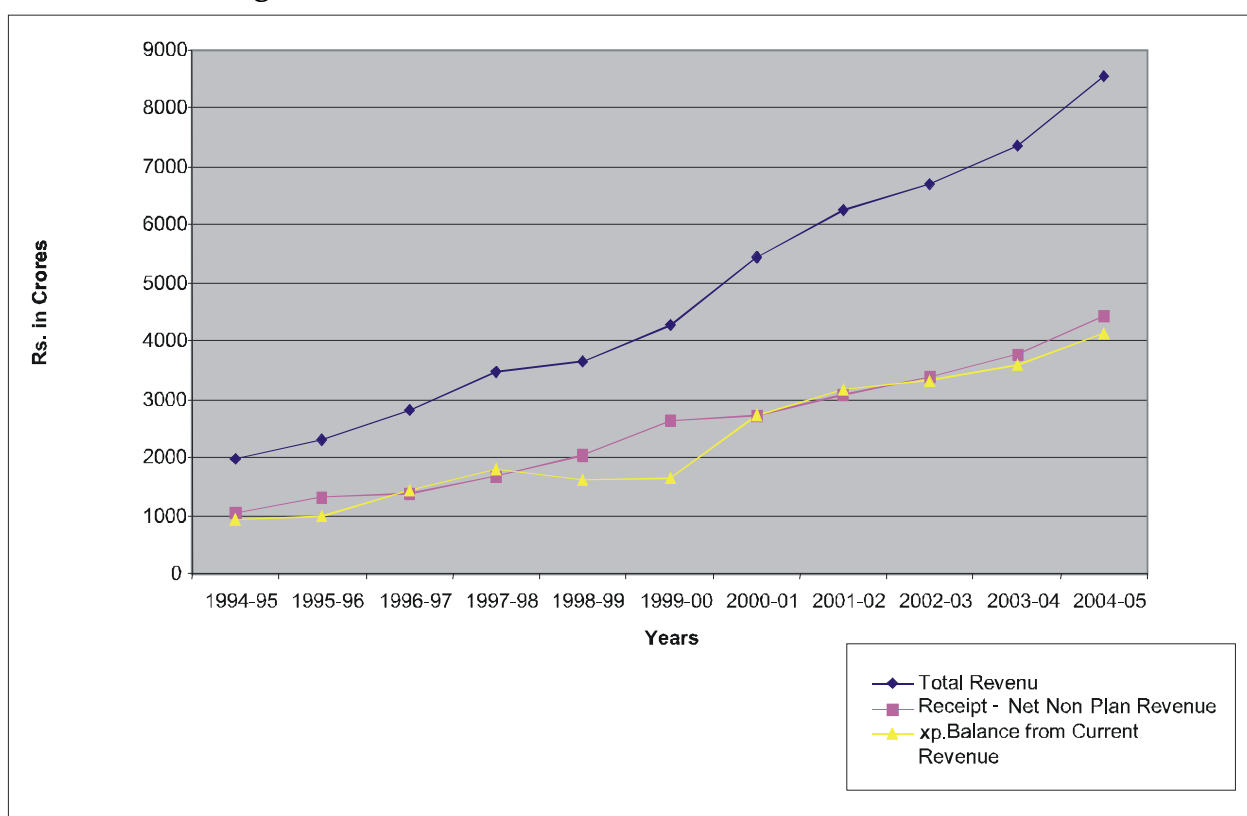
Year	Non-Plan Revenue Expenditure	Percentage of Tax revenue	Percentage of Total Revenue Receipts	Percentage of Total Receipts	Percentage of Total Non-Plan Expenditure	Percentage of Total Expenditure
1994-1995	1039.62	58.16	52.49	41.12	83.85	43.19
1995-1996	1314.70	62.28	57.25	42.11	81.01	44.54
1996-1997	1372.93	54.16	49.10	37.34	84.74	39.06
1997-1998	1685.67	57.30	48.43	37.37	75.84	40.03
1998-1999	2045.07	66.21	55.87	43.60	70.68	41.38
1999-2000	2640.33	76.97	61.77	44.56	72.47	44.66
2000-2001	2728.75	62.01	50.12	37.23	64.36	37.06
2001-2002	3089.13	63.57	49.77	35.57	67.00	36.07
2002-2003	3380.00	63.48	50.71	32.09	58.27	33.09
2003-2004	3765.17	63.99	51.24	30.69	52.68	32.13
2004-2005	4436.36	62.43	51.81	33.86	51.54	34.46

- 11.7.5 In Table: 11.17 details of the balance from current revenue over the period 1994-1995 and 2004-2005 are provided. The balance from current revenues (BCR) depends on the trends in two factors: the total revenue receipts and the net non-plan revenue expenditure. One encouraging feature of the BCR is that it has been positive in all these years. The state government is able to meet all its non-plan revenue expenditure from its own resources. The percentage variation in the BCR has been from minus 10.03 percent (1998-1999) to 66.17 percent (2000-2001). When the percentage variation in BCR was negative the increase in non-plan revenue expenditure was far more than the increase in total revenue receipts. On the other hand when the positive percentage variation in the BCR was as high as 66.17 percent the total revenue receipts outstripped the growth of non-plan revenue expenditure. This establishes the principle that growth in non-plan revenue expenditure has to be controlled or else the total revenue receipts have to increase. Table: 11.17-Balance from Current Revenue-1994-1995 to 2004-2005. (Rs in Crore)⁶

Year	TRR	NNPRE	BCR (2-3)	Percentage Variation in BCR over Previous Year	NNPRE as a percentage of TRR
1	2	3	4	7	8
1994-1995	1980.46	1039.62	940.84	-	52.49
1995-1996	2296.50	1314.70	981.80	4.35	57.25
1996-1997	2795.99	1372.93	1423.06	44.94	49.10
1997-1998	3480.72	1685.67	1795.05	26.14	48.43
1998-1999	3660.12	2045.07	1615.05	-10.03	55.87
1999-2000	4274.33	2640.33	1634.00	1.17	61.77
2000-2001	5443.99	2728.75	2715.24	66.17	50.12
2001-2002	6253.71	3089.13	3164.58	16.55	49.77
2002-2003	6688.96	3380.00	3308.96	4.56	50.71
2003-2004	7348.53	3765.17	3583.36	8.31	51.24
2004-2005	8562.57	4436.36	4126.21	15.15	51.81

(*Note 1: Total Revenue Receipts includes: Tax, non-tax revenues, central plan assistance (grants portion) and grant in lieu of share in central taxes. TTR Total Revenue Receipts; NNPRE Net Non-plan Revenue Expenditure, BCR Balance on Current Revenue)

⁶ The BCR figures above differ from the BCR figures reported in the Economic Survey 2003-2004, Government of the NCT of Delhi, Planning Department, because the survey report excludes the grants component of total revenue receipts in some years and excludes subsidies to public utilities in some years.

Figure: 11.6-Balance from Current Revenue (1994-1995 to 2004-2005)

11.7.6 Table 11.18 brings out the implications of growing non-plan revenue expenditure somewhat more explicitly. It is seen that in 2003-2004 and 2004-2005, even though the total receipts show an impressive increase the percentage variations in non-plan revenue expenditure (11.40 and 17.83 respectively) exceeds the percentage variation in total revenue receipts (9.86 and 16.52 respectively).

Table: 11.18-Absolute and Percentage Variations-TRR and NNPRE

Year	TRR	NNPRE	Absolute Variation over Previous Year (TRR)	Absolute Variation over Previous Year (NNPRE)	Percentage Variation over Previous Year (TRR)	Percentage Variation over Previous Year (NNPRE)
1	2	3	5	6	7	8
1994-1995	1980.46	1039.62	-	-	33.40	-
1995-1996	2296.50	1314.70	316.04	275.08	15.96	26.46
1996-1997	2795.99	1372.93	499.49	58.23	21.75	4.43

1997-1998	3480.72	1685.67	684.73	312.74	24.49	22.78
1998-1999	3660.12	2045.07	179.40	359.40	5.15	21.32
1999-2000	4274.33	2640.33	614.21	595.26	16.78	29.11
2000-2001	5443.99	2728.75	1169.66	88.42	27.36	3.15
2001-2002	6253.71	3089.13	809.72	360.38	14.87	14.07
2002-2003	6688.96	3380.00	435.25	290.87	6.96	8.59
2003-2004	7348.53	3765.17	659.57	385.17	9.86	11.40
004-2005	8562.57	4436.36	1214.04	671.19	16.52	17.83

Administrative Expenses

11.8 Table 11.19 provides details of administrative expenses incurred from 1994-1995 to 2004-2005⁷. Administrative expenses have increased from Rupees 723.19 crore in 1994-1995 to Rupees 1614.37 crore in 2004-2005. The trend growth rate is 8.65 percent.

- The annual percentage variations have varied: from as high as 17.45 percent (1997-1998) and 22.16 percent (1998-1999) to minus 9.66 percent (1996-1997) and 1.15 percent (2002-2003). The substantial increases in 1997-1998 and 1998-1999 could reflect the impact of the Fifth Pay Commission recommendations. The more constant rate of increase in most of the other years could be due to stricter application of economy instructions related to the creation of posts and filling up of vacancies.

Table: 11.19-Administrative Expenses-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	723.19	-	-
1995-1996	897.79	134.60	18.61
1996-1997	774.91	-82.88	-9.66
1997-1998	910.16	135.25	17.45
1998-1999	1111.83	201.67	22.16
1999-2000	1182.20	70.37	6.33
2000-2001	1297.04	74.84	6.33
2001-2002	1370.21	113.17	9.00
2002-2003	1377.76	7.55	-1.15
2003-2004	1566.35	188.59	13.69
2004-2005	1614.37	48.02	3.07
Total	12745.81	-	

⁷ Administrative Expenses include all expenditure incurred on: salaries and wages, medical reimbursements, OTA, honorarium, office expenses, office automation, office equipment, furniture and furnishings, etc.

- As a percentage of total non-plan revenue expenditure, administrative expenses declined from an all-time high of 69.56 percent (1994-1995) to a more modest 44.77 percent (1999-2000). They continued the downward slide before being practically halved in 2004-2005 (36.39 percent).
- As a percentage of total non-plan expenditure the administrative expenses decreased from 58.33 percent in 1994-1995 to 18.75 percent in 2004-2005 (table 11.20). As a percentage of total expenditure (plan and non-plan) the decrease was from 30.05 percent to 12.54 percent in the same period.
- As a percentage of total receipts it declined from 28.60 percent to 12.32 percent and as a percentage of total revenue receipts it has shown a downward trend from 36.52 percent in 1995-1996 to 18.85 percent in 2004-2005. In other words, though there has been an increase in the actual administrative expenditure, the administrative expenses in percentage terms have shown an overall downward trend.
- As a percentage of 'own tax' revenues, the administrative expenses have declined consistently from 40.46 percent (1994-1995) to 22.72 percent (2004-2005), a 17.74 percentage point decline. This is statistically a positive and significant variation.

Table: 11.20- Administrative Expenses (non-plan) as a percentage

Year	Actual Expendr	Percentage of Total Non-plan Revenue Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of 'own tax' revenue	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	723.19	69.56	58.33	30.05	40.46	36.52	28.60
1995-1996	897.79	65.25	52.85	29.06	40.63	37.35	27.48
1996-1997	774.91	56.44	47.83	22.04	30.57	27.72	21.08
1997-1998	910.16	53.99	40.95	21.61	30.94	26.15	20.18
1998-1999	1111.83	54.37	38.42	22.49	36.00	30.38	23.70
1999-2000	1182.20	44.77	32.45	20.00	34.46	27.66	19.95
2000-2001	1297.04	46.07	29.65	17.07	28.57	23.09	17.15
2001-2002	1370.21	44.78	30.00	16.15	28.46	22.29	15.93
2002-2003	1377.76	40.76	23.75	13.49	25.88	20.67	13.08
2003-2004	1566.35	41.60	21.91	13.36	26.62	21.32	12.77
2004-2005	1614.37	36.39	18.75	12.54	22.72	18.85	12.32

Interest Payments

11.9 Table 11.21 summarizes the actual annual interest liability of the state government between 1994-1995 and 2004-2005. The trend growth rate of interest liability is a steep 33.84 percent, and, it has happened in a short period of just 10 years.

Table: 11.21-Interest Payments-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	00	-	-
1995-1996	94.00	94.00	-
1996-1997	189.89	95.89	102.01
1997-1998	314.08	124.19	65.40
1998-1999	432.34	118.26	37.65
1999-2000	530.74	98.40	22.76
2000-2001	716.76	186.02	35.05
2001-2002	934.16	217.40	30.33
2002-2003	1114.78	180.62	19.34
2003-2004	1367.27	252.49	22.65
2004-2005	1568.56	201.29	14.72
2005-2006	1700.82*		
2006-2007	2130.07**		
Total	7262.98		

Note: * relates to RE; ** relates to BE. The BE figure in 2005-2006 was Rupees 1950.43 crore

- There has been a quantum jump in the interest liability of the NCT government. A comparison with other states indicates differences in historical trajectories, geography, institutional settings, or other initial conditions. The socio-economic circumstances and policies also vary. Nevertheless, we refer to the position of some select states to show how trends in the NCT are disturbing and need to be corrected at this stage itself.
- The trend growth rate of interest payments during the years 1994-1995 to 2004-2005 in NCT have been higher than in the neighbouring states of Haryana, Punjab, Uttar Pradesh and Rajasthan. The trend growth rate in Delhi is 33.84 percent, whereas in Haryana, Punjab, Uttar Pradesh and Rajasthan it has been 18.40 percent, 12.20 percent, 15.10 percent, and 18.2 percent respectively.
- The annual variations in Delhi have been within the range of 14. 72 to 102.01 percent, whereas in the case of Haryana the range has been 8.89 to 28.82 percent; in Punjab from minus 11.13 to 35.62 percent; in Uttar Pradesh

from minus 10.23 to 47.06 percent, and in Rajasthan from 7.63 to 25.96 percent.

- It is also worth pointing out that the other states have acquired these interest liabilities over long years, whereas Delhi has done so in a short period of just about ten years.
- Whether as a percentage of total non-plan revenue expenditure, total non-plan expenditure, total expenditure (plan and non-plan), total revenue receipts and total receipts, percentage of interest payments has shown an upward trend between 1995-1996 and 2004-2005.
- The actual payments on account of interest liability rose from Rupees 94.00 crore in 1995-1996 to Rupees 1568.56 crore in 2004-2005. This is by any standards a very large increase. In fact the Delhi government has paid a total of Rupees 7262.98 crore in just ten years. This amount is more than the total eighth five year plan.
- As a percentage of total non-plan revenue expenditure interest payments have continuously increased between 1995-1996 and 2004-2005. It increased from 7.15 percent in 1995-1996 to 35.36 percent in 2004-2005, a percentage point increase of 28.21 percent. This is a rather steep increase. More than one-third of the total non-plan revenue expenditure is going to meet interest payments.
- The total expenditure on interest payment has increased from Rupees 94 crore (1995-1996) to Rupees 1568.56 crore (2004-2005). However, the interest payment, as a percentage of total non-plan expenditure, first increased from 5.79 percent (1995-1996) to 20.11 percent (2001-2002) and then declined to 18.22 percent (2004-2005). The decline in percentage after 2001-2002 was possibly due to larger repayment amounts, lowered interest rates under the Debt Swap Scheme introduced by the central government, and non-plan loans advanced to public utilities.
- As a percentage of the total expenditure it steadily increased from 3.18 percent (1995-1996) to 12.18 percent (2004-2005)

Table: 11.22- Interest Payments as a Percentage

Year	Actual Expendr	Percentage of Total Non-plan Revenue Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of 'own Tax' Revenue	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	00	-	-	-	-	-	-
1995-1996	94.00	7.15	5.79	3.18	4.45	4.09	3.01
1996-1997	189.89	13.83	11.72	5.40	7.49	6.79	5.16
1997-1998	314.08	18.63	14.13	7.46	10.68	9.02	6.96
1998-1999	432.34	21.14	14.94	8.75	14.00	11.81	9.22
1999-2000	530.74	20.10	14.57	8.98	15.47	12.42	8.96
2000-2001	716.76	26.27	16.90	9.74	16.29	13.17	9.78
2001-2002	934.16	30.01	20.11	10.82	18.60	14.94	10.68
2002-2003	1114.78	32.98	19.22	10.91	22.06	16.72	10.58
2003-2004	1367.27	36.31	19.13	11.67	23.24	18.61	11.14
2004-2005	1568.56	35.36	18.22	12.18	22.07	18.32	11.97

- As a percentage of 'own tax' revenues the interest payments rose from 4.45 percent (1995-1996) to 22.07 percent (2004-2005). The percentage point increase was 17.62. This means that an increasing share of 'own revenues' was going into unproductive expenditure, that is, interest payments.
- As a percentage of total revenue receipts the share of interest payments increased from 4.09 percent (1995-1996) to 18.32 percent (2004-2005). This implies that around one-fifth of the total revenue receipts of the government were going into interest payment. The same trend is visible in the percentage share of interest payments against total receipts.
- As a percentage of total receipts the interest payments increased from 3.01 percent (1995-1996) to 11.97 percent (2004-2005). In other words, all the data show that the interest payments have been on the rise and should be a matter of concern.

Assigned Taxes to Local Bodies

11.10 As per the recommendations of the First and Second Delhi Finance Commissions, the taxes assigned to the MCD and the NDMC are 5.5 percent of the net proceeds of the total tax revenues of the state government.

- Table 11.23 depicts the volume of funds released to local bodies as assigned taxes. This includes the taxes assigned to the MCD, NDMC and the Delhi Cantonment Board. The overall trend growth rate works out to be 16.23 percent.

Table: 11.23-Assigned Taxes to Local Bodies-1994-1995 to 2004-2005
(Rupees in crore)

Year	MCD	NDMC	DCB	Total	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	86.05	8.47	1.13	95.65	-	-
1995-1996	101.72	11.42	1.44	114.58	18.93	19.79
1996-1997	114.10	13.11	1.56	128.77	14.19	12.38
1997-1998	79.97	12.47	1.13	93.57	-35.20	-27.34
1998-1999	62.34	6.24	2.22	70.80	-22.77	-24.33
1999-2000	388.05	5.24	2.76	396.05	325.25	459.39
2000-2001	227.55	7.54	3.47	238.56	-157.49	-39.77
2001-2002	247.94	8.06	4.07	260.07	21.51	9.02
2002-2003	296.80	9.50	4.30	310.60	50.53	19.43
2003-2004	295.29	9.60	4.40	309.29	-1.31	-0.42
2004-2005	347.01	11.29	4.84	363.14	53.85	17.41
2005-2006				407.79*		
2006-2007				441.46**		
Total	2246.82	102.94	31.32	2381.08***		

Note: *relates to RE; ** relates to BE. The BE figure for 2005-2006 was Rupees 402.81 crore. *** Total is for 1994-1995 to 2004-2005

- The annual average flow of revenues was Rupees 216.46 crore. The actual flow was below the annual average in five years from (1994-1995 to 1998-1999) and above the annual average from 1999-2000.
- In the first two years the flow of funds to the local bodies as assigned taxes was based on past practices and not on the recommendation of any Finance Commission. In these two years the MCD received Rupees 187.77 crore, the receipts of the NDMC in the same period were Rupees 19.89 crore and that of DCB were Rupees 2.57 crore. Accordingly the annual average receipts of MCD in these two years were Rupees 93.88 crore, while those of the NDMC were Rupees 9.95 crore and those of the DCB were Rupees 1.28 crore.
- In the years 1996-97 to 2000-2001 the MCD received Rupees 872.01 crore, the NDMC Rupees 44.60 crore, and the DCB Rupees 11.14 crore. Between 2001-2002 and 2004-2005, the MCD got Rupees 1187.04 crore, the NDMC received Rupees 38.45 crore, and the DCB Rupees 17.61 crore.
- The annual average receipts of the MCD in these five years were Rupees 112.40 crore, that of NDMC was Rupees 8.95 crore, and of the DCB Rupees

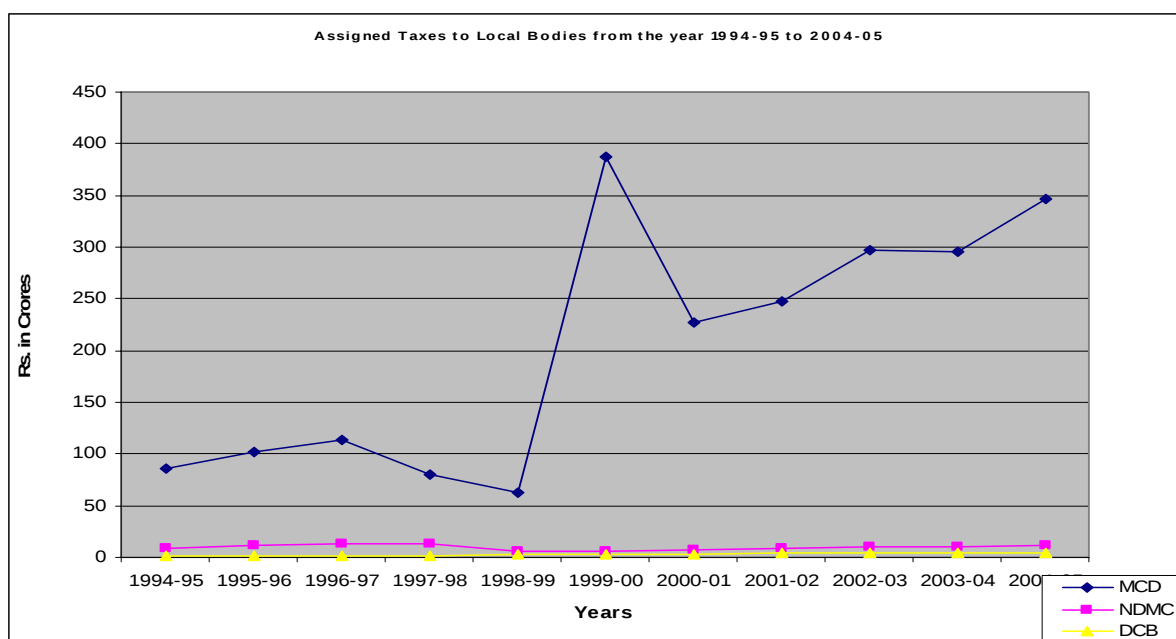
2.27 crore. Clearly the local bodies have benefited from the higher allocations as per the recommendations of the First and Second Finance Commissions.

- Nevertheless, one of the first notable facts is that the flow of revenue to the local bodies is characterized by unevenness. In one year (1999-2000) the releases were as high as Rupees 396.05 crore, while in another (1998-1999) they were as low as Rupees 70.80 crore.
- It is difficult to determine a firm annual allocation. In addition, the impact of such deep fluctuations is that in some years the absolute and percentage change over the previous year was actually negative. This militates against the possibility of ensuring the reliability of even a 'core' level of revenues and dependable fund management. Uneven annual revenue flows militate against effective monitoring and superintendence too. It is difficult to link revenue flows to expenditure volumes or patterns.
- Nonetheless, the formula of 5.5 percent of the total net tax proceeds in respect of the MCD and NDMC has ensured that the two local bodies have ridden the rising wave of tax receipts of the state government. In other words they have been able to access more funds because of the increasing tax revenues of the state.
- The overall trend growth rate is 16.23 percent, while for the MCD it is 17.42 percent, for NDMC it was minus 0.82 and, for the DCB it was 17.56 percent. The major beneficiary of funds as assigned taxes has been the MCD.
- As a percentage of total non-plan revenue expenditure assigned taxes declined from 9.20 percent in 1994-1995 to 8.19 percent in 2004-2005, while as a percentage of total non-plan expenditure they decreased from 7.71 percent to 4.22 percent. The decline as a percentage of total expenditure (plan and non-plan) was from 3.97 percent in 1994-1995 to 2.82 percent in 2004-2005. As a percentage of total revenue receipts the assigned taxes decreased from 4.83 percent in 1994-1995 to 4.24 percent in 2004-2005 and as a percentage of total receipts from 3.78 percent to 2.77 percent in the same period.
- As a percentage share of 'own tax' revenues the assigned taxes have been around the figure recommended by the earlier two Commissions. They have ranged from 2.29 percent (1998-1999) to 11.55 percent (1999-2000). These extremities do not represent the annual average pattern, which is 5.44 percent.

- Though actual amount of funds released as assigned taxes to the local bodies have increased in the period 1994-1995 to 2004-2005, the percentages suggest an overall declining trend. (Table 11.24 and Figure 11.7).

Table: 11.24-Assigned Taxes as a Percentage

Year	Actual Expendr	Percentage of Total Non-plan Revenue Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of 'own Tax' Revenue	Percentage of Total Revenue Receipts	Percent age of Total Receipt s
1994-1995	95.65	9.20	7.71	3.97	5.35	4.83	3.78
1995-1996	114.58	8.72	7.06	3.88	5.43	4.99	3.67
1996-1997	128.77	9.38	7.95	3.66	5.08	4.61	3.50
1997-1998	93.57	5.55	4.21	2.22	3.18	2.69	2.07
1998-1999	70.80	3.46	2.45	1.43	2.29	1.93	1.51
1999-2000	396.05	15.00	10.87	6.70	11.55	9.27	6.68
2000-2001	238.56	8.74	5.63	3.24	5.42	4.38	3.25
2001-2002	260.07	8.36	5.60	3.01	5.31	4.16	2.97
2002-2003	310.60	9.19	5.35	3.04	5.83	4.66	2.95
2003-2004	309.29	8.21	4.33	2.64	5.26	4.21	2.52
2004-2005	363.14	8.19	4.22	2.82	5.11	4.24	2.77

Figure: 11.7- Assigned Taxes to Local Bodies from 1994-1995 to 2004-2005

**Maintenance
Expenditure**

11.11 Maintenance expenditure is a vital aspect of the investment profile. By elongating the 'working life' of assets it increases their durability per se and enables government to save on expensive re-construction costs at a later date apart from adding to consumer satisfaction.

**Organiza-
tional
Arrangements**

11.12 The Public Works Department is directly or indirectly the main service provider of a large number of public goods. It is also charged with the responsibility of ensuring the maintenance of government's capital assets.

- The fact of course is that the government of the NCT of Delhi has practically little control over the staff of the Public Works Department. The officers of the state Public Works Department are actually officers of the CPWD. This has its own well known implications for effective control over the personnel and work output that could be ensured. Accordingly, the suggestion made in the Tenth Report of the Expenditure Reforms Commission (Box-11.0) is worth considering

**Box-11.0-Recommendations of the Expenditure Reforms Commission,
Government of India (Tenth Report)⁸**

CPWD continues to handle the work of the government of Delhi. Now since Delhi has an assembly and full-fledged government, it would be appropriate to transfer the responsibility for civil works to that government. To begin with, the administrative control may be transferred to that government.

- Assessments of maintenance expenditure need to consider quantitative and qualitative aspects. The quantitative dimension would involve an examination of the quantum of assets (road lengths, residential or office buildings), the work rates (manpower, equipment, machinery, materials), and the financial commitments thereof, and the ability to stretch the last rupee available for maintenance. The qualitative side covers issues of adherence to (or deviations from) maintenance norms and schedules.
- *Inter alia*, the main difficulties in respect of maintenance has been the generally high levels of consumer dissatisfaction; rising costs of service

⁸ Expenditure Reforms Commission, Tenth Report, Part 1, Rationalization of the Functions, Activities, and Structure of the Ministry of Urban Development and Poverty Alleviation, September 25, 2001.

provision; poor response time; and monitoring the quality of service delivery.

**Assets
Base**

11.13 As on March 31, 2005, 6607 residential units of various categories were available with the Delhi government, for allotment to its employees.⁹

- The position regarding the growth of PWD roads is provided in Table 11.25.

Table: 11.25-Growth of PWD Roads in Delhi-1980-1981 to 2004-2005 (in Kilometres)

Year	National Highways	Other Roads	Total
1994-1995	337	1400	1737
1995-1996	337	1400	1737
1996-1997	337	1400	1737
1997-1998	337	1400	1737
1998-1999	352	1760	2112
1999-2000	352	1792	2144
2000-2001	388	1792	2180
2001-2002	388	1792	2180
2002-2003	182	1934	2116
2003-2004	182	1934	2116
2004-2005	182	2000	2182

- Non-residential assets of the government of the NCT of Delhi include: 26 fire stations, 76 police stations/offices/colonies, 62 office and administrative buildings, 549 educational buildings.¹⁰

**Maintenance
Norms and
Frequency**

11.14 The norms and schedules for maintaining various assets are tabulated in Table 11.26.

⁹ Annexure: Details of residential units under GNCTD, see Vol-III, Section-II.

¹⁰ Letter NO. F.1/(50)/05/PWD-1/1431 dated October 28, 2005 and Letter No. E-in-C/W/DFC/05/77 dated January 09, 2006. 'Police stations, offices and colonies' include items such as district jail complex, government motor driving training schools; 'office and administrative buildings' include items such as Delhi College of Engineering, and court buildings.

Table 11.26- Maintenance Norms and Schedules-PWD

Item	Periodicity				
	Res. Bldg	Office Bldg	Hospitals	Laboratories	Schools
White Washing/Color Washing	2 years	2 years	2 years	2 years	2 years
Applying Dry Distemper	2 years	2 years	2 years	2 years	2 years
Painting with plaster paint, Synthetic enamel paint, Oil bound distemper, acrylic paint, acrylic distemper	3 years	2 years	1 year – Corridor O.T. Rooms	2 years	3 years
Painting external surface with water proofing cement paint	3 years	3 years	3 years	3 years	3 years
Cleaning and disinfecting of water storage/distribution tanks, water mains	6 months	6 months	3 months	3 months	6 months
Cleaning of Manholes/gully chambers/inspection chambers and flushing of building sewers	1 year	1 year	6 months	1 year	1 year
Cleaning of storm water drains	1 year	1 year	1 year	1 year	1 year
Painting steel water tanks inside with bitumastic paint.	2 years	2 years	1 year	2 years	2 years
Polishing wooden doors/windows with spirit polish/Polish/synthetic acrylic polish	5 years	5 years	5 years	5 years	5 years
Text mat or poly mat based equivalent synthetic silicon based exterior paint	5 years	5 years	5 years	5 years	5 years
Cleaning Electrical installations, fans etc.	1 year	1 year	1 year	1 year	1 year
Premix, Semi dense/dense carpeting of roads	5 years	5 years	5 years	5 years	5 years
Collection of water samples for physical, Chemical and bacteriological analysis of water	6 months	6 months	3 months	6 months	6 months

Source: Maintenance Manual 2000 (Central Public Works Department)

- It is recommended that government reviews whether the maintenance of its assets is being carried out strictly in accordance with prescribed norms and schedules. This ought to be entrusted to an independent agency for verification and quality control.
- The transparency required in maintenance of residential assets would be strengthened if (a) wide publicity is given to the norms and schedules to the consumer, and (b) certification of the occupant is made mandatory that the

work has been carried out satisfactorily and as per the norms for sanction of expenditure.

- Government could also consider introducing an element of competition by exploring alternative agencies and mechanisms for the maintenance responsibility. Initially, this could be on a pilot basis for residential building. Table 11.27 provides the outline of the existing and three alternative models for the discharge of the maintenance responsibilities.

Table- 11.27-Alternative Maintenance Methodologies and Mechanisms

Model-I	Model-II	Model-III	Model-IV
Existing Arrangements Continue with PWD as a monopolistic service provider	Public sector agencies (such as DSIDC or DTTDC) are also allowed to provide maintenance to residents who opt for the said agencies. This will provide an element of competition.	In addition, to public sector agencies, maintenance is opened to private service providers	The occupant is free to seek maintenance from any service provider in the public and/or private sector. He is responsible for ensuring that there are no structural changes in the premises. He is free to contribute to higher standards of maintenance from his own resource over and above the earmarked funds for the said maintenance.

Maintenance Costs

11.15 The Public Works Department has informed that the present cost of construction of one kilometre of road length is approximately Rupees 01 crore per kilometre lane. The maintenance cost is approximately Rupees 3 lakh per kilometre lane.

- As regards, the present cost of construction of buildings, the department intimated that the residential buildings cost Rupees 750 to Rupees 1050 per square feet and non-residential buildings Rupees 1300 per square feet. The cost of maintenance of buildings is said to be of the order of Rupees 8 per square feet for residential buildings and Rupees 10 to Rupees 20 per square feet for non-residential buildings.¹¹
- The Department informed that the cost of construction and maintenance of an average building had increased by 30 percent during the last ten years. This implies an annual average increase of 3 percent. The maintenance cost of road infrastructure has gone up from Rupees 38.49 crore in 1999-2000 to Rupees 70.00 crore in 2005-2006, that is, in a period of seven years. Considering the increase in road length and the number of flyovers and bridges the percentage increase would be approximately 50 percent. This makes for an annual average increase of 7.14 percent.
- The cost indices furnished by the Public Works Department, for Delhi, in the last few years is indicated in Table 11.28.

Table: 11.28-Repair and Service Cost Indices of Delhi since 1994 (Base 100 as on October 1, 1979)

Year	Effective from	Repair cost Index	Percentage Variation in RPI	Service Cost Index	Percentage Variation in SCI
1994	1.1.1994	415	-	526	-
1995	1.4.1995	435	4.82	582	10.65
1996	1.4.1996	467	7.36	633	8.76
1997	1.4.1997	499	6.85	711	12.32
1998	1.4.1998	527	5.61	951	33.76
1999	1.9.1999	569	7.97	1014	7.68
2000	1.7.2000	583	2.46	1133	10.64
2001	1.6.2001	592	1.54	1138	0.44
2002	1.4.2002	610	3.04	1167	2.55
2003	1.4.2003	656	7.54	1269	8.74

- The Commission had requested the department for details of the total budget provision for maintenance of assets in the last ten years. The

¹¹ Annexe: Cost Index for Delhi, see Vol-III, Section-II.

information received is grossly inadequate. It is recommended that the data base of the department be reviewed and suitably strengthened.

- Table 11.29 provides details of maintenance expenditure incurred by the state government. Trend growth rate at 10.05 percent appears to be on the lower side.

Table: 11.29-Maintenance Expenditure-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	89.61	-	-
1995-1996	101.37	11.76	13.12
1996-1997	116.13	14.76	14.56
1997-1998	149.46	33.33	28.70
1998-1999	172.91	23.45	15.69
1999-2000	188.07	15.16	8.77
2000-2001	209.34	21.27	11.31
2001-2002	201.74	-7.60	-3.63
2002-2003	215.01	13.27	6.58
2003-2004	210.41	-4.60	-2.14
2004-2005	242.41	32.00	15.21
2005-2006	276.53*		
2006-2007	294.21**		
Total	1896.46		

Note: *relate to RE; ** relates to BE; The BE figure for 2005-2006 was Rupees 269.77 crore

- The declining trend in maintenance expenditure is a cause for concern. Even the trend growth rate of around 10 percent is hardly satisfactory. However, it is not merely the volumes of funds that should be of concern. More important is the uneven spread or the actual costs of maintenance. The maintenance costs have reportedly escalated by 30 percent.
- Maintenance expenditure as a percentage of total non-plan revenue expenditure has declined from 8.62 percent (1994-1995) to 5.46 percent (2004-2005). As a percentage of total non-plan expenditure it reduced from 7.23 percent (1994-1995) to 2.82 percent (2004-2005). The decline as a percentage of total expenditure (plan and non-plan) was from 3.72 percent (1994-1995) to 1.88 percent (2004-2005). Again as a percentage of own tax

revenue, it decreased from 5.01 percent (1994-1995) to 3.41 percent (2004-2005). The reduction as a percentage of total revenue receipts has been from 4.52 percent (1994-1995) to 2.83 percent (2004-2005). Maintenance expenditure declined as a percentage of total receipts from 3.54 percent (1994-1995) to 1.85 percent (2004-2005).

- The percentage point decline in maintenance expenditure has been quite sharp. In the case of: total non-plan revenue expenditure 3.16 percentage points; total non-plan expenditure 4.41; total expenditure 1.84; total 'own tax' revenues 1.60; total revenue receipts 1.69; and total receipts 1.69.
- The percentage points decline in respect of maintenance expenditure is of considerable concern. It should be noted that, if the percentage share of maintenance expenditure had also remained stable as a part of non-plan revenue expenditure, in absolute terms it would have been increasing out of a larger volume of total receipts and total expenditure. That it is showing a declining trend vis-à-vis all financial parameters should occasion a thorough examination of the causes and remedies (Table 11.30).

Table: 11.30- Maintenance Expenditure as a Percentage

Year	Actual Expendr	Percentage of Total Non-plan Revenue Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of 'own Tax' Revenue	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	89.61	8.62	7.23	3.72	5.01	4.52	3.54
1995-1996	101.37	7.61	6.25	3.43	4.80	4.41	3.25
1996-1997	116.13	8.46	7.17	3.30	4.58	4.15	3.16
1997-1998	149.46	8.87	6.72	3.55	5.08	4.29	3.31
1998-1999	172.91	8.45	5.98	3.50	5.60	4.72	3.69
1999-2000	188.07	7.12	5.16	3.18	5.48	4.40	3.17
2000-2001	209.34	7.67	4.94	2.84	4.76	3.85	2.86
2001-2002	201.74	6.48	4.34	2.34	4.12	3.23	2.31
2002-2003	215.01	6.36	3.71	2.11	4.04	3.23	2.04
2003-2004	210.41	5.59	2.94	1.80	3.58	2.86	1.71
2004-2005	242.41	5.46	2.82	1.88	3.41	2.83	1.85

- That, however, is not all. If the costs of maintenance are escalating as they are reported to be and, simultaneously, the share of maintenance expenditure is declining, the actual physical maintenance carried out is

bound to be impacted adversely. This proposition needs to be tested on the ground and we recommend that government ought to do so by seeking feedback from the consumers. If borne out by the feedback, corrective measures would clearly be required to see that monies are being effectively deployed.

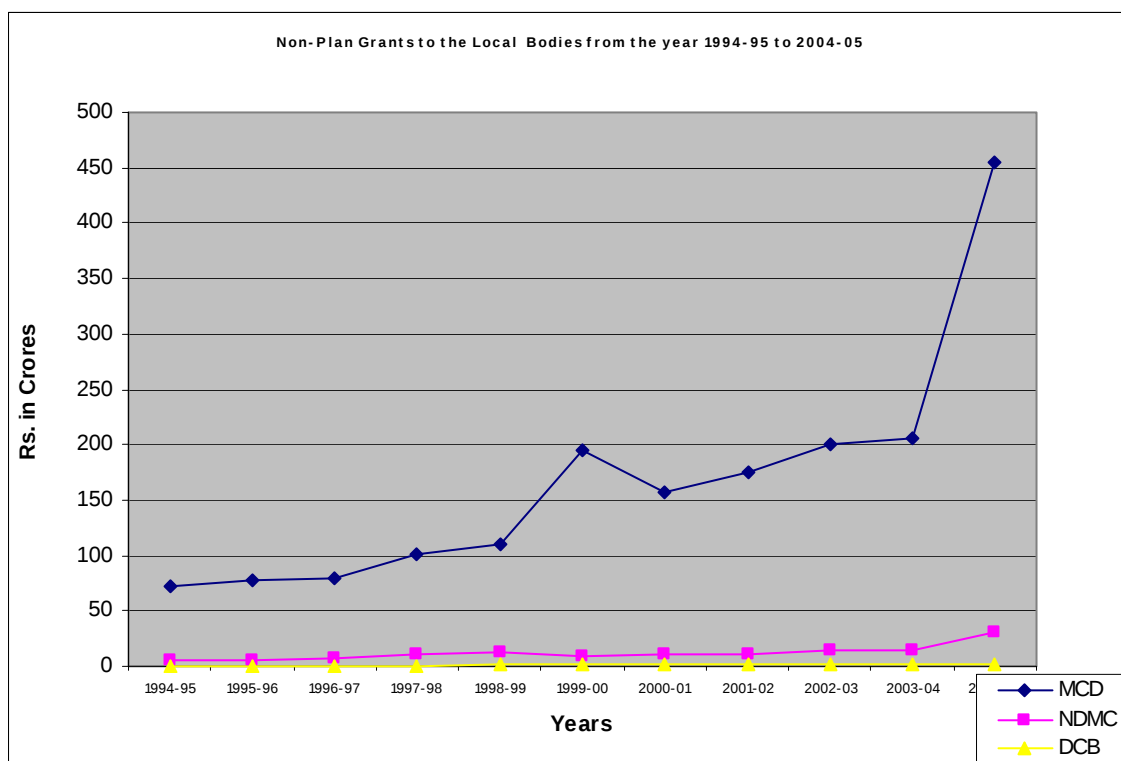
Non-Plan Grants to Local Bodies

11.16 Table 11.31 and Figure 11.8 shows the details of non-plan grants to the local bodies. The trend growth is 16.84. The non-plan grants are released under three schemes: maintenance of re-settlement colonies, primary education, and nutrition (mid-day meal).

Table: 11.31-Non-Plan Grants to the Local Bodies-1994-1995 to 2004-2005 (Rupees in crore)

Year	MCD	NDMC	DCB	Total	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	71.75	5.17	0.60	77.52	-	
1995-1996	76.96	6.17	0.70	83.83	6.32	8.15
1996-1997	80.30	6.87	0.67	87.84	4.00	4.77
1997-1998	100.58	10.32	0.74	111.64	23.80	27.09
1998-1999	110.89	11.81	0.99	123.69	12.05	10.79
1999-2000	194.96	8.77	1.17	204.90	81.21	65.66
2000-2001	157.80	11.06	1.25	170.11	-34.80	-16.98
2001-2002	174.31	11.45	1.09	186.85	16.76	9.85
2002-2003	200.74	13.65	1.25	215.64	28.77	15.40
2003-2004	205.12	14.09	1.47	220.68	5.06	2.35
2004-2005	455.67	31.05	1.62	488.34	267.64	121.27
Total	1829.08	130.41	11.55	1971.04		

Note: *relates to RE; relates to BE. The BE figure for 2005-2006 was Rupees crore

Figure: 11.8-Non-plan Grants to Local Bodies (1994-95 to 2004-05)

- The First Delhi Finance Commission had recommended that non-plan grants should be pegged at 4 percent of the net proceeds of the total tax revenue. This was enhanced to 5 percent by the Second Finance Commission. The recommendations of the First Commission were applicable from the year 1996-1997 to 2000-2001. The recommendations of the Second Commission were for the years 2001-2002 to 2005-2006.
- On the basis of the First Commission's recommendations a total amount of Rupees 698.17 crore was released to local bodies. Out of this Rupees 644.53 crore was transferred to MCD and Rupees 48.83 crore to NDMC. The share of the Delhi Cantonment Board at Rupees 4.48 crore was marginal.
- The enhancement of the non-plan grants by one percent by the Second Finance Commission resulted in substantially stepped up flows. The total transfer in the first four years to the MCD was Rupees 1035.84 crore; to the NDMC Rupees 70.24 crore, and; to the DCB Rupees 5.43 crore. The local bodies have benefited from rising revenues of the state government. In a period of just four years, the enhancement of one percent has led to a 60 percent increase in the release of non-plan grants to the MCD, and 43.85

percent in the case of the NDMC. Hence, both rate and volumes have worked to the advantage of the local bodies.

- The total non-plan grants to the MCD in the eleven years period (1994-1995 to 2004-2005) was Rupees 1829.08 crore. The total flow to the NDMC in the same period was Rupees 130.41 crore and to the DCB Rupees 11.55 crore
- Against the overall trend growth rate of 16.84 percent, the trend growth for the MCD has been 17.10 percent, for NDMC 14.06 percent, and for the DCB it has been 10.25 percent. Once gain, the MCD is the major beneficiary.
- As a percentage of total non-plan revenue expenditure non-plan grants increased from 7.46 percent in 1994-1995 to 11.01 percent in 2004-2005, though as a percentage of total non-plan expenditure there was a marginal decline from 6.25 percent to 5.67 percent in the same period (Table 11.32). Again as a percentage of total expenditure, the non-plan grants increased marginally from 3.22 percent in 1994-1995 to 3.79 percent in 2004-2005. There was also an increase in the share of non-plan grants as a percentage of total revenue receipts (from 3.91 percent in 1994-1995 to 5.70 in 2004-2005) as also as a percentage of the total receipts (from 3.07 percent to 3.73 percent) in the same period.
- For all intents and purposes, the growth of non-plan grants has been at a healthy level.

Table: 11.32-Non-Plan Grants to Local Bodies as a Percentage

Year	Actual Expendr	Percentage of Total Non-plan Revenue Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of 'own Tax' Revenue	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	71.75	7.46	6.25	3.22	4.34	3.91	3.07
1995-1996	76.96	6.38	5.17	2.84	3.97	3.65	2.69
1996-1997	80.30	6.40	5.42	2.50	3.47	3.14	2.39
1997-1998	100.58	6.62	5.02	2.65	3.80	3.21	2.47
1998-1999	110.89	6.05	4.27	2.50	4.00	3.38	2.64
1999-2000	194.96	7.76	5.62	2.47	5.97	4.79	3.46
2000-2001	157.80	6.23	4.01	2.31	3.87	3.12	2.32
2001-2002	174.31	6.00	4.02	2.17	3.82	2.99	2.14
2002-2003	200.74	6.38	3.72	2.11	4.05	3.23	2.05
2003-2004	205.12	5.86	3.09	1.88	3.75	3.00	1.80
2004-2005	455.67	11.01	5.67	3.79	6.87	5.70	3.73

**Non-Plan
Grants to
'Bodies'
other than
Local Bodies**

11. 17 In Table 11.33 we summarize the details of grants released to bodies other than local bodies. The trend growth rate is 8.81 percent. The 'other bodies' broadly include the large body of aided schools and colleges, language academies, and the sahitya kala parishad.

Table: 11.33-Non-Plan Grants to Bodies Other than Local Bodies-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	53.36	-	-
1995-1996	63.12	9.76	18.29
1996-1997	75.08	11.96	18.95
1997-1998	106.38	31.30	41.69
1998-1999	133.20	26.82	25.21
1999-2000	136.47	3.27	2.45
2000-2001	136.64	0.17	0.12
2001-2002	135.84	-0.80	-0.59
2002-2003	140.12	4.28	3.15
2003-2004	90.16	-49.96	-35.66
2004-2005	159.55	69.39	76.96
Total	1229.92		

- The non-plan grants to bodies other than local bodies show a declining trend. As a percentage of total non-plan revenue it declined from 5.13 percent (1994-1995) to 3.60 percent (2004-2005), though between 1995-1996 to 2002-2003 it ranged between a healthy 4.15 percent (2002-2003) to 6.51 percent (1998-1999). As percentage of total non-plan expenditure the decline was steeper: from 4.30 percent (1994-1995) to 1.85 percent (2004-2005). Overall, therefore, non-plan grants to bodies other than local bodies have become a less significant component of non-plan revenue expenditure.

Table: 11.34-Non-Plan Grants to Bodies other than Local Bodies as a Percentage

Year	Actual Expendr	Percentage of Total Non-plan Revenue Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of 'own Tax' Revenue	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	53.36	5.13	4.30	2.22	2.99	2.69	2.11
1995-1996	63.12	4.80	3.89	2.14	2.99	2.75	2.02
1996-1997	75.08	5.47	4.63	2.14	2.96	2.69	2.04
1997-1998	106.38	6.31	4.79	2.53	3.62	3.06	2.36
1998-1999	133.20	6.51	4.60	2.63	4.31	3.64	2.84
1999-2000	136.47	5.17	3.75	2.31	3.98	3.19	2.30
2000-2001	136.64	5.01	3.22	1.86	3.11	2.51	1.86
2001-2002	135.84	4.36	2.92	1.57	2.77	2.17	1.55
2002-2003	140.12	4.15	2.42	1.37	2.63	2.10	1.33
2003-2004	90.16	2.39	1.26	0.77	1.53	1.23	0.73
2004-2005	159.55	3.60	1.85	1.24	2.25	1.86	1.22

Expenditure on Subsidies

11.18 The trend of explicit subsidies has remained unchanged over the years. Non-plan subsidies involve expenditure on items such as free supply of text books, uniforms, transport facilities to children (to girl students), free DTC passes and free medical facilities to accredited journalists, free supply of books and stationery to SC students, rebate on sale of handloom cloth and fertilizer subsidy to small and marginal farmers. Table 11.35 details of expenditure on subsidies. The trend growth rate could not be determined since the figure is zero for 1995-1996 and 2004-2005. So far, the amount of expenditure incurred on non-plan subsidies is rather insignificant.

Table: 11.35- Expenditure Incurred on Explicit Subsidies-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	0.29	-	-
1995-1996	0.00	-0.29	-
1996-1997	0.31	0.31	-100.00
1997-1998	0.38	0.07	-
1998-1999	0.30	-0.08	22.58

1999-2000	1.90	1.60	-21.05
2000-2001	0.31	-1.59	533.33
2001-2002	0.25	-0.06	-83.68
2002-2003	6.10	5.85	-19.35
2003-2004	1.00	-5.10	2340.00
2004-2005	0.00	-1.00	-83.61
2005-2006	225.67*	225.67	-100.00
2006-2007	49.00*		-
Total	10.84		

(*Note: Relates to subsidy for DTC and DISCOMS alone)

- Nevertheless, this is likely to reverse in the coming years. For instance, in the revised estimates for 2005-2006, Rupees 150.67 crore have been earmarked as subsidy to DTC in lieu of concessional passes. Similarly, an amount of Rupees 75 crore has been retained in the revised estimates for the same year as subsidy to consumers through DISCOMS on account of revised power tariffs. In the financial year 2006-2007, a provision of Rupees 24.00 crore for DTC and Rupees 25 crore for the DISCOMS has been made in the budget estimates.
- Nor is this all. The picture becomes decidedly less benign when we factor in the expenditure on subsidies under various plan heads such as for resettlement colonies, DJB etc. The trend growth of subsidies under plan is as high as 44.50 percent. Plan subsidies grew from a negligible figure of Rupees of 1.63 crore in 1994-1995 to Rupees 77.01 crore in 2003-2004 before dropping back to Rupees 48.64 crore in 2004-2005.
- Explicit subsidies (Table 11.36), as a percentage of various parameters, confirm that their role is not very important.

Table: 11.36-Explicit Subsidies as a Percentage

Year	Actual Expendr	Percentage of Total Non-plan Revenue Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of 'own Tax' Revenue	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	0.29	0.03	0.02	0.01	0.02	0.01	0.01
1995-1996	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996-1997	0.31	0.02	0.02	0.01	0.01	0.01	0.01
1997-1998	0,38	0.02	0.02	0.01	0.01	0.01	0.01
1998-1999	0.30	0.01	0.01	0.01	0.01	0.01	0.01
1999-2000	1.90	0.07	0.05	0.03	0.06	0.04	0.03
2000-2001	0.31	0.01	0.01	0.00	0.01	0.01	0.00
2001-2002	0.25	0.01	0.01	0.00	0.01	0.00	0.00
2002-2003	6.10	0.18	0.11	0.06	0.11	0.09	0.06
2003-2004	1.00	0.03	0.01	0.01	0.12	0.01	0.01
2004-2005	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Expenditure on Implicit Subsidies

11. 19 OP Mathur and TS Ranganathan¹² note that the explicit subsidies in the case of Delhi relate to only a few minor heads, such as interest subsidy to small scale industries, fertilizer subsidy to small and marginal farmers, free supply of books and uniforms in elementary schools, promotion of non-conventional energy and the like, and are of relatively minor significance.

- On the other hand, implicit subsidies are extremely large and relate to both merit and non-merit goods and services.
- The overall recovery rate was 0.14 percent. The recovery rate in the case of non-merit goods was estimated at only 0.55 percent.¹³ On a per capita basis, subsidy was found to be phenomenally large, being Rupees 1961. Delhi thus had the distinction of having, compared to other states in the country, the lowest rate of recovery and the highest per capita subsidy. The existence of subsidies on this scale is perhaps, said Mathur and Ranganathan, the most disconcerting feature of Delhi's finances and, if permitted to continue,

¹² Delhi Fiscal Study, Om Prakash Mathur and TS Ranganathan, (December 1998 print version 2000) National Institute of Public Policy, New Delhi. For the year 1995-1996, total subsidies on merit and non-merit goods and services after accounting for surplus sectors account for Rupees 2, 248 crore or 9.39 percent of the GSDP. Of this merit goods subsidies on elementary education, public health, sewerage and sanitation, social welfare, welfare of scheduled castes and tribes, nutrition, flood control and drainage, and roads and bridges accounted for 20.6 percent of the total subsidy. Outside of the clearly defined merit goods sector, there were large scale subsidies in sectors such as technical education, (more than four times than those available to primary education), medical services, water supply and sanitation, urban development, and power and transport sectors.

¹³ Non-merit goods are those where in principle, cost recovery is possible through user charges.

would seriously jeopardize the future sustainability of government investment and development programs.

**Committee on
Subsidies and
User Charges-
January 2000**

11.20 It is worth recalling that in January 2000 the government of the NCT of Delhi constituted a committee to review the existing subsidies and user charges in various departments and agencies of the government.¹⁴ Initially, the committee was expected to review the position prevailing in the power, water, health, and transport sectors. It extended the review to urban development and education.

- The Committee drafted reports on the following sectors: (i) urban development, and (ii) water supply. There is nothing on record to suggest that the report on the urban development sector was ever submitted to government.
- In respect of the DJB the Committee observed that the cost (including water and sewer) was Rupees 7.00 per kiloliter (i.e. Rupees 4.61/KL for water and Rupees 2.39/KL for sewer). Against this, the average recovery was Rupees 1.99/KL for water and the recovery on sewer is negligible. Assuming water production of 600 MGD (i.e. 99.43 crore kiloliters per year), the total cost of water and sewer comes to Rupees 696 crore against which the estimated recovery during 1999-2000 was about Rupees 223 crore. This implied that DJB was recovering only about 32% of the total cost. Even after discounting the cost of unaccounted for water (UFW) which was at least 40% of the total production, the total cost comes out to Rupees 418 crore. In that case also, the recovery stood at only 53.35% of the total cost. The existing rate of recovery was not sustainable. The DJB should, therefore, forthwith revise its tariff to improve the cost recovery and pull out of the debt trap it is in. The tariff rate may be revised as under.

¹⁴ Order No. F.22 (10)/99-Plg.(Res.)/11384-87 dated January 10, 2000. The Committee was asked to (i) identify the services being provided by selected departments/agencies of the Delhi government and estimate the cost of providing services with the help of professional cost accountants, if necessary; (ii) suggest steps to reduce and eventually eliminate subsidies in those sectors where subsidies were considered non-essential; (iii) recommend appropriate user charges and the extent to which the services should be subsidized; (iv) suggest a mechanism for proper targeting of subsidies.

Box: 11.1-Proposed Water Tariff Revisions

Category –I (Domestic) Consumption P.M		Rates per kilo Liter	
		Existing	Proposed
a.	Up to 10 KLs	Rs.0.35+50%	Rs.1.00+50%
b.	10 to 20 KLs	1.00+50%	3.00+50%
c.	20 to 30 KLs	1.50+50%	5.00+50%
d.	Above 30 KLs	3.00+50%	8.00+50%
	Minimum Charges	20.00+50%	40.00+50%
Category-II (Commercial)			
a.	Up to 50 KLs	Rs.5.00+50%	Rs.8.00+50%
b.	Above 50 KLs	10.00+50%	16.00+50%
	Minimum Charges	100.00+50%	200.00+50%
Category-III (Industrial)			
a.	Upto 50 KLs	Rs.8.00+50%	Rs.12.00+50%
b.	50-100 KLs	12.00+50%	18.00+50%
c.	Above 100 KLs	16.00+50%	24.00+50%
	Minimum charges	300.00+50%	500.00+50%

(Source: Committee on Subsidies and User Charges)

The above revision is likely to yield revenue of Rupees 375 crore in 2000-2001 assuming the water production to be constant at 600 MGD. With the proposed revision, DJB will be able to recover only 53.88 percent of total cost (including UFW) and 89.7 percent of the total cost (excluding UFW). Even with the proposed hike, the DJB will still not reach the break-even, even if, unaccounted for water of 40% is ignored. Recovery will increase from Rupees 1.99 per KL to Rupees 3.77 per KL against the cost of Rupees 7 per KL.

- The tariff rates under all categories should be automatically enhanced by 10% annually with effect from 1st April every year to cover the increase in the cost of services due to inflation and other factors.
- Universal metering to cut down over-consumption and promote conservation of water is highly recommended to increase the volume of water billed. Defective meters should be replaced. Consumers in rural villages, resettlement colonies and JJ clusters should be billed at par with the other domestic consumers as per actual metered consumption.
- Free water supply should be stopped. Supply of water through Tankers & Public Hydrants should be priced. The Committee noted that the cost of supply of water through tankers is about Rs. 46.61/KL. This should be kept in mind while fixing the price. The supply through Public hydrants should be metered and billed as per actual consumption.
- Meter rent may be increased from Rs.5/- to Rs.10/- per month.
- Ban on fresh recruitment for next three years in DJB.
- Voluntary Retirement Scheme (VRS) may be implemented in DJB.
- In respect of the urban development sector the Committee covered (i) urbanized villages, (ii) regularized unauthorized colonies, and (iii) JJ resettlement colonies.¹⁵ It was noted that the under plan scheme 'Development of Urbanized Villages' since 1979-1980 136 villages had been declared urbanized. These had a population of about 2 lakh households. Government had spent a huge amount of the provision of various facilities such as storm water drains, electrification, approach roads and path lanes, community halls, parks, public toilets, water supply and sewerage. In the last twenty years the committee observed the average per household expenditure had been Rupees 5571. In 1999-2000 the MCD and the DJB were expected to incur an expenditure of Rupees 500 and Rupees 275 per family. Again the property values in the urbanized villages had appreciated and a lot of commercial activity was being carried on in these villages. However, no development charges or taxes were being collected from the households in these villages. On the other hand, since the funds were being provided to the MCD and the DJB as a grant-in-aid, the organizations also did not feel the need to collect user charges from these villages. The

¹⁵ Report (Draft) of the Committee (March 2000) on Subsidy and User Charges in Urban Villages, Regularized Unauthorized Colonies and JJ Resettlement Colonies, Government of NCT of Delhi, Planning Department.

Committee was of the view that with the post-1993 changes in the administrative and financial arrangements of the NCT, such financing of development work was not feasible.

- Its views in respect of user charges in JJ Resettlement colonies were not much different. There were 44 JJ resettlement colonies with a population of around three lakh households (a population of approximately 15 lakh). These colonies were developed by the DDA and transferred to the MCD in June 1988. A plan scheme for additional facilities in JJ resettlement colonies is in operation since 1979-1980 and the facilities to be provided included construction of roads, storm water drains, sulabh sauchalayas, water supply and sewerage.
- There were 567 regularized unauthorized colonies in Delhi housing about 5 lakh households (an approximate population of 25 lakh). A plan scheme for the development of regularized unauthorized colonies was being implemented since 1979-1980. This involved, among other things, the provision of the following facilities: improvement of roads, pavements/brick pavements, drainage, sulabh sauchalayas, parks, street lighting, dustbins, dense carpeting. An amount of Rupees 255.33 crore had been released to the MCD and DDA (up to 1998-1999). Thus on an average, about Rupees 5107 per household had been spent during the last 20 years. Delhi government was spending about Rupees 300 per household in these colonies during 1999-2000. Though plan funds had been made available to the MCD/DDA as a loan, recovery of development charges from the residents of the colonies was practically negligible compared to the expenditure incurred on development works. This was due to the fact that development charges were being collected at the time of sanctioning building plans for which very few people were coming forward. The Committee noted that, as per the recommendation of the first Delhi Finance Commission, the Delhi government was recovering the principal and interest due from the MCD by deducting the same from the basic tax share due from the government. In these circumstances, it was extremely necessary that development charges should be collected by the MCD from the households of these colonies. The Committee further observed that the DJB had supplied piped water to these colonies and sewerage facilities had been provided to about 292 colonies. Similarly, electricity was available to

the residents. Therefore both the DJB and the DVB ought to recover development and user charges.

- In the 20 years (since July 1988) Rupees 315.60 crore had been released to the MCD and the DDA under plan and Rupees 239 crore to the MCD for the maintenance of these colonies under non-plan. On an average therefore Rupees 18, 487 per household had been spent by the government for providing facilities. The Committee calculated that in 1999-2000, the average expenditure per household being incurred by the government through the MCD remained Rupees 3421, with the DJB too spending on an average Rupees 433 per family for water supply and sewerage facilities. Delhi government was providing funds for these schemes as grants-in-aid.
- The recommendations (draft) of the Committee (summarized in Box 11.2) on urbanized villages, regularized unauthorized colonies, and JJ resettlement colonies were and remain valuable. We endorse these for the consideration of government as applicable now.

Box: 11.2-Recommendations of the Committee on Subsidies and User Charges

User Charges in Urban Villages
1. The works under 136 urban villages may be projectized. The present status of services available in these villages, further investment required for providing various infrastructural facilities there, the time frame for completion of such works, etc. may be studied. If need be, a consultant may be hired by the UD department or the work may be assigned to the National Institute of Urban Affairs/ School of Planning and Architecture so that the project reports in respect of some of the colonies may be prepared. 2. The Plan Funds presently being provided by Delhi Government for development of 136 urbanized villages in the form of grant-in-aid may be converted into loan. 3. The Land Bye-Laws which are at present not applied to 136 urbanized villages should be made applicable with immediate effect. This will help MCD to fetch revenue by way of Property Tax etc. 4. Necessary steps may be taken by the Local Bodies/ Undertakings to make the people of 136 urbanized villages aware about their responsibilities to pay for services being availed by them, through public awareness programs. 5. MCD should start recovery of development charges/property tax etc. from 136 villages as soon as possible. 6. Delhi Vidyut Board (DVB) and Delhi Jal Board (DJB) should also start recovery of development charges/user charges from these 136 villages for the services being rendered by them to the residents of these villages. 7. At present there is no problem of recovery of principal and interest from MCD by Delhi

Government because the same is being deducted at source from MCD's basic Tax share from Delhi Government as per the recommendations of the first Delhi Finance Commission. In case of DJB and DVB, in fact such recovery in cash, is nil. The DJB and DVB should, therefore, improve their revenue by recovery of user charges and ensure payment of their interest and principal due to Delhi Government, in time.

8. Once villages are declared urbanized, its civic facilities may initially be raised up to a certain level through an integrated package for which Plan funds may be provided by the Delhi Government to the implementing agencies in the form of grant up to a period of two to three years and thereafter, funds may be provided to these agencies in the shape of loan which will be recovered from them.

User Charges in Regularized Unauthorized Colonies

1. MCD should recover development charges from the residents of the Regularized Unauthorized colonies. This has become necessary because the interest and principal due to be paid by MCD to Delhi Government are now being recovered at source from their entitlement of basic Tax share from Delhi Government as recommended by the first Delhi Finance Commission.
2. In order to encourage the development work in these colonies, the Government may provide a matching grant to the extent of 25% of the development charges to be recovered by MCD from these colonies.
3. A separate head of account may be maintained by MCD to avoid confusion in providing matching grant as mentioned in item No.2 above.
4. DJB & DVB should ensure collection of Development charges/User charges from the residents of these colonies for the services being provided by them.

User Charges in J.J. Resettlement Colonies

1. The Plan funds now being provided by Delhi Government for providing additional facilities in JJ Resettlement colonies in the form of grant-in-aid may be converted into loan from the next financial year 2000-01.
2. The works under various JJ Resettlement colonies may be projectized. The present status of services available in these colonies, further investment required for providing various infrastructural facilities there, the time frame for completion of such works, etc. may be studied. If need be, a consultant may be hired by the UD department or the work may be assigned to the National Institute of Urban Affairs/ School of Planning and Architecture so that the project reports in respect of some of the colonies may be prepared.
3. District Development Committees may monitor the physical progress of works being done by MCD, DJB and DVB in JJ Resettlement colonies and give their suggestions to the Urban Development Department and Planning Department.
4. The Government of India may be requested to transfer these colonies to Delhi Government

in a time bound manner so that Delhi Government may have the control on the properties available with Slum and J.J. Wing. UD Department, may pursue the matter at the appropriate level.

5. The revenue that is being generated by commercial exploitation of the properties or by auctioning the commercial properties available with the Slum & J.J. Department may be used for development of infrastructure in resettlement colonies so that the pressure on Plan resources may be reduced.
6. The necessary steps may be taken to make the residents of these colonies conscious about their responsibility to pay for the services being availed by them from the various agencies of the Government.
7. Government is spending lot of funds in providing additional facilities in JJ Resettlement Colonies. Some charges may be imposed on the residents of these colonies which may be collected by MCD.
8. D.V.B. and DJB should ensure collection of Development Charges/User Charges in respect of the services being provided by them to these colonies.

Implicit Subsidies: Case of the Health and Education Sectors

11.21 Before we leave the section on subsidies, there is one other aspect that deserves to be noted. This is related to the implicit subsidies in the health and education sectors. Incidentally, the committee on subsidies and user charges was expected to cover these sectors too. It collected a wealth of data and information on the transport, education, revenue, technical education, and health departments. We shall only touch up on the broad parameters.

- As a very rough and ready measure of the implicit subsidies in the education and health sectors we look at the figures of total (plan and non-plan) expenditure and subtract the non-tax revenues realized from these sectors. As is evident, from Table 11.37 the total expenditure incurred on health and education sectors vastly outstrips the revenues realized from the sectors.

Table: 11.37-Plan and Non-plan Expenditure in the Health and Education Sector-1994-1995 to 2004-2005 (rupees in crore)

Year	Total Plan and Non-plan Expenditure (Education)	Total Plan and Non-plan Expenditure (Health)	NTR (Education Sector)	NTR (Health Sector)	Difference between Expenditure and NTR (Education Sector) (2-4)	Difference between Expenditure and NTR (Health Sector) (3-5)
1994-1995	454.12	165.31	3.82	1.43	450.30	163.88
1995-1996	538.21	209.97	1.60	1.52	536.61	208.45

1996-1997	638.42	243.08	1.55	1.68	636.87	241.40
1997-1998	866.40	299.85	1.71	2.84	864.69	297.01
1998-1999	1068.39	355.90	2.50	3.99	1065.89	351.91
1999-2000	1088.63	444.05	3.85	4.67	1084.78	439.38
2000-2001	1115.02	510.99	3.74	5.26	1111.28	505.73
2001-2002	1184.53	566.72	5.44	8.71	1179.09	558.01
2002-2003	1237.53	634.13	6.54	11.94	1230.99	622.19
2003-2004	1271.74	697.22	6.69	10.97	1265.05	686.25
2004-2005	1681.91	816.91	9.31	13.01	1672.60	803.90

Note: NTR is Net Total Resources

- The work of the Committee (January 2000) could be usefully carried forward by reviving the committee under a fresh constitution to update the work already undertaken. This is essential because while the finances of the local bodies are a cause for real concern by themselves, the deteriorating finances of the statutory bodies could have a substantially adverse impact on the position of the state government. Additionally, the volume of uncovered expenditure on the social sectors should be a cause for concern. In fact, the government itself had also expressed concern on this issue while constituting the committee in January 2000.

Non-Plan Capital Expenditure

11.22 Non-plan capital expenditure includes repayment of loans to the central government, release of loans to the local and other bodies, and release of loans and advances to government servants, and large scale acquisition of land. Table 11.38 relates to details of the total non-plan capital expenditure. The trend growth rate of non-plan capital expenditure is 36.61 percent.

- The actual non-plan capital expenditure has varied from Rupees 200.23 crore (1994-1995) to Rupees 4171.57 crore (2004-2005). Its absolute variation over the previous year has ranged from minus Rupees 61.01 crore (1996-1997) to Rupees 961.44 crore (2003-2004).
- The percentage variation over the previous year has similarly ranged from minus 19.79 percent (1996-1997) to 58.03 percent (1998-1999)

Table: 11.38 Total Non-Plan Capital Expenditure (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	200.23	-	-
1995-1996	308.28	108.05	53.96
1996-1997	247.27	-61.01	-19.79

1997-1998	536.93	289.66	117.14
1998-1999	848.51	311.58	58.03
1999-2000	1003.07	154.56	18.22
2000-2001	1511.39	508.32	50.68
2001-2002	1556.72	45.33	3.00
2002-2003	2420.86	864.14	55.51
2003-2004	3382.30	961.44	39.71
2004-2005	4171.57	789.27	23.34
Total	16187.13	-	-

- As a percentage of total non-plan expenditure it has varied from 15.26 percent (1996-1997) to 48.46 percent (2004-2005). As a percentage of total expenditure its range has been from 7.03 percent (1996-1997) to 32.40 (2004-2005). As a percentage of total capital receipts the non-plan capital expenditure has ranged between 28.08 percent (1996-1997) and 91.90 percent (2004-2005). As a percentage of total receipts it was between 6.73 percent (1996-1997) and 31.84 percent (2004-2005) (Table 11.39).

Table: 11.39-Total Non-Plan Capital expenditure as percentage

Year	Actual Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of Total Capital Receipts	Percentage of Total Receipts
1994-1995	200.23	16.15	8.32	36.54	7.92
1995-1996	308.28	18.99	10.45	37.35	9.87
1996-1997	247.27	15.26	7.03	28.08	6.73
1997-1998	536.93	24.16	12.75	52.12	11.90
1998-1999	848.51	29.32	17.17	82.34	18.09
1999-2000	1003.07	27.53	16.97	60.77	16.93
2000-2001	1511.39	35.64	20.53	80.17	20.62
2001-2002	1556.72	33.00	17.76	61.42	17.52
2002-2003	2420.86	41.73	23.70	62.58	22.98
2003-2004	3382.30	47.32	28.86	68.74	27.57
2004-2005	4171.57	48.46	32.40	91.90	31.84

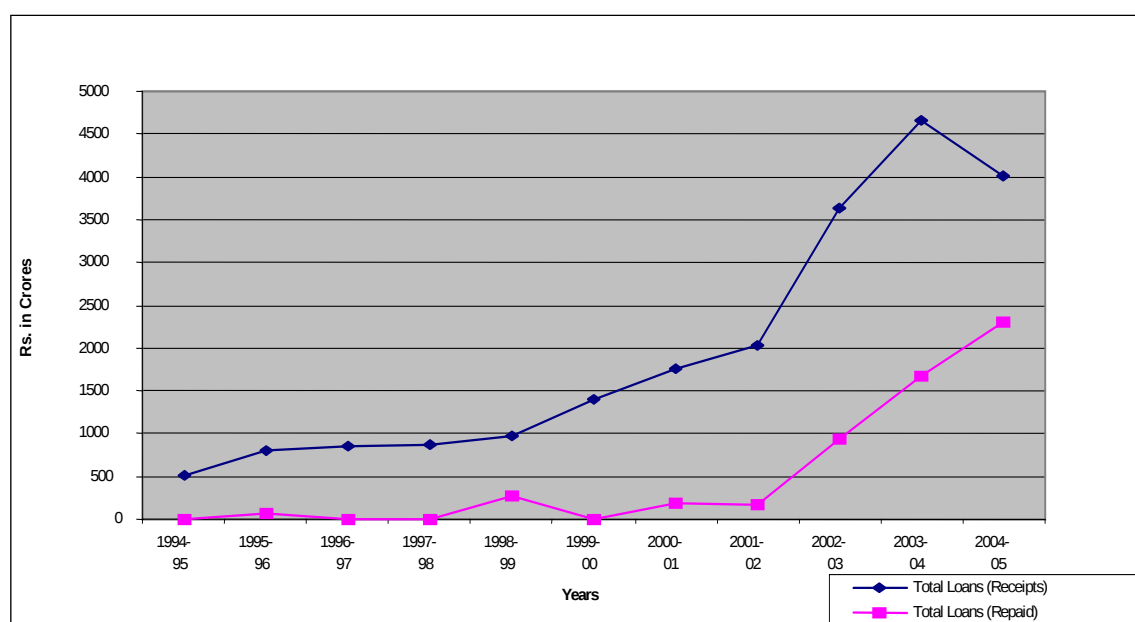
Loans Repaid to Central Government

11. 23 Table 11.40, 11.41 and Figure 11.9 relates to repayment of loan to the central government. The loan repayments are indicative of the debt liability of the state government.

- The growth of small savings is not surprising in the light of growing prosperity of Delhi. The signs are: the increasing per capita income, growth of the service sector, and the expanding professional middle class, which is inclined to save more due to either economic reasons or financial incentives such as the reduction of income tax liabilities. This implies that larger savings will continue to be sourced to Delhi resulting in larger small savings loans-wanted or unwanted. This also means that government needs to plan utilization of the loan amounts far more effectively. Otherwise the loan amounts merely create a liability in the form of principal amount and interest payments, which also raises the non-plan expenditure at the cost of plan expenditure.

Table: 11.40 – Details of Loans repaid to Central Government (Rs. in Crore)

Year	Loans against Small Savings Repaid	Absolute Change over Previous Year	% Change Over Previous Year	Block Loans Repaid	Absolute Change over Previous Year	% Change Over Previous Year	Special Loan Repaid	Total loans Repaid	Absolute Change over Previous Year	% Change Over Previous Year
1994-95	0			0			0	0		
1995-96	0	0		0	0		70.00	70.00	70.00	
1996-97	0	0		0	0		0	0	-70.00	-100.00%
1997-98	0	0		0	0		0	0	0	
1998-99	268.32	268.32		0	0		0	268.32	268.32	
1999-00	0	-268.32	-100.00%	4.70	4.70		0	4.70	-263.62	-98.25%
2000-01	166.08	166.08		21.43	16.73	355.96%	0	187.51	182.81	3889.66%
2001-02	122.26	-43.82	-26.38%	40.33	18.90	88.19%	0	162.59	-24.92	-13.29%
2002-03	885.71	763.45	624.45%	58.79	18.46	45.77%	0	944.50	781.91	480.91%
2003-04	1597.63	711.92	80.38%	79.56	20.77	35.33%	0	1677.19	732.69	77.57%
2004-05	0	-1597.63	-100.00%	2301.65	2222.09	2792.97%	0	2301.65	624.46	37.23%
	3040.00	0.00		2506.46	2301.65		70.00	5616.46	2301.65	

Figure: 11.9-Loans Received from the Central Government

- This creates a compulsion frequently enough to depress the actual non-plan expenditure, and show a larger plan size, by booking the same under plan. Further, though most of the expenditure on machines and equipment ought to be classified as non-plan expenditure, it is being booked under plan. This will not however disguise the fact that such expenditure does not add to the capital stock of the city.
- As a percentage of total non-plan capital expenditure the repayment of loans to the central government increased from 22.71 percent in 1995-1996 to 55.17 percent in 2004-2005. The repayment of loans to the central government as a percentage of total non-plan expenditure increased from 4.31 percent in 1995-1996 to 26.74 percent in 2004-2005. As a percentage of total expenditure it increased from 2.37 percent in 1995-1996 to 17.88 percent in 2004-2005. The repayment increased as a percentage of total capital receipts from 8.48 percent in 1995-1996 to 50.70 percent in 2004-2005 and the same as a percentage of total receipts hiked from 2.24 percent in 1995-1996 to 17.57 percent in 2004-2005.
- In absolute terms the repayment of loans to the central government increased from Rupees 70.00 crore in the year 1995-1996 to Rupees 2301.65 crore in 2004-2005. Out of the total loan amount of Rupees 21526.32 crore, the state government had repaid a sum of Rupees 5616.46 crore up to 2004-

2005. The bulk of this had been repaid in just three years i.e. 2002-2003, 2003-2004, and 2004-2005. This represents a growing liability which the state government hopes to curb by advance payments as made in the last three years.

Table: 11.41-Repayment of Loans to the Central Government as a percentage

Year	Actual Repayment	Percentage of Total Non-plan Capital Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of Total Capital Receipts	Percentage of Total Receipts
1994-1995	0	-	-	-	-	-
1995-1996	70.00	22.71	4.31	2.37	8.48	2.24
1996-1997	0	-	-	-	-	-
1997-1998	0	-	-	-	-	-
1998-1999	268.32	31.62	9.27	5.43	26.04	5.72
1999-2000	4.70	0.47	0.13	0.08	0.28	0.08
2000-2001	187.51	12.41	4.42	2.55	9.95	2.56
2001-2002	162.59	10.60	3.50	1.88	6.51	1.86
2002-2003	944.50	39.02	16.28	9.25	24.42	8.97
2003-2004	1677.19	49.59	23.47	14.31	34.09	13.67
2004-2005	2301.65	55.17	26.74	17.88	50.70	17.57

- Now consider the pattern of expenditure (Table 11.42). The actual utilization is broadly: financing interest payments, repayments of loan to the government of India and enabling the liberal extension of loan facility to the public utilities.

Table: 11.42- Utilization of Loan Receipt from Government of India to Govt. of NCT of Delhi from 1994-95 to 2004-05 (Rupees in crore)

ITEM	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	Total from 1994-95 to 2004-05
Loans from Central Govt.	510.33	796.38	851.20	876.03	975.55	1399.54	1764.08	2038.57	3638.71	4664.58	4011.35	21526.32
Repayment of Loan		70.00			268.32	4.70	187.51	162.59	944.50	1677.19	2301.65	5616.46

Interest payment to Govt. of India		94.00	189.89	314.08	432.34	530.74	716.76	934.16	1114.78	1367.27	1568.56	7262.58
Closing Balance (Consolidated Fund)	22.38	192.82	354.04	654.15	402.13	415.38	382.29	501.70	675.37	1224.04	1450.56	6274.86
Total (2+3+4)	22.38	356.82	543.93	968.23	1102.79	950.82	1286.56	1598.45	2734.65	4268.50	5320.77	19153.9
Negative Contribution by Public Utilities (Loan)	184.52	225.00	306.75	486.55	605.06	891.77	1063.74	1492.44	1287.99	1778.73	1555.73	9878.28

- The total loan amount received from the central government during the period 1994-1995 to 2004-2005 was Rupees 21,526.32 crore. Against this an amount of Rupees 5615.46 crore has been repaid and Rupees 7262.58 crore has been paid as interest. This makes for a total amount of Rupees 12,879.04 crore.
- In addition to this, Delhi government released Rupees 9878.28 crore as non-plan loans to the public utilities. The grand total (Rupees 12,879.04 crore + Rupees 9878.28 crore) is Rupees 22,757.32 crore, that is, an excess of Rupees 1231.00 crore over and above the loans received.
- The excess of Rupees 1231.00 crore would suggest that government need an additional equivalent amount to meet expenditure requirements. However, the purposes for which the loan amounts are actually being utilized places a question mark over the logic of the loans themselves. There is little justification for such large loan amounts which leads the GNCTD to repay loans and interest amounts or extend non-plan loans to public utilities which have displayed hardly any inclination in the matter of securing financial discipline.
- In addition, the government have been unable to utilize the total resources available annually. The closing balance of each year has been increasing from Rupees 22.38 crore (1994-1995) to Rupees 1450.56 crore (2004-2005). In 2005-2006 the opening balance is Rupees 7204.45 crore. The underutilization of resources highlighted deserves to be examined by government. It once

again reveals lack of utilization plans. More importantly, the unutilised amount is also levying an additional interest liability.

- Further, though the loan amounts have been accessed for developmental works, they are ending up financing non-plan expenditure such as the repayment of loans and interest payments to the central government. Witness the surge in non-plan expenditure in the years 2003-2004 and 2004-2005.
- The negative contribution of public utilities calling forth larger and larger non-plan loans has increased from Rupees 184.52 crore in 1994-1995 to 1555.73 crore in 2004-2005 (the negative had touched the figure of Rupees 1778.73 in 2003-2004). This represents a percentage increase of 743.12 percent.

Debt Servicing

11.24 In reviewing the debt servicing the components consisting of the loan amounts received, repaid and the interest payment will be brought together.

- The total loan amounts received have been increasing continuously. The impact of the loans can be assessed more realistically by determining the net inflow of resources because what matters is the net accretion to available resources. For determining the net inflow of resources, the amounts repaid as well as the interest payments from the total loan amounts received have been deducted. Table 11.43 displays the position

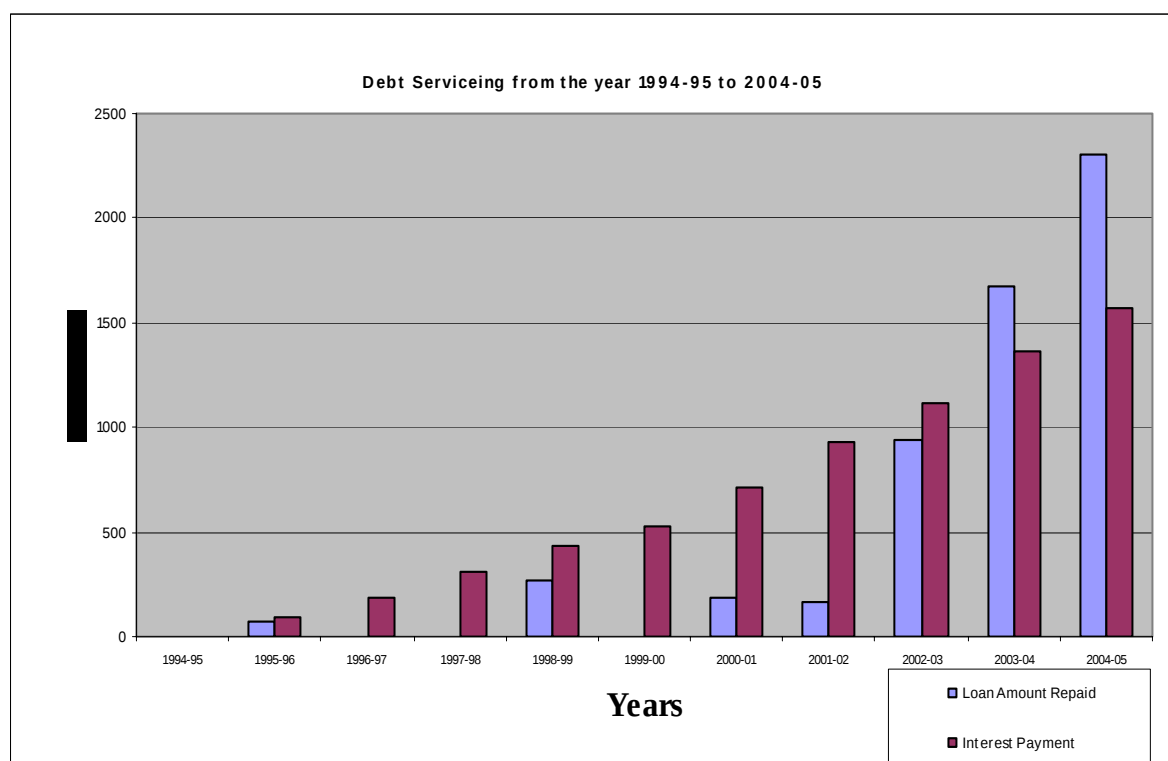
Table: 11.43-Debt Servicing

Year	Loan Amount Received	Debt Servicing			NR from Center (2-5)	NR as a percentage of loans receipt	Absolute Increase/decrease over previous year in NR	Percentage variation over previous year
		Loan Amount Repaid	Interest payment	Total (3+4)				
1994-1995	510.33	0.00	0.00	0.00	510.33	100.00	-	-
1995-1996	796.38	70.00*	94.00	164.00	632.38	79.41	122.05	23.92
1996-1997	851.20	0.00	189.89	189.89	661.31	77.69	28.93	4.59
1997-1998	876.03	0.00	314.08	314.08	561.95	64.15	-99.36	-15.03
1998-1999	975.55	268.32	432.34	700.66	274.89	28.18	-287.06	-51.08
1999-2000	1399.54	4.70	530.74	535.44	864.10	61.74	589.21	214.34
2000-2001	1764.08	187.51	716.76	904.27	859.81	48.74	-4.29	-0.50
2001-2002	2038.57	162.59	934.16	1096.75	941.82	46.20	82.01	9.54
2002-2003	3638.71	944.50	1114.78	2059.28	1579.43	43.41	637.61	67.70
2003-2004	4664.58	1677.19	1367.27	3044.46	1620.12	34.73	40.69	2.58
2004-2005	4011.35	2301.65	1568.56	3870.21	141.14	3.52	-1478.98	-91.29

(Note 1: NR is Net Receipts Note 2: Loan of Rupees 70 crore was advanced by government of India as a special ways and means loan on setting up of the consolidated fund of Delhi)

- Each year the net accretions have been positive. The annual variations in the net resources accretions have however displayed no specific pattern. Further, the absolute net accretions have been larger in the latter part of the ten year period, especially from 1999-2000. In 2004-2005, presumably due to advance repayment the net addition was a meagre Rupees 141. 14 crore, and the percentage variation was minus 91.29.
- While the loan repayments have been rising since 2001-2002, the graph of interest payments has been rising continuously. (Figure 11.10)

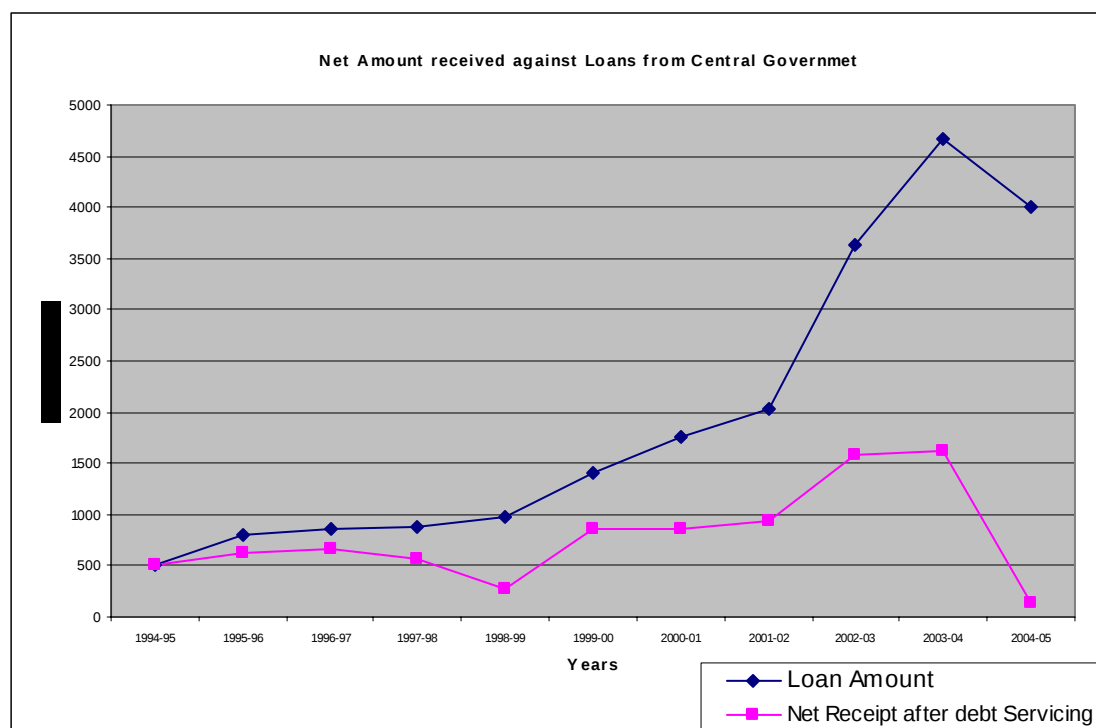
Figure: 11.10-Debt Servicing from 1994-1995 to 2004-2005



- Net resources as a percentage of the loan receipts reveal a two-phased trend. In the early years there was no repayment involved. As a result, net receipts as a percentage of loan receipts were as high as 100 percent in 1994-1995 when there was no interest payment either. In the following years up to 1997-1998, there was essentially only interest payment. In 1998-1999, advancement repayment of Rupees 268.32 crore was made and this marked the entry of loan repayment, along with interest payment, as a component determining the net receipts. Accordingly, it is not surprising to find the net receipts as a percentage of loan receipts showing a downward trend, till in

2004-2005 they were down to 3.52 percent. This is more so since the government started making substantial advance repayments from 2002-2003. (Figure 11.11)

Figure: 11.11-Net Amount Received against Loans from the Central Government



Way and Means Advances

11.25 Table 11.44 relates to details of ways and means advances and non-plan loans to local and autonomous bodies. The trend rate is 27.04 percent.

Table: 11.44- Ways and Means Advances and Non-Plan Loans to Local Bodies and Autonomous Bodies (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	186.52	-	-
1995-1996	225.00	38.48	20.63
1996-1997	306.75	81.75	36.33
1997-1998	576.55	269.8	87.95
1998-1999	721.56	145.01	25.15
1999-2000	1087.86	366.30	50.77
2000-2001	1143.74	55.88	05.14

2001-2002	1471.48	327.74	28.66
2002-2003	1348.24	-123.24	-8.38
2003-2004	1746.71	398.47	29.55
2004-2005	1805.73	59.02	3.38
Total	10620.14	-	-

- Proposals for ways and means advances from the MCD have been solicited mainly for meeting their revenue deficit. Likewise DJB has been seeking special non-plan loans to bridge their revenue gap and liquidate their outstanding electricity dues running into crore.
- DTC has made requests for non-plan loans in order to meet their salary, provident fund/ pension dues and even expenditure on account of bonus payments.
- Whereas the principal non-plan loans along with interest accrued thereon is recovered from MCD from their share in basic tax assignment on year to year basis, the position in respect of DJB and DTC is somewhat different. They are not in a position to pay their interest liability let alone the principal amount. Therefore, in their case Delhi government adjusts interest dues from their subsequent releases of non-plan loans. In such a scenario there is no actual receipt of interest on non-plan loans though these interest payments are shown as receipts of the government.
- Consider, in this context, a few illustrative sanctions. In September 2005 a loan of Rupees 435.44 crore to DTC was approved by government 'for expenditure towards 'book adjustment of interest due from the DTC to Delhi government on outstanding loan released to DTC up to current financial year i.e. 2005-2006.' The said amount, says the sanction order, on one hand will be debited as loan to the DTC and on the other hand will be credited in government accounts as interest payment on outstanding loans. As such, notes the same order 'there would be no actual cash outgo.' Of course there would also be no actual cash inflows.¹⁶ In fact, considering that the DTC needs loans for salaries, provident and pension funds, bonus and interest due, the possibility of any recoveries is rather remote. This type of financial management usually builds up towards loan write offs later (*as has already happened in the case of DTC).

¹⁶ Sanction Order No. F.49/Secy (STA)/Cell/2004-05/363 dated September 14, 2005.

- In November 2005, a loan of Rupees 15.00 crore was sanctioned to DTC for payment of salary for the month of November 2005. DTC was expected to pay Rupees 3.00 crore out of this amount toward their liability of provident fund and pension fund.¹⁷ The progressive amount sanctioned 'to date' in the financial year was Rupees 140 crore.
- In December 2005, government approved a loan amount of Rupees 45 crore for salaries for the months of December 2005 to February 2006 and Rupees 1.95 crore for release of bonus to employees of the DTC. The total amount of the loan approved for DTC was Rupees 46.95 crore. The DTC was expected to pay a sum of Rupees 9.00 crore toward their liability of provident fund and pension fund. The loan was in continuation of loans already sanctioned for this purpose earlier.¹⁸ The progressive amount sanctioned to the borrower (DTC) 'to date' in the financial year was Rupees 186.95 crore.
- In March 2006, a loan of Rupees 10 crore was sanctioned to the MCD for the implementation of the plan scheme 'development of regularized unauthorized colonies (general)'.¹⁹ The progressive amount of loan sanctioned to MCD for the purpose was Rupees 40.00 crore. Recall that in the section above on subsidies we noted the observations and recommendations of the committee appointed in 2000 regarding this very scheme. There is little satisfaction to be derived from the fact that deductions at source are ensuring recovery of loan or interest amounts. More importantly this amounts to a disguised subsidy which tends to escape scrutiny.
- In September 2005, a special loan of Rupees 425.00 crore was sanctioned to the DJB. Out of the sanctioned loan, the full amount of Rupees 425.00 crore was to be recovered on account of interest payable by the DJB and credited to government account.²⁰ In December 2005, a special loan of Rupees 50 crore was approved to DJB with the advice that DJB should reduce its losses substantially by reducing water losses and improving revenue collection.²¹ Finally, another loan of Rupees 62.86 crore was sanctioned in February 2006 and an amount of Rupees 12.86 crore out of this loan amount

¹⁷ Sanction Order No. F.49/Secy (STA)/99/2005/467 dated November 30, 2005.

¹⁸ ¹⁸ Sanction Order No. F.49/Secy (STA)/99/2005/513 dated December 29, 2005.

¹⁹ Letter No.F.18/16/2005-2006/UD/A/c/816 dated march 18, 2006.

²⁰ Letter No. F.20/27/2005-2006/UD/A/c/2976 dated September 29, 2005.

²¹ Letter No. F.20/27/2005-2006/UD/A/c/3551 dated December 09, 2005.

was to be recovered on account of interest payable by the Board.²² The progressive amount of loan sanctioned to the Board in the financial year 2005-2006 works out to be Rupees 562.86 crore. Here again, the possibility of actually recovering the principal or interest amount appears to be remote. This is against the basic principles of financial prudence. By recovering interest amount by advancing another loan, the borrowing agency is relieved of all financial discipline considerations, more so if it is no more than a book adjustment.

- The ways and means advances and non-plan loans have increased in 1994-1995 the amount was Rupees 186.52 crore; by 2004-2005 it had risen to Rupees 1805.73 crore i.e an almost 10 times increase.
- The increased reliance on ways and means is disturbing because it reflects poor financial management by the recipient body. It represents fund requirements to meet current expenditure. Clearly, therefore, if there is a new or growing need for ways and means advances the conclusion is inevitable that the organization is not managing its day-to day affairs effectively.
- So far as the ways and means advances component is concerned the state government is also a loser since these advances represent short term interest free loans. The short term implies recovery within the financial year in which the advance is made. However, generally recovery extends up to two years. Such ways and means advances indirectly levy interest on the GNCTD.
- The agency wise position in respect of ways and means advances is provided in Table 11.45.

²² Letter No. F.20/27/2005-2006/UD/A/c/554 dated February 27, 2006.

Table: 11.45- Non-plan Ways and Means Advances Agency wise-1994-1995 to 2004-2005 (Rupees in crore)

Year	MCD	NDMC	DJB	DTC	DVB	Delhi Transco	DPCL	DSCSC	Worker Welfare Board	Total
1994-1995	186.52	-	-	-	-	-	-	-	-	186.52
1995-1996	225.00	-	-	-	-	-	-	-	-	225.00
1996-1997	241.75	-	-	65.00	-	-	-	-	-	306.75
1997-1998	90.00	-	20.00	76.22	390.33	-	-	-	-	576.55
1998-1999	110.00	-	-	151.50	453.56	-	-	6.50	-	721.56
1999-2000	180.00	16.09	-	233.88	657.89	-	-	-	-	1087.86
2000-2001	80.00	-	75.00	193.75	794.99	-	-	-	-	1143.74
2001-2002	60.00	-	381.99	185.41	820.54	-	-	-	-	1447.94
2002-2003	60.00	-	610.64	586.87	-	90.48	-	-	0.25	1348.24
2003-2004	-	-	621.00	621.00	-	-	504.71	-	-	1746.71
2004-2005	250.00	-	727.75	565.27	-	-	262.71	-	-	1805.73

- It is evident that among the local bodies, the bulk of ways and means advances have gone to the MCD. The ways and means advances in 1994-1995 and 1995-1996 were 100 percent in favour of the MCD. However, the percentage share of the MCD has steadily come down to 13.84 percent in 2004-2005. Recovery of the advance is also not an issue in the case of the MCD as it is deducted at source by the GNCTD.
- The facility of non-plan loan was availed of by the DVB for a few years (1997-1998 to 2001-2002). The NDMC (1999-2000), Delhi Transco (2002-2003), and DSCSC (1998-1999) and Worker Welfare Board all availed of the non-plan loan facility just once.
- The reliance of the public utilities on way and means advances has been growing. The DJB and DTC are not only big beneficiaries of the facility as is evident from Table 11.46, but recovery is also doubtful.

Table: 11.46-Percentage share of MCD, DJB and DTC in Ways and Means Advances

Year	Total	Percentage share of MCD	Percentage share of DJB	Percentage share of DTC
1994-1995	186.52	100.00	-	-
1995-1996	225.00	100.00	-	-
1996-1997	306.75	78.81	3.47	21.99
1997-1998	576.55	15.61	-	13.22
1998-1999	721.56	15.24	-	21.00

1999-2000	1087.86	16.54	-	21.50
2000-2001	1143.74	6.99	6.56	16.94
2001-2002	1447.94	4.14	26.38	12.81
2002-2003	1348.24	4.45	45.29	43.53
2003-2004	1746.71	-	35.55	35.55
2004-2005	1805.73	13.84	40.30	31.30

Note: Percentage calculations restricted to agencies under consideration.

Performance of Selected Public Sector Utilities

11.26 The government, it may be recalled, had expressed concern about the financial performance of the public sector utilities.²³ It would be useful to briefly review the said performance of the DTC and the DJB.

- One of the first measures announced was that memoranda of understanding had been signed with the three undertakings. Such memoranda have been signed annually since 2000-2001. They do not appear to have had much impact on the financial performance of these bodies.
- The basic objectives of the memorandum signed with the DJB were to: help the DJB become a customer-oriented commercial entity; improve the operational performance through targeted approach; improve water and sewerage services; improve cost recovery through economic tariffs, better collection efficiency and reduction of commercial water losses; expand and upgrade physical infrastructure; cover un-serviced area and to achieve greater equity in service delivery; promote water conservation and harvesting.
- The objectives of the MOU with the DTC were to: improve the reliability of service by reducing breakdowns and missing of trips; reduce public complaints by improving crew behaviour; pay adequate attention toward safety aspects; initiate and strengthen various cost control measures with a view to containing cost deficits; increase the commercial revenue of the corpus funds so as to reduce the liability of government in funding the projects of DTC.
- More relevant are the questions: did the memoranda ensure the required financial discipline? Did the utilities meet their responsibilities as conceived of in the memoranda? Regrettably, the answer must be in the negative to both the questions. In some cases the memoranda were not even signed in

²³ Chapter IX

all the years (Table 11.47). The growing borrowing by the DJB and the DTC for essentially consumption expenditure should cause concern. Unfortunately, the utilities are not even held to account in terms of the memoranda. The performance is not reviewed and the terms and conditions of the memoranda are not enforced.

Table: 11.47-Position of Memoranda to be signed between state government and public utilities

Year	DTC	Date of Signing	DJB	Date of Signing
2000-2001	Yes	September 9, 2000	Yes	March 22, 2001
2001-2002	Yes	February 13, 2002	Yes	December 6, 2001
2002-2003	Yes	February 7, 2003	Yes	January 29, 2003
2003-2004	Not signed	-	Yes	April 2, 2004
2004-2005	Not signed	-	Yes	April 2, 2004
2005-2006	Not signed	-	Not signed	-

Note: NA means 'not applicable' since DVB ceased to exist.

- Preferably memoranda should be signed for the entire five-year plan period. Goals and objectives, as well as performance benchmarks should be specified for different time frames: 12 months, 24 months, 36 months, 48 months, and 60 months. Penalties for default should not only be built into the agreement for automatic enforcement but must also be levied without fail. That is the only way to ensure the credibility of contemplated reform measures.
- The financial performance of the Delhi Transport Corporation is summarized in Table 11.48. The operating deficit has increased. For example when the DTC was transferred to the GNCTD in 1996-1997, the operating deficit was Rupees 69.64 crore (1995-1996). In 1996-1997, the deficit was Rupees 145.89 crore. The same is projected to be Rupees 241.20 crore in 2006-2007 (BE). The deterioration has taken place largely since 2000-2001. The internal resources deficit is also mounting: from Rupees 270.20 crore in 1996-1997 to Rupees 925.80 crore in 2005-2006 (RE). The non-plan loan component of DTC is also growing from Rupees 65 crore in 1996-1997 to Rupees 1128.21 crore in 2005-2006 (RE).
- The figures mock the Memorandum of Understanding. The DTC has not become commercially viable, the reliance on financial interventions of the

government has not come down, in fact it has increased, nor has internal resource generation improved.

- The total loan liability of the DTC as on March 31, 2006 was Rupees 4061.54 crore.
- Incidentally, the central government had written off loan and interest amount of Rupees 2123.21 crore before the transfer of DTC to Delhi government. The situation has not improved after the take over.

Table: 11.48-Financial Performance of Delhi Transport Corporation
(Rupees in crore)

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)
Operating deficit	51.82	69.64	145.89	135.01	167.85	149.45	149.19
Internal Resources Deficit	293.38	373.40	270.2	160.55	191.47	188.82	164.71
Non Plan loan provided by GNCTD (i+ii)			65	76.22	151.5	233.88	193.75
(i) Towards salary payment etc.							
(ii) Conversion of interest into non plan loan.							
(iii) Subsidy for free passes etc.							

2001-02	2002-03	2003-04	2004-05	2005-06	2005-06	2006-07
(Actual)	(Actual)	(Actual)	(Actual)	(BE)	(RE)	(BE)
195.63	200.85	214.94	252.86	272.39	237.21	241.2
197.22	587.35	669.96	623.67	735.67	925.8	852.42
185.41	586.87	621	565.27	560.44	1128.21	875.72

	197	176	223.42	125.00	321.00	276.00
	389.87	445	341.85	435.44	656.54	575.72
					150.67	24.00

Source: Delhi Transport Corporation. Budget, 2003-04.

Note: 1. Operating Deficit means shortfall of operating revenue (including passenger tax) over operating expenditure (i.e. expenditure on staff and material cost) during the year

2. Internal resources deficit means shortfall in operating revenue plus net miscellaneous receipts over the total expenditure consisting of operating expenditure, interest and tax payment but excluding loan repayment and depreciation during the year.

3. Non-plan loan of Rs.233.88 crore from Delhi Govt. during 1999-2000 included Rs.66.25 crore towards 5th Pay Commission arrears and Rs.21 crore to liquidate 50% of PF contribution.

4. Similarly, non-plan loan of Rs.193.75 crore provided by Delhi Government. During 2000-2001 including Rs.21 crore towards liquidating 50% PF liabilities, Rs.9.5 crore towards payment of arrears of private operators under K.M. scheme.

- The financial performance of the Delhi Jal Board can be seen in Table 11.49. The position is not much better. The revenue receipts have risen from Rupees 89.83 crore in 1994-1995 to Rupees 479.06 crore in 2005-2006 (RE). In the same period, the revenue expenditure has increased from Rupees 265.83 crore (1994-1995) to Rupees 925.66 crore (2005-2006 RE). The non-plan deficit has increased from Rupees 176.78 crore in 1994-1995 to Rupees 446.60 crore in 2005-2006 (RE). The net non-plan deficit has similarly increased from Rupees 32.15 crore in 1994-1995 to Rupees 446.60 crore. The interest liability increased from Rupees 191.99 crore in 2001-2002 to Rupees 437.86 crore in 2005-2006 (RE).
- The total loan liability (plan and non-plan) is Rupees 7423.96 crore as on March 31, 2006 inclusive of interest liability. The total interest liability alone is Rupees 1596.90 crore as on March 31, 2006 (RE).

Table: 11.49-Financial Performance of Delhi Jal Board (Rupees. In Crore)

Sl. No.	ITEM	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	RE	BE
1	Revenue Receipts													
A	Water	80.83	89.47	98.46	95.34	130.84	204.70	202.95	183.51	200.89	220.76	203.53	453.31	498.74
B	Drainage	8.22	4.98	9.41	14.70	20.69	11.57	12.56	30.34	29.92	21.11	23.77	25.75	28.00
	Total (A+B)	89.05	94.45	107.87	110.04	151.53	216.27	215.51	213.85	230.81	241.87	227.30	479.06	526.74
2	Revenue Expenditure													
A	Establishment	56.55	65.78	78.84	94.19	121.28	112.80	151.50	161.57	177.65	203.29	238.00	254.66	280.13
Rupees B	Electricity (DVB)	32.07	35.25	43.32	91.72	110.65	160.66	140.80	222.41	271.14	224.36	196.00	230.00	240.00
C	Raw Water	3.95	2.98	2.25	3.05	2.07	2.48	5.95	5.69	7.38	22.94	13.74	25.00	30.00
D	Property Tax	5.44	4.00	4.00	9.26	10.00	7.46	75.69	45.62	75.87	27.23	29.33	10.00	20.00
E	Debt Charges	144.63	173.82	194.50	245.00	282.70	322.90	357.15	410.97					
F	Other	23.19	25.46	24.86	25.04	28.93	34.17	37.44	45.18	36.30	37.56	108.19	406.00	474.00
	Total 2 (A to F)	265.83	307.29	347.77	468.26	555.63	640.47	411.38	480.47	568.34	515.38	585.26	925.66	1044.13
3	Non Plan Deficit (1-2)	176.78	212.84	239.90	358.22	404.10	424.20	195.87	266.62	337.53	273.51	357.96	446.60	-517.39
4	Net Non-Plan Deficit (excluding Debt charges)	32.15	39.02	45.40	113.22	121.40	101.30	132.43	240.45	337.53	273.51	357.96	446.60	-517.39
5	Non Plan loan released of which:				20.00			75.00	381.99	610.64	551.00	727.75	562.86	574.34
	(i) Non Plan Loan								190.00	341.34	231.00	350.00	125.00	100.00
	(ii) conversion of interest into non-plan loan								191.99	269.30	320.00	377.75	437.86	474.34

Source: Delhi Jal Board's Letter dated 4.12.2002 & 4.12.2003.

- It is clear that throwing more and more money at these organizations by way of bailout loans is not the answer unless their basic and structural defects are looked into for appropriate resolution. Indeed, the Commission

understands that like the committee on subsidies and user charges, various committees and consultants have been appointed from time to time to examine the functioning of both the DTC and DJB. Some of these reports have been examined in government. However, the final decisions regarding acceptance and implementation of the recommendations are yet to be taken²⁴. Government could review the status of action on the recommendations of all reports and take time barred action to implement such of those as are found acceptable.

Non-Plan Capital Works

11.27 Table 11.50 relates to details of non-plan capital works. This involves mainly the scheme of large scale acquisition, development and disposal of land.

Table: 11.50- Non-plan Capital Works (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	11.09	-	-
1995-1996	10.26	-0.83	-7.48
1996-1997	-61.52	-71.78	-699.61
1997-1998	-41.01	20.51	-33.34
1998-1999	-146.26	-105.25	256.64
1999-2000	-93.76	52.50	-35.89
2000-2001	177.25	271.01	-289.05
2001-2002	-79.42	-256.67	-144.81
2002-2003	126.70	206.12	-259.53
2003-2004	-42.35	-169.05	-133.43
2004-2005	63.62	105.97	-250.22
Total	-75.40	-	-

11.28 The expenditure has been negative in six out of eleven years. Table 11.51 provides details of non-plan capital works as a percentage of various parameters. This is not easily understood. Accordingly, government may consider investigating the reasons for the negative expenditure which extends from minus Rupees 146.26 crore (1998-1999) to minus Rupees 41.01 crore (1997-1998).

²⁴ Annexe: An illustrative list of reports and studies, see Vol-III, Section-II.

Table: 11.51- Non-plan Capital Works as a Percentage

Year	Actual Expendr	Percentage of Total Non-plan Capital Expendr	Percentage of Total Non-plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of Total Capital Receipts	Percentage of Total Receipts
1994-1995	11.09	5.54	0.89	0.46	2.02	0.44
1995-1996	10.26	3.33	0.63	0.35	1.24	0.33
1996-1997	-61.52	-24.87	-3.80	-1.75	-6.99	-1.67
1997-1998	-41.01	-7.64	-1.85	-0.97	-3.98	-0.91
1998-1999	-146.26	-17.24	-5.05	-2.96	-14.19	-3.13
1999-2000	-93.76	-9.35	-2.57	-1.59	-5.68	-1.58
2000-2001	177.25	11.73	4.18	2.41	9.40	2.42
2001-2002	-79.42	-5.18	-1.71	-0.92	-3.18	-0.91
2002-2003	126.70	5.23	2.18	1.24	3.28	1.20
2003-2004	-42.35	-1.25	-0.59	-0.36	-0.86	-0.35
2004-2005	63.62	1.53	0.74	0.49	1.40	0.49

Loans and Advances to Government Servants

11. 29 Table 11.52 related to details of loans & advances to Government servants (Non-Plan). The trend growth rate has worked out to be minus 11.96 percent.

- This item of expenditure does not raise any major financial issue. The advances made to government servants for purchase of motor conveyance are recovered from the salary and are subject to careful watch.
- In any case, the number of government servants availing the facility is on the decline due to easy availability of finance in the market. The total expenditure is also quite manageable.

Table: 11.52-Details of Loans and Advances (Non-Plan) to Government Servants (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	2.62	-	-
1995-1996	3.02	0.40	15.27%
1996-1997	2.04	-0.98	-32.45%
1997-1998	1.39	-0.65	-31.86%
1998-1999	4.89	3.50	251.80%
1999-2000	4.27	-0.62	-12.68%
2000-2001	2.89	-1.38	-32.32%
2001-2002	2.07	-0.82	-28.37%
2002-2003	1.42	-0.65	-31.40%
2003-2004	0.75	-0.67	-47.18%
2004-2005	0.57	-0.18	-24.00%
Total	25.93	-	-

Plan Revenue Expenditure

11.30 Plan revenue expenditure covers items such as salaries, subsidies, and grants. Table 11.53 relates to details of total plan expenditure (revenue). Trend growth rate is 13.62 percent.

- The total plan revenue expenditure has increased from Rupees 391.29 crore (1994-1995) to Rupees 1391.12 crore (2004-2005). The absolute variation has ranged from Rupees minus Rupees 736.81 crore (2002-2003) to Rupees 171.17 crore (1995-1996). The percentage change over the previous year has similarly varied from minus 37.69 percent (2002-2003) to 102.02 percent (2001-2002).

Table : 11.53- Total Plan Expenditure (Revenue) (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	391.29	-	-
1995-1996	562.46	171.17	43.75
1996-1997	658.88	96.42	17.14
1997-1998	636.33	-22.55	-3.42
1998-1999	795.05	158.72	24.94
1999-2000	882.67	87.62	11.02
2000-2001	967.75	85.08	9.64
2001-2002	1955.01	987.26	102.02
2002-2003	1218.20	-736.81	-37.69
2003-2004	1321.92	103.72	8.51
2004-2005	1391.12	69.20	5.23

- The sudden increase in plan revenue expenditure in 2000-2001 over 2001-2002 is accounted for by the transfer of funds to the Pension Trust set up as part of the power sectors reforms.
- Thereafter, it has stabilized around Rupees 1200 crore to Rupees 1400 crore. This largely covers grants and subsidies in the education, health, social welfare and welfare of SC/ST/OBC sectors.

Table: 11.54-Total Plan Revenue Expenditure as a Percentage

Year	Actual Expendr	Percentage of Total Plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of total 'Own Tax'	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	391.29	33.52	16.26	21.89	19.76	15.48
1995-1996	562.46	42.34	19.06	26.64	24.49	18.02
1996-1997	658.88	34.77	18.74	25.99	23.57	17.92
1997-1998	636.33	32.01	15.11	21.63	18.28	14.11
1998-1999	795.05	38.80	16.09	25.74	21.72	16.95
1999-2000	882.67	38.91	14.93	25.73	20.65	14.90
2000-2001	967.75	31.00	13.14	21.99	17.78	13.20
2001-2002	1955.01	49.06	22.65	39.92	31.26	22.34
2002-2003	1218.20	27.61	11.93	22.88	18.27	11.56
2003-2004	1321.92	28.91	11.28	22.47	17.99	10.77
2004-2005	1391.12	32.60	10.80	19.58	16.25	10.62

Plan Administrative Expenses

11.31 Non-plan administrative expenses need to be juxtaposed against the administrative expenses incurred under 'plan.' Table 11.55 relates to details of administrative expenses under plan and shows a trend growth rate of 17.93 percent.

- The expenses grew from Rupees 114.28 crore in 1994-1995 to Rupees 521.16 crore in 2004-2005. The trend growth at around 18 percent is more than double the trend of administrative expenses under non-plan.
- The annual percentage variations in administrative expenses under plan has varied from a high of 351.63 percent (2001-2002) to a low of minus 63.29 percent in the following year (2002-2003).

Table: 11.55-Details of Administrative Expenses under Plan (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	114.28	-	-
1995-1996	167.70	53.42	46.74
1996-1997	152.29	-15.41	-9.19
1997-1998	228.47	76.18	50.02
1998-1999	154.32	-74.15	-32.46
1999-2000	194.54	40.22	26.06
2000-2001	257.95	63.41	32.59

2001-2002	1164.98	907.03	351.63
2002-2003	427.71	-737.27	-63.29
2003-2004	421.07	-6.64	-1.55
2004-2005	521.16	100.09	23.77
Total	3804.47	-	-

- As a percentage of total plan revenue expenditure it has climbed to as high as 59.59 percent (2001-2002) and been as low as 19.41 percent (1998-1999) too. However, more generally, it has been above 30 percent.
- As a percentage of total plan expenditure also it has hovered around the 10 percent mark with a high of 29.24 in 2001-2002 and a low of 7.53 percent in 1998-1999.
- This could well mean that administrative expenses that ought to be reflected under 'non-plan' are still borne on the plan side. While this artificially deflates the expenditure on the non-plan side and even tends to distort the trend figures, it also means that plan funds are being utilized for an essentially non-plan expenditure item.
- The plan administrative expenses (Table 11.56) as a percentage of total plan revenue expenditure rose from 29.21 percent in 1994-1995 to 37.46 percent in 2004-2005. As a percentage of total plan expenditure it was 9.79 percent in 1994-1995 and 12.21 percent in 2004-2005. As a percentage of total expenditure (plan and non-plan) the administrative expenses (plan) were 4.75 percent in 1994-1995 and 4.05 percent in 2004-2005. The share of plan administrative expenses as a percentage of total revenue receipts were 5.77 percent in 1994-1995 and rose to 6.09 percent in 2004-2005. As percentage of total receipts they fell from 4.52 percent in 1994-1995 to 3.98 percent in 2004-2005. The percentage share of plan administrative expenses could have been lower if transfer of items to non-plan side had occurred at the appropriate stage

Table : 11.56- Plan Administrative Expenses as a Percentage

Year	Actual Expendr	Percentage of Total Plan Revenue Expendr	Percentage of Total Plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of total 'Own Tax'	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	114.28	29.21	9.79	4.75	6.39	5.77	4.52
1995-1996	167.70	29.82	12.62	5.68	7.94	7.30	5.37
1996-1997	152.29	23.11	8.04	4.33	6.01	5.45	4.14
1997-1998	228.47	35.90	11.49	5.43	7.77	6.56	5.06
1998-1999	154.32	19.41	7.53	3.12	5.00	4.22	3.29
1999-2000	194.54	22.04	8.58	3.29	5.67	4.55	3.28
2000-2001	257.95	26.65	8.26	3.50	5.86	4.74	3.52
2001-2002	1164.98	59.59	29.24	13.50	23.79	18.63	13.31
2002-2003	427.71	35.11	9.69	4.19	8.03	6.42	4.06
2003-2004	421.07	31.85	9.21	3.59	7.16	5.73	3.43
2004-2005	521.16	37.46	12.21	4.05	7.33	6.09	3.98

Grants under Plan 11.32 Table 11.57 relates to details of grants released under plan. The trend growth rate is 10.66 percent.

Table: 11.57-Grants Released Under Plan (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	275.75	-	-
1995-1996	393.13	117.38	42.57
1996-1997	503.65	110.52	28.11
1997-1998	405.16	-98.49	-19.56
1998-1999	638.08	232.92	57.49
1999-2000	683.51	45.43	7.12
2000-2001	701.83	18.32	2.68
2001-2002	783.82	81.99	11.68
2002-2003	779.19	-4.63	-0.59
2003-2004	823.84	44.65	5.73
2004-2005	821.32	-2.52	-0.31
Total	6809.28	-	-

- The plan grants are made to local bodies and autonomous bodies of the Delhi government for the implementation of plan schemes.

- The annual percentage change in plan grants shows fluctuation. On the whole there is a declining trend. In 2004-2005 the annual change over the previous year was minus 2.52 percent. Indeed, the annual change has been negative in 1997-1998, 2002-2003 also.
- The decline could be attributed to inability of the bodies concerned to utilize the amounts already released.
- As a percentage of total plan revenue expenditure, plan grants (Table 11.58) decreased from 70.47 percent in 1994-1995 to 59.04 percent in 2004-2005. Plan grants as a percentage of total plan expenditure declined from 23.63 percent in 1994-1995 to 19.25 percent in 2004-2005. As a percentage of total expenditure (plan and non-plan) the decline has been from 11.46 percent to 6.38 percent. The same is the position as a percentage of total revenue receipts: from 13.92 percent to 9.59 percent. As a percentage of total receipts, plan grants reduced from 10.91 percent in 1994-1995 to 6.27 percent in 2004-2005.

Table: 11.58- Plan Grants as a Percentage

Year	Actual Expendr	Percentage of Total Plan Revenue Expendr	Percentage of Total Plan Expendr	Percentage of Total (plan and non-plan) Expendr	Percentage of total 'Own Tax'	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	275.75	70.47	23.63	11.46	15.43	13.92	10.91
1995-1996	393.13	69.89	29.59	13.32	18.62	17.12	12.59
1996-1997	503.65	76.44	26.58	14.33	19.87	18.01	13.70
1997-1998	405.16	63.67	20.38	9.62	13.77	11.64	8.98
1998-1999	638.08	80.26	41.14	12.91	20.66	17.43	13.60
1999-2000	683.51	77.44	30.13	11.56	19.93	15.99	11.54
2000-2001	701.83	72.52	22.48	9.53	15.95	12.89	9.58
2001-2002	783.82	40.09	19.67	9.08	16.01	12.53	8.96
2002-2003	779.19	63.96	17.66	7.63	14.63	11.69	7.40
2003-2004	823.84	62.32	18.02	7.03	14.00	11.21	6.71
2004-2005	821.32	59.04	19.25	6.38	11.56	9.59	6.27

Plan Subsidies

11. 33 Table 11.59 related to details of subsidies under plan. Trend growth rate is 44. 50 percent. Plan subsidies have increased from Rupees 1.26 crore to Rupees 48.64 crore. They are gradually rising.

- The percentage change has fluctuated between, minus 36.84 percent to 581.50 percent. This suggests an ad hoc approach to plan subsidies.

Table : 11.59-Details of Subsidies under Plan (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	1.26	-	-
1995-1996	1.63	0.37	29.37%
1996-1997	2.94	1.31	80.37%
1997-1998	2.70	-0.24	-8.16%
1998-1999	2.65	-0.05	-1.85%
1999-2000	4.62	1.97	74.34%
2000-2001	7.97	3.35	72.51%
2001-2002	6.21	-1.76	-22.08%
2002-2003	11.30	5.09	81.96%
2003-2004	77.01	65.71	581.50%
2004-2005	48.64	-28.37	-36.84%
Total	166.93	-	-

- Nevertheless, as a percentage of total plan revenue expenditure (Table 11.60), subsidies increased from 00.32 percent in 1994-1995 to 5.83 percent in 2003-2004 before declining to 3.50 percent in 2004-2005. As a percentage of total plan expenditure plan subsidies rose from 0.11 in 1994-1995 to 1.68 percent in 2003-2004 and then declined to 1.14 percent in 2004-2005. As a percentage of total expenditure (plan and non-plan) plan subsidies increased from 0.05 percent in 1994-1995 to 0.38 percent in 2004-2005. In 2003-2004 it was 0.66 percent. Plan subsidies as a percentage of total revenue receipts increased from 0.06 percent in 1994-1995 to 1.05 percent in 2003-2004 before settling at 0.57 percent in 2004-2005. As a percentage of total receipts, it rose from 0.05 percent in 1994-1995 to 0.63 percent in 2003-2004. Then it declined to 0.37 percent in 2004-2005.

Table: 11.60- Plan Subsidies as a Percentage

Year	Actual Expenditure	Percentage of Total Plan Revenue Expenditure	Percentage of Total Plan Expenditure	Percentage of Total (plan and non-plan) Expenditure	Percentage of total 'Own Tax'	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	1.26	0.32	0.11	0.05	0.07	0.06	0.05
1995-1996	1.63	0.29	0.12	0.06	0.08	0.07	0.05
1996-1997	2.94	0.45	0.16	0.08	0.12	0.11	0.08
1997-1998	2.70	0.42	0.14	0.06	0.09	0.08	0.06
1998-1999	2.65	0.33	0.13	0.05	0.09	0.07	0.06
1999-2000	4.62	0.52	0.20	0.08	0.13	0.11	0.08
2000-2001	7.97	0.82	0.26	0.11	0.18	0.15	0.11
2001-2002	6.21	0.32	0.16	0.07	0.13	0.10	0.07
2002-2003	11.30	0.93	0.26	0.11	0.21	0.17	0.11
2003-2004	77.01	5.83	1.68	0.66	1.31	1.05	0.63
2004-2005	48.64	3.50	1.14	0.38	0.68	0.57	0.37

Plan Capital Expenditure

11.34 Table 11.61 relates to total capital expenditure under plan. Plan expenditure is basically the creation of capital assets and plan loans to local and other bodies. Trend growth rate is 16.22 percent

Table: 11.61- Total Capital Expenditure under Plan (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	775.88	-	-
1995-1996	766.01	-9.87	-1.27%
1996-1997	1236.26	470.25	61.39%
1997-1998	1351.86	115.60	9.35%
1998-1999	1253.97	-97.89	-7.24%
1999-2000	1385.60	131.63	10.50%
2000-2001	2154.38	768.78	55.48%
2001-2002	2029.86	-124.52	-5.78%
2002-2003	3194.45	1164.59	57.37%
2003-2004	3250.78	56.33	1.76%
2004-2005	2876.36	-374.42	-11.52%

- The total plan capital expenditure increased from Rupees 775.88 crore (1994-1995) to Rupees 2876.36 crore (2004-2005). The absolute variation has been from minus Rupees 374.42 (2004-2005) to Rupees 1164.59 crore (2002-

2003). The percentage variation was from minus 11.52 percent (2004-2005) to 61.39 percent (1996-1997).

- As a percentage of total capital expenditure (Table 11.62), the variation was from 40.81 percent (2004-2005) to 83.33 percent (1996-1997). As a percentage of total plan expenditure the variation has been from 50.94 percent (2001-2002) to 72.39 percent (2002-2003). As a percentage of total expenditure, it was from 22.34 percent (2004-2005) to 35.17 percent (1996-1997). As percentage of total capital receipts the range has been from 63.36 percent (2004-2005) to 141.59 percent (1994-1995) and as a percentage of total receipts it was between 21.95 percent (2004-2005) to 33.63 percent (1996-1997).

Table: 11.62- Total Capital Expenditure under Plan as a Percentage

Year	Actual Expenditure	Percentage of Total Capital Expenditure	Percentage of Total Plan Expenditure	Percentage of Total (plan and non-plan) Expenditure	Percentage of Total Capital Receipts	Percentage of Total Receipts
1994-1995	775.88	79.49	66.48	32.23	141.59	30.69
1995-1996	766.01	71.30	57.66	25.95	92.81	24.54
1996-1997	1236.26	83.33	65.23	35.17	140.39	33.63
1997-1998	1351.86	71.57	67.99	32.10	131.23	29.97
1998-1999	1253.97	59.64	61.20	25.37	121.69	26.73
1999-2000	1385.60	58.01	61.09	23.44	83.95	23.39
2000-2001	2154.38	58.77	69.00	29.26	114.28	29.39
2001-2002	2029.86	56.97	50.94	23.52	81.31	23.20
2002-2003	3194.45	56.89	72.39	31.28	82.58	30.32
2003-2004	3250.78	49.01	71.09	27.74	66.07	26.50
2004-2005	2876.36	40.81	67.40	22.34	63.36	21.95

Capital Works

11.35 Table 11.63 relates to details of capital works under plan. Growth trend rate is 16.00 percent.

Table: 11.63-Capital Works under Plan (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	201.47	-	-
1995-1996	258.48	57.01	28.30
1996-1997	478.50	220.02	85.12
1997-1998	706.13	227.63	47.57
1998-1999	487.10	-219.03	-31.02
1999-2000	604.24	117.14	24.05
2000-2001	692.16	87.92	14.55
2001-2002	691.03	-1.13	-0.16
2002-2003	787.37	96.34	13.94
2003-2004	895.07	107.70	13.68
2004-2005	1361.90	466.83	52.16
Total	7163.45	-	-

- Capital works represents the investment in the acquisition of capital assets. This includes expenditure on construction of roads, bridges, flyovers, office buildings, schools, hospitals, and residential accommodation.
- The capital investment has increased by 6.5 times in the period 1994-1995 to 2004-2005. The annual percentage changes also are reasonable. In fact in some years it has been quite impressive (85.12 percent in 1996-1997, 47.57 percent in 1997-1998 and 52.16 percent in 2004-2005). On the other hand it has also reduced in some years by as much as minus 31.02 percent (1998-1999).
- As a percentage of total plan capital expenditure (Table 11.64) the range was 24.65 percent (2002-2003) to 52.23 percent (1997-1998) and as a percentage of total plan expenditure it was from 17.26 percent (1994-1995) to 35.52 percent (1997-1998). As percentage of total expenditure (plan and non-plan) it was within the range of 7.64 percent (2003-2004) to 16.77 percent (1997-1998), while as a percentage of total capital receipts the range was between 18.19 percent (2003-2004) and 68.54 percent (1997-1998). As a percentage of total receipts the range was from 7.30 percent (2003-2004) to 15.65 percent (1997-1998).

Table: 11.64- Capital Works under Plan as a Percentage

Year	Actual Expenditure	Percentage of Total Plan Capital Expenditure	Percentage of Total Plan Expenditure	Percentage of Total (plan and non-plan) Expenditure	Percentage of Total Capital Receipts	Percentage of Total Receipts
1994-1995	201.47	25.97	17.26	8.37	36.77	7.97
1995-1996	258.48	33.74	19.46	8.76	31.32	8.28
1996-1997	478.50	38.71	25.25	13.61	54.34	13.01
1997-1998	706.13	52.23	35.52	16.77	68.54	15.65
1998-1999	487.10	38.84	23.77	9.86	47.27	10.38
1999-2000	604.24	43.61	26.64	10.22	36.61	10.20
2000-2001	692.16	32.13	22.17	9.40	36.72	9.44
2001-2002	691.03	34.04	17.34	8.01	27.68	7.90
2002-2003	787.37	24.65	17.84	7.71	20.35	7.47
2003-2004	895.07	27.53	19.57	7.64	18.19	7.30
2004-2005	1361.90	47.35	31.91	10.58	30.00	10.39

Loans to Local and other Bodies Under Plan

11.36 Table 11.65 relates to details of loans to local and other bodies. Trend growth rate is 16.24 percent.

Table : 11.65 Loans to Local and Other Bodies (Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	574.41	-	-
1995-1996	507.53	-66.88	-11.64
1996-1997	757.76	250.23	49.30
1997-1998	644.02	-113.74	-15.01
1998-1999	762.42	118.40	18.38
1999-2000	776.56	14.14	1.85
2000-2001	1457.55	680.99	87.69
2001-2002	1335.83	-121.72	-8.35
2002-2003	2404.54	1068.71	80.00
2003-2004	2354.72	-49.82	-2.07
2004-2005	1513.80	-840.92	-35.71
Total	13089.14	-	-

- The loans to local and other bodies increased from Rupees 574.41 crore (1994-1995) to Rupees 1513.80 crore (2004-2005). In between there have been

ups and downs. The maximum was in 2002-2003 and the minimum was in 1996-1996. The annual absolute variation has been from minus Rupees 840.92 crore to Rupees 1068.71 crore (2002-2003). The annual percentage variation has been from minus 35.71 (2004-2005) to 87.69 percent (2000-2001).

- As a percentage of plan capital expenditure loans to local and other bodies varied from 47.64 percent (1997-1998) to 75.27 percent (2002-2003) and as a percentage of total plan expenditure it was from 32.39 percent (1997-1998) to 54.49 percent (2002-2003) (Table 11.66). As a percentage of total expenditure (plan and non-plan) the range was between 11.76 percent (2004-2005) to 23.86 percent (1994-1995). As a percentage of total capital receipts the variation was from 33.35 percent (2004-2005) to 104.82 percent (1994-1995). As a percentage of total receipts the range was between 11.55 percent (2004-2005) and 22.83 percent (2002-2003).

Table: 11.66- Loans to Local and Other Bodies as a Percentage

Year	Actual Expenditure	Percentage of Plan Capital Expenditure	Percentage of Total Plan Expenditure	Percentage of Total (plan and non-plan) Expenditure	Percentage of Total Capital Receipts	Percentage of Total Receipts
1994-1995	574.41	74.03	49.21	23.86	104.82	22.72
1995-1996	507.53	66.26	38.20	17.20	61.49	16.26
1996-1997	757.76	61.29	39.98	21.56	86.05	20.61
1997-1998	644.02	47.64	32.39	15.29	62.52	14.28
1998-1999	762.42	60.80	37.21	15.43	73.99	16.25
1999-2000	776.56	56.05	34.24	13.14	47.05	13.11
2000-2001	1457.55	67.66	46.68	19.80	77.32	19.89
2001-2002	1335.83	65.81	33.52	15.48	53.51	15.27
2002-2003	2404.54	75.27	54.49	23.54	62.16	22.83
2003-2004	2354.72	72.44	51.50	21.09	47.86	19.19
2004-2005	1513.80	52.63	35.47	11.76	33.35	11.55

- The agency wise break up of the plan loans is reflected in Table 11.67. We need not repeat the analysis of the loan component that has already been considered in some detail above. It will merely bear repetition that the plan loan component of the DJB has been growing over the years. While the plan loan component of the DTC has been declining, as already noted above, this

is more than made up by the non-plan loans. This is indicative of the fact that the DTC is not implementing many measures designed to introduce structural reforms or implement capital projects.

Table: 11.67- Agency wise details of Plan Loans (Rupees in crore)

Year	DJB	DTC*	Energy Sector	Others	Total
1994-1995	185.18	-	350.40	38.83	574.41
1995-1996	157.41	-	303.90	46.22	507.53
1996-1997	288.70	-	318.68	190.38	797.76
1997-1998	278.76	-	302.96	63.61	645.33
1998-1999	284.84	-	441.75	41.28	767.87
1999-2000	254.25	-	483.53	43.58	781.36
2000-2001	381.00	160.00	847.83	73.40	1462.23
2001-2002	539.45	148.13	644.12	7.13	1338.83
2002-2003	517.45	174.62	1552.53	162.48	1407.08
2003-2004	562.70	10.00	1645.99	137.02	2355.71
2004-2005	686.95	41.27	622.26	163.98	1514.46
2005-2006	677.62	4.80	266.00	304.49	1252.91
Total	4814.31	538.82	7779.95	1272.40	14405.48

Note; DTC was transferred to the Delhi Government in 1996-1997

- There was a steep increase in plan loans to the energy sector between 2000-2001 and 2004-2005. It has then reduced to Rupees 622.26 crore in 2004-2005. This downward trend can be expected to continue since the loan amounts earmarked for various components of the reform package are presumably no longer required.
- The only thing to be said in favor of the increasing loan components is that, as in the case of the DJB, they replace amounts earlier made available as grants.
- Table 11.68 relates to details of loans and advances to government servants (HBA). Trend growth rate is minus 17.86 percent. This too is a declining component of the total expenditure pattern of the state government.

Table 11.68 loans and advances to government servants (HBA) Rupees in crore)

Year	Actual Expenditure	Absolute Change Over Previous Year	Percentage change over previous year
1994-1995	-	-	-
1995-1996	-	-	-
1996-1997	-	-	-
1997-1998	1.71	1.71	-
1998-1999	4.45	2.74	160.23
1999-2000	4.80	0.35	7.87
2000-2001	4.67	-0.13	-2.71
2001-2002	3.00	-1.67	-35.76
2002-2003	2.54	-0.46	-15.33
2003-2004	0.99	-1.55	-61.02
2004-2005	0.66	-0.33	-33.33
Total	22.82	-	-

- Table 11.69 depicts the break up of plan capital expenditure among its various components.

Table: 11.69- Capital Expenditure: Details Components wise

Year	Expenditure on Capital Works	Loans to Local and other bodies	Loans to government servants (HBA)	Total Capital Expenditure (Plan)	Capital Works as a percentage of total capital expenditure	Loans to bodies as a percentage of total capital expenditure	Loans to government servants as a percentage of total capital expenditure
1994-1995	201.47	574.41	-	775.88	25.97	74.03	00.0
1995-1996	258.48	507.53	-	766.01	33.74	66.26	00.0
1996-1997	478.50	757.76	-	1236.26	38.71	61.29	00.0
1997-1998	706.13	644.02	1.71	1351.86	52.23	47.64	0.13
1998-1999	487.10	762.42	4.45	1253.97	38.85	60.80	0.35
1999-2000	604.24	776.56	4.80	1385.60	43.60	56.05	0.35
2000-2001	692.16	1457.55	4.67	2154.38	32.12	67.66	0.22
2001-2002	691.03	1335.83	3.00	2029.86	34.04	65.81	0.15
2002-2003	787.37	2404.54	2.54	3194.45	24.65	75.27	0.08
2003-2004	895.07	2354.72	0.99	3250.78	27.53	72.44	0.03
2004-2005	1361.90	1513.80	0.66	2876.36	47.35	52.63	0.02

- The 'loans to government servants' component in both absolute and percentage terms is clearly insignificant. The main components are the capital works and the loans to local and other bodies.

- A disturbing fact is the large share of loans to the local and other bodies. State government's expenditure on capital works, which is the essence of development works, has been relatively on the lower side. Only in one year (1997-1998) was the expenditure on works more than the expenditure on loans. The percentage share of capital works has varied from 24.65 percent (2003-2003) to 52.23 percent (1997-1998). However, in eight of the eleven years the expenditure on capital works has been below 40 percent of total capital expenditure.
- Since the bulk of the plan capital funds is made available in the form of loans to the local and other bodies, it would be desirable to ensure that the physical utilization is in accordance with the purposes for which the funds were made available. Government may consider an audit of physical achievements.

Financial Position- Status of Surplus Deficit

11.37 A major consideration in determining the overall health of the financial system would surely be the adequacy of revenues realized. The revenue receipts are revenues from 'own taxes', 'non-tax revenues' and grants from the centre. Overlooking the conceptual issues involved in determining 'adequacy', the major deficit indicators [overall deficit, revenue deficit/surplus, capital deficit/surplus, gross fiscal deficit (unadjusted and adjusted)]²⁵ would clearly assist the analysis of the sufficiency of revenues: deficits would suggest inadequacy, while surplus revenues, other things being equal, would be a fair indicator of adequacy.

- Increasing volumes of unused funds could also be suggestive of insufficient absorptive capacity or poor utilization efficiencies (Figure

²⁵ Overall deficit or surplus represents the difference between aggregate disbursements and aggregate receipts. Aggregate receipts include (i) Revenue receipts (ii) Capital Receipts excluding ways and means advances and overdrafts from the Reserve Bank of India and (iii) Net receipts under Public Account excluding withdrawals from Cash Balance Investment Account and Cash Balances. Aggregate disbursements include (i) Revenue expenditure and (ii) Capital disbursements excluding repayments of ways and means advances and overdrafts from RBI: additions to Cash Balance Investment Account and Cash Balance are excluded. In the context of the National Capital Territory of Delhi the items related to ways and means advances or overdrafts from the RBI under item (ii) above and the whole concept under (iii) above do not apply because Delhi does not have its own separate cash balance.

Revenue Deficit is the excess of revenue expenditure over revenue receipts.

Deficit in capital account is the excess of capital disbursements over capital receipts.

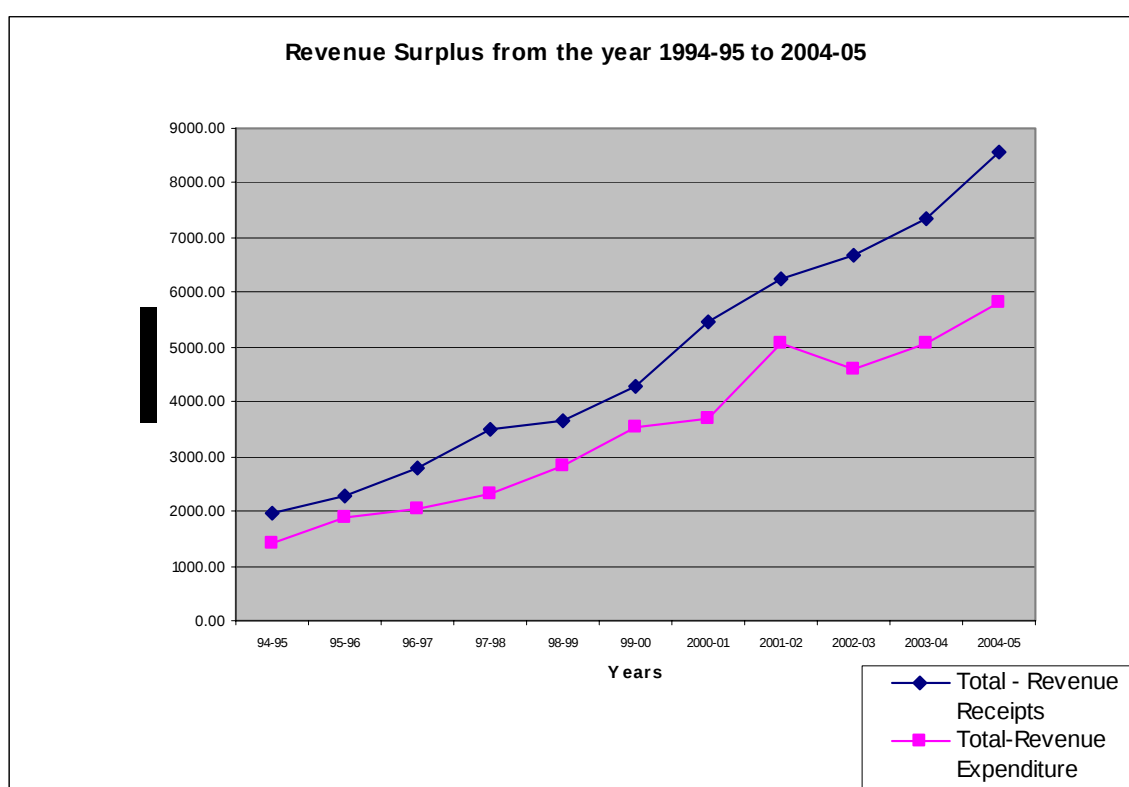
Gross Fiscal Deficit is the difference between aggregate disbursements net of debt repayments and recovery of loans and revenue receipts.

Own deficit is the difference between aggregate disbursements net of repayments of loans and interest payments made by the state to the Center and aggregate receipts net of resources transferred to states from the center in the way of taxes, grants, and loans.

Adjusted own deficit is the difference between own deficit and statutory transfers from the center to the states and Cash Balance Investment Account (net).

11.12). This absorptive capacity is represented by the number, financial size, and nature of projects and programs, the time required for obtaining administrative, financial or technical clearances, the procedure for obtaining and securing required land. In addition, the projections of fund requirements at the budget estimates stage, their mid-year revision, and other such financial fine tuning during the year also does not appear to result in the more effective utilization of available resources. This inevitably, then, results in escalating 'opening balances' at the beginning of each financial year.

Figure: 11.12-Revenue Surplus/Deficit-1994-1995 to 2004-2005



- The most notable feature of Delhi government finances is the consistent surplus on revenue account (excess of revenue receipts over revenue expenditure). Table 11.70 reveals the position. The revenue surplus in 2004-2005 was around five times that in 1994-1995. In the same period, revenue receipts have grown by more than four times. The revenue expenditure has increased by around four times. Overall this suggests that lesser amounts have been utilized than realized.

Table: 11.70-Revenue Surplus/Deficit 1994-1995 to 2004-2005 (Revenue Receipts minus Revenue Expenditures) Rupees in crore

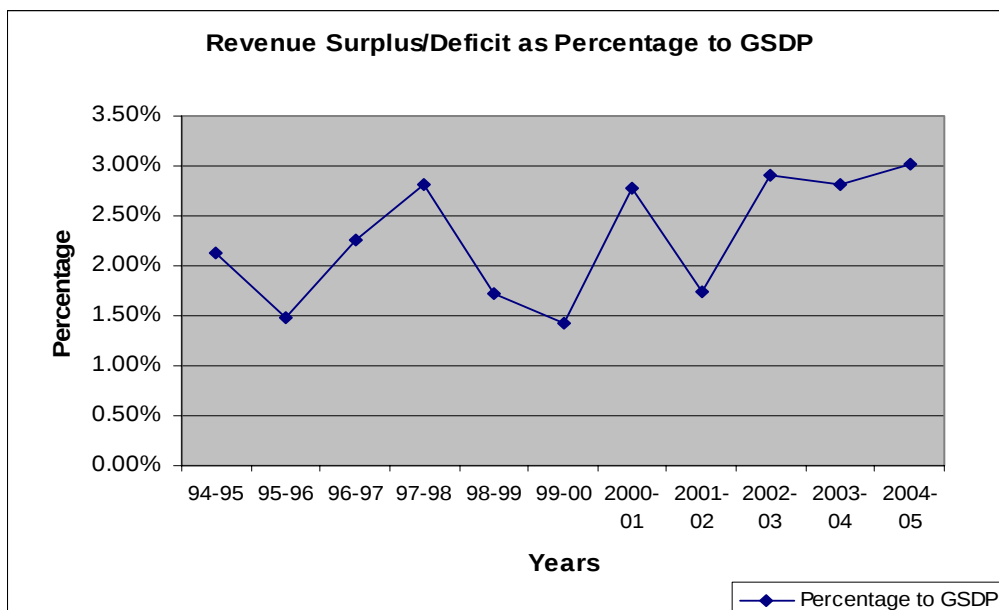
Item	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Receipts	1980.46	2296.51	2795.99	3480.72	3660.12	4274.33	5443.99	6253.71	6688.96	7348.53	8562.57
Revenue Expenditure	1430.91	1894.24	2031.81	2322.00	2840.12	3523.00	3696.50	5067.68	4598.20	5087.09	5827.48
Revenue Surplus	549.55	419.34	764.18	1158.72	820.00	751.33	1747.49	1186.03	2090.76	2261.44	2735.09

- The revenue surplus has not only been an absolute feature but Delhi has performed well even in comparison to the central government and all states (Table 11.71). The surplus in some years (1995-1996 and 1998-1999) may have been just over one percent of GSDP and in others (1997-1998, 2000-2001, and 2002-2003) closer to 3 percent (Figure 11.13).

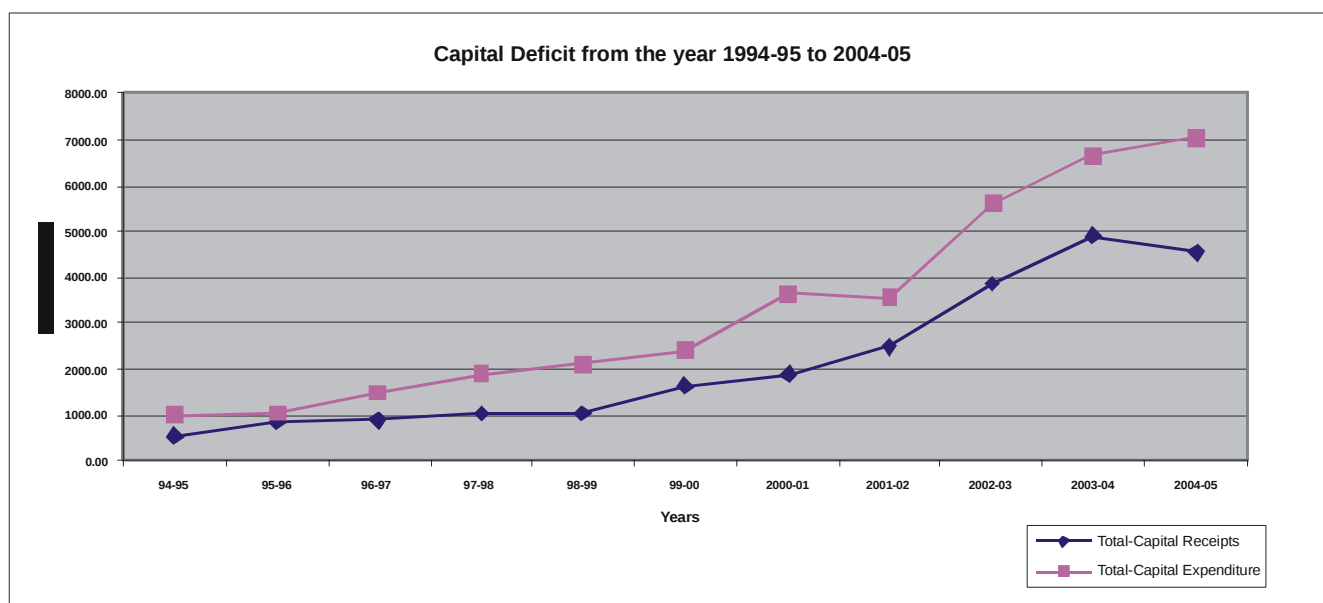
Table: 11.71-Revenue Surplus (+)/Deficit (-) as a Percentage of GDP

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Delhi	2.13	1.48	2.26	2.81	1.73	1.42	2.79	1.74	2.90	2.81	3.01
All States	-0.61	-0.69	-1.18	-1.07	-2.51	-2.78	-2.55	-2.59	-2.48		
Government of India	-3.00	-2.40	-2.30	-3.00	-3.80	-3.50	-4.10	-4.40	-4.40		

- The important fact is that while in all states and even at the national level the trend has been an ever rising revenue deficit, Delhi has managed to maintain a surplus on the revenue account (Table 11.71). However, it should be noted that this surplus is perhaps partly attributable to the fact that unlike other state governments, Delhi government does not bear the expenditure on police, law and order, and pensions.

Figure: 11.13-Revenue Surplus/Deficit as a percentage of GSDP

- The gap between capital receipts and capital expenditure has not only persisted right from 1994-1995 but has actually been growing. This is clear from Figure 11.14

Figure: 11.14 Capital Surplus/Deficit-1994-1995 to 2004-2005

- The capital deficit would inevitably be financed out of the revenue surplus. Financing a capital deficit out of the revenue surplus is by itself

a sign of healthy financial management. Therefore the fact that in nine out of eleven years it was possible to finance the capital expenditure either out of capital receipts or the revenue surplus or both is a good sign.

- Table 11.72 makes clear the fact that the financing of the capital deficit has been dependent upon revenue receipts to the extent of approximately 17 percent to 33 percent, with 1995-1996 as an exception. The percentage of capital expenditure met out of revenue receipts has ranged from around 20 percent to 51 percent. This suggests that a substantial part of the capital expenditure is met out of revenue receipts.

Table: 11.72-Capital Deficit as a percentage

Year	Total revenue Receipts	Total Capital Expenditure	Capital Deficit	Capital Deficit as a percentage of total revenue receipts	Capital Deficit as a percentage of capital expenditure
1994-1995	1980.46	976.11	-428.12	21.62	43.86
1995-1996	2296.50	1074.28	-248.90	10.84	23.17
1996-1997	2795.99	1483.53	-602.96	21.57	40.64
1997-1998	3480.72	1888.79	-858.61	24.67	45.46
1998-1999	3660.12	2102.49	-1072.02	29.29	50.99
1999-2000	4274.33	2388.67	-738.08	17.27	30.90
2000-2001	5443.99	3665.78	-1780.58	32.71	48.57
2001-2002	6253.71	3563.04	-1066.62	17.06	29.94
2002-2003	6688.96	5615.30	-1769.96	26.46	31.52
2003-2004	7348.53	6633.08	-1712.77	23.31	25.82
2004-2005	8562.57	7047.94	-2508.57	29.30	35.59

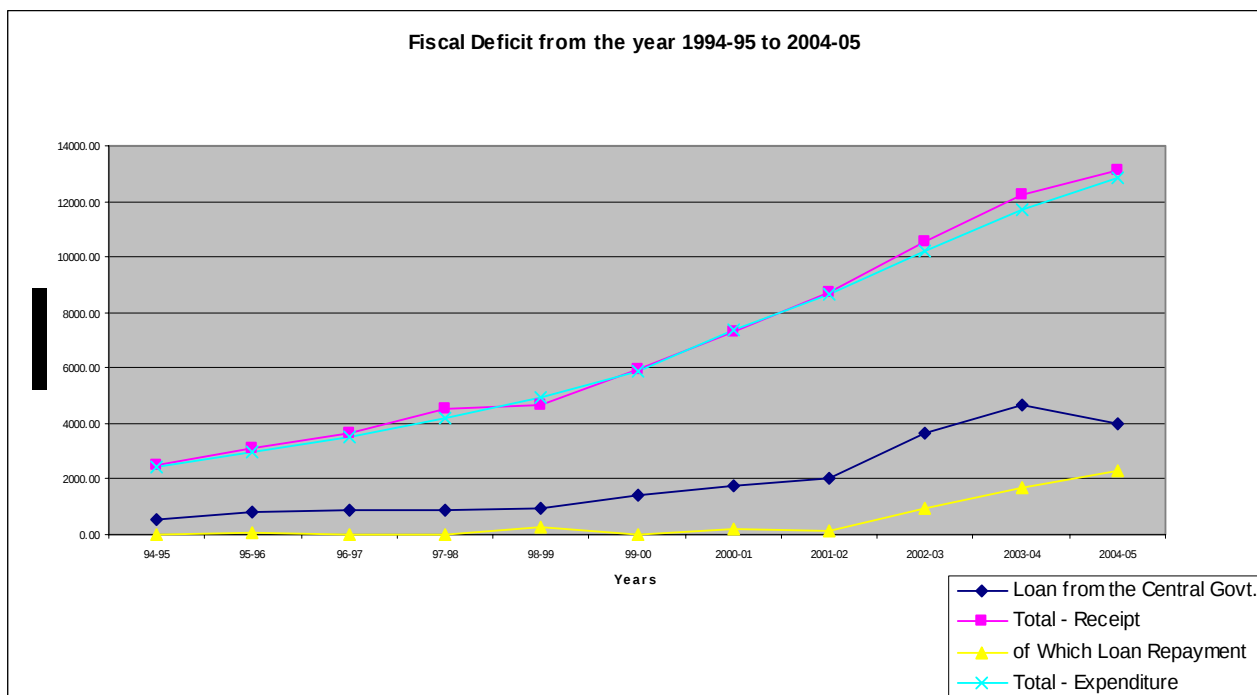
- The flaw is in the pattern of the capital expenditure (Table 11.73) with its heavy emphasis on loans to public utilities and their inability to utilize the borrowed amount effectively or efficiently, namely, on creation of capital and productive assets.

Table: 11.73-Capital Receipts-Expenditure of Government of NCT of Delhi: 1994-1995 to 2004-2005

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Capital Expenditure	976.11	1074.28	1483.53	1888.79	2102.49	2388.67
Capital Receipts	547.99	825.38	880.57	1030.18	1030.47	1650.59
Capital Surplus/ Deficit	-428.12	-248.90	-602.96	-858.61	-1072.02	-738.08

2001-02	2002-03	2003-04	2004-2005
3563.04	5615.30	6633.08	7047.94
2496.42	3845.34	4920.31	4539.37
-1066.62	-1769.96	-1712.77	-2508.57

- Figure 11.15 and Table 11.74 below depict the overall fiscal trends. Fiscal deficit refers to the difference between revenue receipts, loan recoveries and aggregate disbursements net of loan repayments. Fiscal deficit plus the interest payments constitute the primary deficit. The fiscal deficit is a summary statistical measure that indicates the net borrowing requirements of the government from all sources.

Figure: 11.15-Fiscal Deficit from 1994-1995 to 2004-2005

- The fiscal deficit of Delhi increased from Rupees 388.90 crore (1.5 percent of GSDP) in 1994-1995 to Rupees 1483.18 crore (1.63 percent of GSDP) in 2004-2005. Except for the improved position in 1997-1998 and 2004-2005 over the previous year, the fiscal deficit has shown deterioration.

Table: 11.74- Fiscal Surplus and Deficit (Rupees in crore) 1994-1995 to 2004-2005

Year	Total Revenue Receipts	Recovery of Loans	Loan Repayment by Government Servants	Loan Repayments to GOI	Total (2+3+4-5)	Total Expenditure	Fiscal Deficit (6-7)
1	2	3	4	5	6	7	8
1994-1995	1980.46	33.30	4.36	0	2018.12	2407.02	-388.90
1995-1996	2296.50	24.52	4.48	70.00	2395.50	2951.44	-555.94
1996-1997	2795.99	25.66	3.71	0	2825.36	3515.34	-689.98
1997-1998	3480.72	150.47	3.68	0	3634.87	4210.79	-575.92
1998-1999	3660.12	51.28	3.64	268.32	3983.36	4942.61	-959.25
1999-2000	4274.33	245.96	5.09	4.70	4530.08	5911.67	-1381.59
2000-2001	5443.99	115.07	6.05	187.51	5752.62	7362.28	-1609.66
2001-2002	6253.71	451.33	6.52	162.59	6874.15	8630.72	-1756.57
2002-2003	6688.96	198.21	8.42	944.50	7840.09	10213.50	-2373.41
2003-2004	7348.53	249.64	6.09	1677.19	9281.45	11720.17	-2438.72
2004-2005	8562.57	521.94	6.08	2301.65	11392.24	12875.42	-1483.18

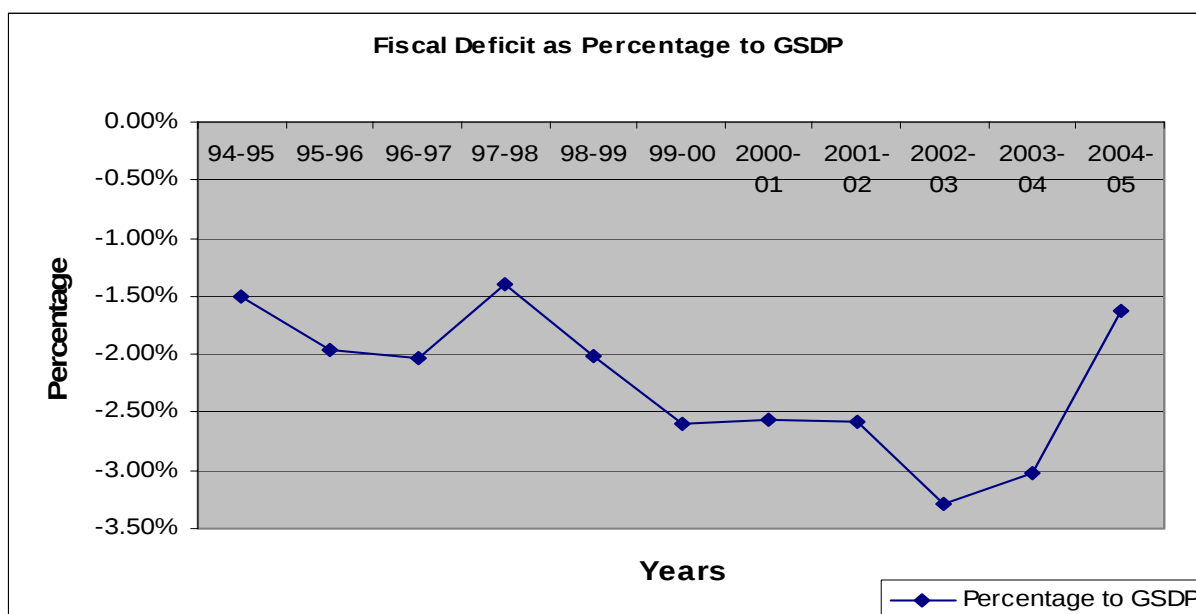
- The fiscal deficit as a percentage of the GSDP is shown in Table 11.75 and graphically in Figure 11.16.

Table : 11.75-Fiscal Deficit as percentage of GSDP (Delhi)/GDP (All States and GOI)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03 (RE)	2003-04 (BE)	2004-05
Delhi	1.50	1.96	2.04	1.40	2.02	2.61	2.57	2.58	3.29	3.03	1.63
All States	2.7	2.6	2.7	2.9	4.2	4.7	4.3	4.2	4.7	4.2	
GOI	4.6	4.1	4.0	4.7	5.1	5.4	5.6	6.1	5.4	4.8	

- The figure also provides a comparative picture of the fiscal deficit of the government of Delhi vis-à-vis all states and the government of India. Clearly, the position of Delhi is better than that of other states and also the central government again recalling that police, law and order and pensions are not charged to GNCTD.

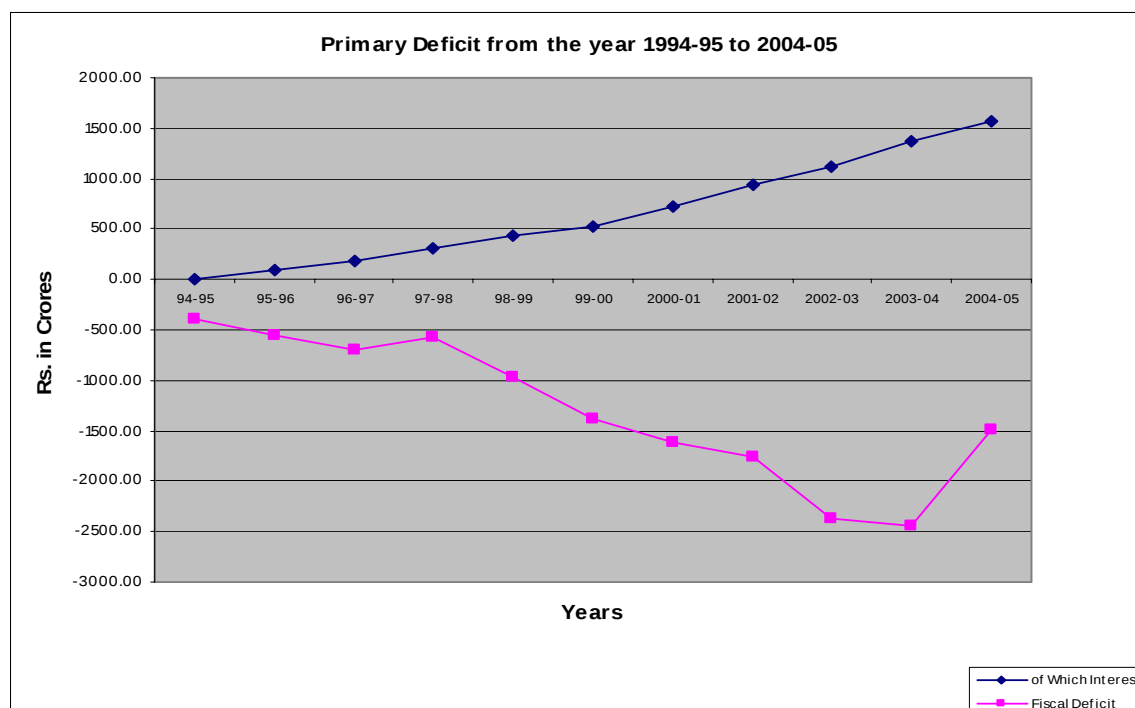
Figure: 11.16-Fiscal Deficit as a percentage of GSDP



- Table 11.76 exhibits the overall deficit of the government of the NCT of Delhi. It is clear that expenditure exceeded the total receipts in just two years. In fact the surplus was quite substantial in all other years.

Table: 11.76-Overall Surplus/Deficit Government of NCT of Delhi (1994-1995-2004-2005)

Year	Total Receipts	Total Expenditure	Surplus/Deficit
1994-1995	2528.45	2407.02	121.43
1995-1996	3121.88	2951.44	170.44
1996-1997	3676.56	3515.34	161.22
1997-1998	4510.90	4210.79	300.11
1998-1999	4690.59	4942.61	-252.02
1999-2000	5924.92	5911.67	13.25
2000-2001	7329.19	7362.28	-33.09
2001-2002	8750.13	8630.72	119.41
2002-2003	10534.30	10213.50	320.80
2003-2004	12268.84	11720.17	548.67
2004-2005	13101.94	12875.42	226.52

Figure: 11.17 Primary Deficit-1994-1995 to 2004-2005

- The primary deficit (i.e. the fiscal deficit net of interest payment) is a measure of net borrowing requirements to fund total current consumption and investment expenditure of the government. It indicates the sustainability of current fiscal policies. Delhi's primary

deficit increased from Rupees 388.90 crore (1.50 percent of GSDP) in 1994-1995 to Rupees 1258.63 crore (1.72 percent of GSDP) in 2002-2003. The primary deficit was Rupees 1071.45 crore in 2003-2004. There was a small surplus of Rupees 85.38 crore in 2004-2005. (Figure 11.17 & Table 11.77).

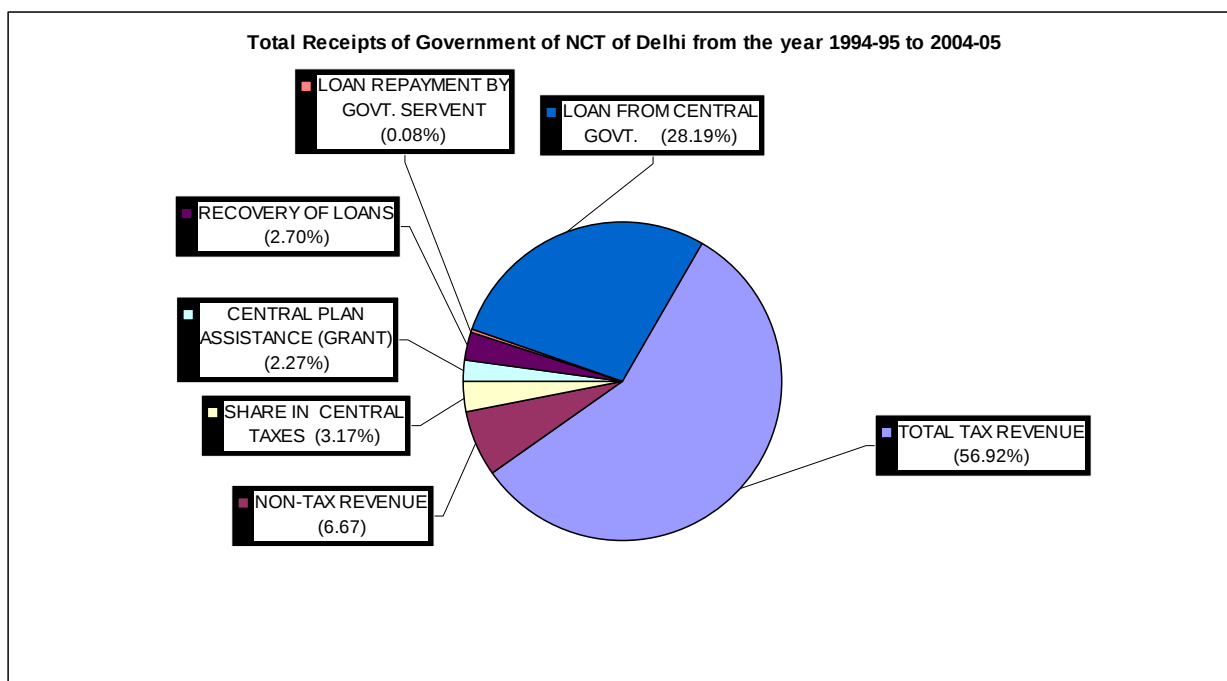
Table : 11.77-Primary Surplus/Deficit of Government of NCT of Delhi

Year	Fiscal Deficit	Interest Payments	Primary Deficit (rupees in crore)
1994-1995	-388.90	0.00	-388.90
1995-1996	-555.94	94.00	-461.94
1996-1997	-689.98	189.89	-500.09
1997-1998	-575.92	314.08	-261.84
1998-1999	-959.25	432.34	-526.91
1999-2000	-1381.59	530.74	-850.85
2000-2001	-1609.66	716.76	-892.90
2001-2002	-1756.57	934.16	-822.41
2002-2003	-2373.41	1114.78	-1258.63
2003-2004	-2438.72	1367.27	-1071.45
2004-2005	-1483.18	1568.56	85.34

Analysis of Total Receipts and Expenditure

11.38 The four analytical modules-resource needs, resource mobilization, resource allocation and resource utilization-provides a platform for reviewing the financial operation of the GNCTD as below.

- We are now in a position to summarize the main points emerging from the review of the trends in receipts and expenditure of the government of the NCT of Delhi. These are summarized in Table 11.0 which reports the position of receipts and expenditure. Figure 11.0 and Figure 11.1 depict the same information graphically.
- Take receipts first (Figure 11.18). The tax revenues declined from 70.69 percent in 1994-1995 to 54.24 percent in 2004-2005(Para 10.22). The percentage share of tax revenues in the total receipts of eleven years was 56.92 percent. Despite the declining trend, tax revenues constitute a major share of total receipts.

Figure: 11.18-Details of Receipts of the government of Delhi

- The tax receipts have been above 56.92 percent between 1994-1995 and 2000-2001. They have been below this mark in the balance years. Overall the contribution of tax revenues is declining. There has been a 16.45 percentage points decline in tax revenue between 1994-1995 and 2004-2005.
- On the other hand, the contribution of non-tax revenue has increased from 3.94 percent in 1994-1995 to 7.03 percent in 2004-2005. The share of non-tax revenues in the total receipts of eleven years has been 6.67 percent. It decreased in the initial years (1995-1996, 1996-1997) before it started rising in 1997-1998 up to 2001-2002, when it reached the peak figure of 10.01 percent. Thereafter it again began declining and settled around the figure of 7 percent.
- The overall share of non-tax revenues ended up with a percentage point increase of 3.09 percent. The contribution of non-tax revenues has been below 6.67 percent in five out of the eleven year period and above this mark in six years.

11. 39 The other vital point to remember is that interest dues from public utilities constitute the principal part of the non-tax revenues. Recovery of this is largely a paper transaction, which themselves have elicited further loans. The contribution

of this component of non-tax revenues is therefore largely illusory. Table 11.78 indicates the share of interest revenues in non-tax revenues.

Table: 11.78-Share of Interest Dues in Non-Tax Revenues (Rupees in crore)

Year	Total Non-tax Revenues	Share of Interest Dues in NTR	Net NTR	Percentage share of Interest dues in NTR
1994-1995	99.63	20.06	79.57	20.13
1995-1996	63.13	7.13	56.00	11.29
1996-1997	55.74	5.42	50.32	9.72
1997-1998	169.52	132.83	36.69	78.36
1998-1999	87.96	139.01	48.95	73.96
1999-2000	397.85	300.77	97.08	75.60
2000-2001	548.35	477.28	71.07	87.04
2001-2002	876.06	789.83	86.23	90.16
2002-2003	829.56	741.42	88.14	89.38
2003-2004	950.33	868.83	81.50	91.42
2004-2005	921.33	719.60	201.73	78.10
Total	5099.46	4202.18	897.28	82.40

11. 40 The percentage share of interest dues in non-tax revenues was initially quite small ranging from 9.72 percent (1996-1997) to 20.13 (1994-1995). The discontinuous step up came in 1997-1998-involving a sudden jump to 78.36 percent. Ever since then it has been within the range of 73.96 percent (1998-1999) to 91.42 percent (2003-2004). It may be recalled that 1997-1998 marked the advent of the DTC and the DJB. The increase in the interest dues coincides with their entry in to the administrative set up of Delhi.

11. 41 The grant in lieu of share of central taxes has declined from round 5 percent in 1997-1998 to 2.48 percent in 2004-2005. The share in total receipts in the relevant period has been 3.17 percent. This is likely to continue its downward trend in view of the fact that the grant is now a fixed amount and as a percentage share of growing total receipts its share is bound to decline.

11. 42 The grant in lieu of share in central taxes was above 3.17 percent in five out of eight years and below in the rest.

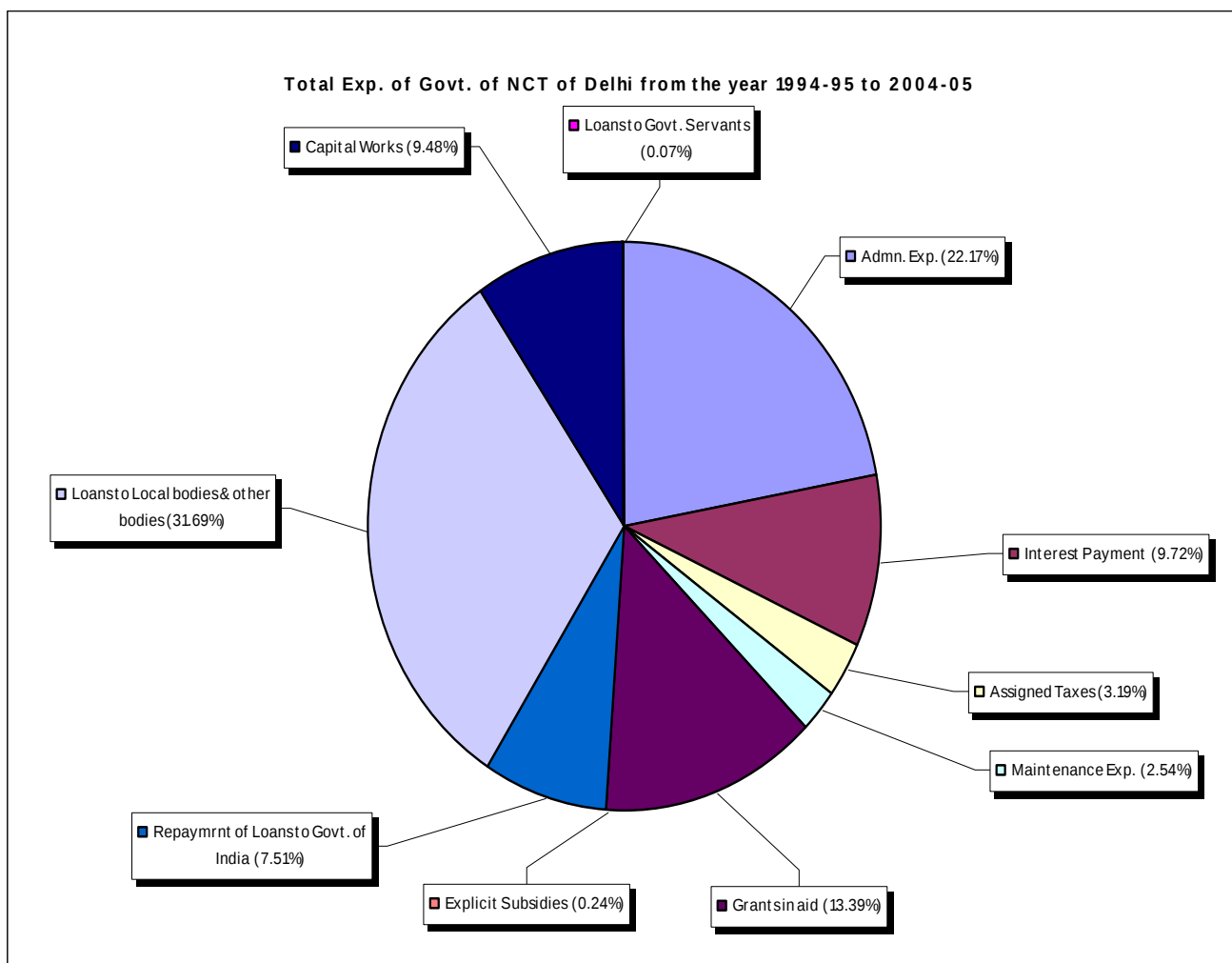
11. 43 Central plan assistance and recovery of loans from government servants has been on a decline. The share of central assistance initially increased from 3.69 percent (1994-1995) to 5.59 percent (1996-1997) and then continuously declined to 1.60 percent (2004-2005). It was less than 2.27 percent in five years and more than that in the balance years. Recovery of loans from government servants, as a percentage of total receipts has been declining throughout.

11. 44 Loans from the central government have become the second most important source of receipts. From 20.18 percent in 1994-1995, its share has increased to 30.62 percent in 2004-2005. In two of the years preceding 2004-2005, the share reached 34.76 percentage (2002-2003) and 38.03 percent (2003-2004) too. The percentage share has been above 28.19 percent in three years.

11. 45 The high volume of loan amounts has adversely affected a number of financial operations and parameters such as increased interest liability, loan repayments and consequently higher non-plan expenditure. The result is also an adverse impact on the BCR because of increased payments of interest (non-plan expenditure). The fact that government do not appear to have executive utilization plans has also meant liberal loans to the public utilities which, in turn, has had a negative effect on the finances.

11. 46 The data show that, despite a declining trend, the share of administrative expenses in the period 1994-1995, has been above one-fifth of the total expenditure (22.17 percent) (Figure 11.18).

Figure: 11.19-Details of the Expenditure Pattern of the government of Delhi from the year 1994-95 to 2004-05



11. 47 Similarly, expenditure on account of interest payments is very high, being 9.72 percent of the total expenditure. This is more than the expenditure on capital works (9.48 percent).

11. 48 Expenditure on maintenance is low. It is just 2.54 percent of the total expenditure in the period 1994-1995 to 2004-2005. It is less than the amount spent as assigned taxes (3.19 percent)- the amount of funds transferred to local bodies. Therefore creation (9.48 percent) and maintenance of capital assets is clearly a cause for concern. Together, they form 12.02 percent of the total expenditure-less than the amount spent as grants to local bodies.

11. 49 Grants (13.39 percent) and loans to local and other bodies (31.69 percent) constitute a major chunk of the expenditure. Together they are 45.08 percent of the total expenditure.

11. 50 If the administrative expenses (22.17 percent), amounts spent on interest payments (9.72 percent), repayment of loans to the central government (7.51 percent), grants to the local bodies (13.39 percent), and loans to local and other bodies (31.69 percent) are added, it is seen that 84.46 percent of total expenditure is on unproductive items. This is when we are clearly overlooking smaller items such as explicit subsidies and loans to government servants. This is not a happy situation at all.

**Some
Systemic
Issues**

11. 51 The combined total loan liability of the public utilities (DJB and DTC) is Rupees 11485.50 crore. Compare this with the fact that the loan liability of the state government (small savings loans from the central government) is Rupees 18901.14 crore. Together, the loan liability of the state government vis-à-vis the central government, and the loan liability of the public utilities vis-à-vis the state government, is more (Rupees 30386.64 crore) than the Tenth plan size (Rupees 23,000 crore).

- The total loan liability of the public utilities is more than the size of two annual plans. In 2002-2003, the plan size was Rupees 4700 crore and in 2003-2004 it was Rupees 5025 crore i.e. 9725.00 crore. Similarly, the total plan size in 2004-2005 was Rupees 5000.00 crore and that in 2005-2006 was Rupees 5100.00. To carry the comparison further, it needs to be noted that the total loan liability of the public utilities exceeds the annual plan expenditure of two and a half years. The plan expenditure for the years 2002-2003, 2003-2004, and 2004-2005 was Rupees 4405.89 crore, Rupees 4609.22 crore, and Rupees 4270.96 crore respectively. The total expenditure is Rupees 13286.07 crore.
- The contribution of the public utilities to the plan resources has been negative all along. This is likely to increase in the coming years. This is because far from contributing any amount, the state government is being compelled to meet much of even their current expenditure.
- If it so happens, and it may well be so, that the loan liabilities of the public utilities needs to be written off by the state government sometime in the future, then in addition to the actual loss of Rupees 11485.50 crore, the

government would also have lost the opportunity of funding alternative development projects. This is a rather disturbing development of recent years and renders the opportunity cost of the loans very high.

- The government need to seriously reconsider the soft option of extending loans to the public utilities and replace the existing policy with decisions aimed at structural reforms. These reforms need to promote the commercial viability envisioned by the Memorandum of Understanding.

Most of the data reveals the lack of any specific long term trend: revenue receipts, expenditure volumes, assigned taxes, the plan and non-plan subsidies, plan administrative expenses, plan grants, repayment of loans to central government, ways and means advances and non-plan loans, non-plan capital works, loans and advances to government servants. Indeed, in the ten-year period under consideration and review, there are sharp year to year variations. Is this good or bad? It depends on whether we are applauding flexibility or stability in policies because data is only reflective of real trends.

- The fact is that the choice is not flexibility *or* stability. It is flexibility *and* stability. Flexibility ought to be an attribute of short and medium term policies. However, the short and medium term policies need to be geared to the achievement of more stable long-term goals.
- If tax rates are changed every year, obviously there cannot be a clear secular trend. In fact, the long-term trend, in that case, is simply not being allowed the time required to work it self out. Impact of changes made in any given year can become evident only after the lapse of some time. Similarly, if the financial policies react to every small event, or development and the demands of every interest group or lobby, all variables are bound to display volatility. Accordingly, fluctuating trends reveal the absence of long run policies and decision platforms. It is not the volatility of rates alone that is of concern. The other issue relates to the abandoning of tax revenues year after year.

11. 52 It is felt that there is a need to evolve stable developmental, financial and fiscal policies. Stable long-term policies have several advantages. They provide the framework for the evolution of: administrative arrangements, financial programs, and five year or annual plans. They are the foundation needed for designing or

implementing programs and projects designed to secure goals and objectives such as a world class Delhi. Additionally, such policies are needed as the touchstone to determine the extent, duration and impact of deviations from the larger objectives.

- There is another useful purpose served by the evolution of long term commitments: governments and organizations commit themselves to fiscal discipline and administrative rigour. This automatically imposes limits on what is an acceptable adjustment and what is not. When governments exercise financial discipline voluntarily, the corrections would not be the outcome of budgetary constraints or program failures. They would be the outcomes of rational decisions, based on rational evaluations of the options. They also provide a demonstration effect and a role model. This is important, because governance ultimately matters, as does the quality of governance.

11. 53 Utilization of loan amounts for useful purposes such as retiring earlier and more expensive loan amounts is certainly a deserving objective-particularly in case of interest rate differentials- but it is by no means the most productive use of resources.

- In this context, we may briefly refer to two important aspects of the actual utilization pattern: volume and purpose. Take volume of utilization first. The state government is apparently not able to utilize the total available resources. This is resulting in the growing opening balances being witnessed, an embarrassment in itself. However, this has two additional implications: first, are the inflows exceeding need because of factors independent of the state government's own need assessment-factors such as the large scale small savings arising in and attributable to the state? Or, are they exceeding absorptive capacity? In either case, the situation is suggestive of the absence of executive plans for utilization.
- Now consider the pattern of expenditure. The actual utilization broadly seems to be: financing interest repayments to the Government of India and enabling the liberal extension of loan facility to the public utilities.

11. 54 Fiscal deficit of the state government may be relatively lower than that of other states. However, deficits are per se indicative of a financial malaise because today's deficit is a way of borrowing against the future. The deficit is generally

financed with new debt that makes possible higher government receipts today at the cost of having to make higher payoffs of the debt tomorrow.

11. 55 But public debt is not the only way a government can borrow against the future. There are many ways that a government can free up money today in return for higher outlays tomorrow. For example, it can cut current spending on maintenance of roads, yielding money it can use for consumption. Unfortunately, the lost maintenance will cause later road re-construction costs much higher than the average savings on maintenance. The World Development Report, 1994 estimated that timely maintenance of \$12 billion dollars would have saved road re-construction costs of \$ 45 billion dollars in Africa in the past decade. That lesson is true for any place, including Delhi.

11. 56 Also consider the costs on operation and maintenance. Most departments and agencies have displayed an abysmal record on maintaining equipment and facilities. Indeed resources for operating and maintaining equipment are marked by severe inadequacy. Maintenance expenditure is poorly quantified, poorly provided, and poorly utilized.

11. 57 Again, in many instances, governments simply shift expenditures and revenues across time to meet today's cash deficit targets. On the receipts side: the simple device of collecting tax dues of a future year in advance frequently boosts revenue streams. On the expenditure side: governments resort to the expedient of delaying payments to government workers, contractors, or suppliers. These arrears lower the current year's cash deficit and explicit public debt, while increasing next year's cash deficit and the implicit public debt.

11. 58 The increase in non-plan expenditure-both absolute and relative to plan expenditure- is a matter of concern for what it reveals. It is a consequence of several factors. However, one is the re-classification of non-plan expenditure as plan. To the extent it permits fuller utilization of capacity- of hospitals, schools- such re-classification may still be justified on the grounds of meeting a priority objective. However, it needs to be noted that, apart from not creating new physical assets, it is masking fundamental shortcomings.

Chapter-12

Municipal Corporation of Delhi: Resource Mobilization

The National Capital Territory of Delhi is managed by the state government, three local bodies [Municipal Corporation of Delhi, New Delhi Municipal Council, and Delhi Cantonment Board] and, Delhi Development Authority¹.

12.2 The geographical divisions adopted by the different authorities are indicated in Table 12.0. These are not co-terminus.

Table: 12.0-Types of Geographical Divisions Adopted by Different Authorities

Authority	Divisions	Zones
Government of NCT of Delhi	09 Revenue Districts	(i) Central (ii) East (iii) New Delhi (iv) North (v) North-east (vi) North-west (vii) South (viii) South-west (ix) West
Municipal Corporation of Delhi	12 MCD Zones	(i) Civil Lines (ii) City Zone (iii) Karol Bagh (iv) Najafgarh (v) Narela (vi) New Delhi (vii) North-west (Rohini) (viii) Sadar Paharganj (ix) Shadara (north) (x) Shadara (south) (xi) South (xii) West
NDMC	Single geographical unit	-
DCB	Single geographical unit	-
Delhi Development	15 Planning Zones	(i) Old City (1159 hectares) (ii) City Extension (Karol Bagh (2305 hectares)

¹ Organisational Structure of MCD is at page 593.

Authority	(iii) Civil Lines (3959 hectares) (iv) New Delhi (6855 hectares) (v) Trans-Yamuna (8797 hectares) (vi) South Delhi-1 (11958 hectares) (vii) West Delhi (11865 hectares) (viii) North-west Delhi (5677 hectares) (ix) South Delhi-2 (15178 hectares) (x) West Delhi-2 (12056 hectares) (xi) West Delhi-3 (22979 hectares) (xii) North-west Delhi-2 (8213 hectares) (xiii) North-west Delhi-3 (15851 hectares) (xiv) River Yamuna (6081 hectares) (xv) North Delhi (15707 hectares)
-----------	---

12.3 The Municipal Corporation is, one of the largest local bodies in the world. It is second only to Tokyo in terms of area. Its territorial jurisdiction is almost co-terminus with that of the state government. It caters to both the urban and rural sector in Delhi and services a large number of resettlement colonies, JJ squatter settlements, slums etc.

12.4 A focus on the macro ingredients of a monolithic civic body like the MCD, its 'large' geographic and equally large demographic jurisdiction, onerous role and responsibilities would yield some useful insights. The broad analytical framework is as follows:

- The municipal zone is a more manageable unit as the basic unit of analysis.
- The zonal level examination is complemented with an examination of the activity and service streams.
- Planning and execution responsibilities generate investment needs.
- The planning of projects and programs needs the back up of resource mobilization, allocation and utilization.

Functional Jurisdiction

12.5 The functional jurisdiction² of the MCD is the starting point of the analysis and is summarized in Table 12.1 and Table 12.2

²The Delhi Municipal Corporation Act, 1957; Sections 42 and 43 define the obligatory and discretionary functions of the Corporation respectively.

Table: 12.1-Functional Jurisdiction of the Municipal Corporation of Delhi

Obligatory Functions (Section 42)	
1.	Construction, maintenance and cleansing of drains, drainage works, public latrines, urinals and similar convenience.
2.	Scavenging, removal and disposal of filth, rubbish & other obnoxious or polluted matter.
3.	Reclamation of unhealthy localities, removal of noxious vegetation and generally abatement of all nuisances.
4.	Regulation of places for the disposal of the dead and the provision and maintenance of places for the said purposes.
5.	Registration of births and deaths.
6.	Public vaccination and inoculation.
7.	Measures for preventing and checking the spread of dangerous diseases.
8.	Establishment and maintenance of dispensaries, maternity and child welfare centers and carrying out other measures necessary for public medical relief.
9.	Construction and maintenance of Municipal markets and Slaughter Houses and the regulation of all markets and Slaughter Houses.
10.	Regulation and abatement of offensive or dangerous trade or practices.
11.	Securing or removal of dangerous buildings and places.
12.	Construction, maintenance, alteration or improvements of public streets, bridges, culverts, causeways and the like.
13.	Lighting, Watering and cleansing of public streets and other public places.
14.	Removal of obstructions and projections in or upon streets, bridges and other public places.
15.	Naming and numbering of streets and premises.
16.	Establishment, maintenance of and aid to schools for primary education subject to such grants as may be determined by the Central Government from time to time.
17.	Maintenance of Municipal offices.
18.	Laying out or the maintenance of public parks, gardens or recreation grounds.
19.	Maintenance of monuments and memorials vested in any local authority in Delhi immediately before the commencement of this Act or which may be vested in the Corporation after such commencement.
20.	Maintenance and development of the value of the properties vested in or entrusted to the management of the Corporation and

	(i) Preparation of plans for economic development and social justice.
21.	Maintenance including expansion and up-gradation facilities of the hospitals existing on the date of the commencement of the Delhi Municipal Corporation (Amendment Act 1993).
22.	The fulfilment of any other obligation imposed by or under this Act or any other law for the time being in force.

Table: 12.2-Functional Jurisdiction of the Municipal Corporation of Delhi

Discretionary Functions (Section 43)	
1.	Furtherance of education including cultural and physical education, by measures other than the establishment and maintenance of, and aid, to schools for primary education.
2.	Establishment and maintenance of, and aid, to libraries, museums, art galleries, botanical or zoological collections;
3.	Establishment and maintenance of, and aid, to stadium, gymnasia, akharas and places for sports and games.
4.	Planting and care of trees on roadsides and elsewhere.
5.	Surveys of buildings and lands;
6.	The registration of marriages;
7.	The taking of a census of population;
8.	The civic reception to persons of distinction;
9.	The providing of music or other entertainments in public places or places of public resort and the establishment of theatres and cinemas;
10.	The organization and management of fairs and exhibitions;
11.	The acquisition of movable or immovable property for any of the purposes before mentioned, including payment of the cost of investigations, surveys of examinations in relation thereto for the construction or adaptation of buildings necessary for such purposes;
12.	The construction and maintenance of-
a.	rest-houses,
b.	poor-houses,
c.	infirmaries,
d.	children's homes,
e.	houses for the deaf and dumb and for disabled and handicapped children,
f.	shelters for destitute and disabled persons,
g.	asylums for persons of unsound mind;
13.	The construction and maintenance of cattle pounds;
14.	The building or purchase and maintenance of dwelling houses for municipal officers and other municipal employees;

15. Any measures for the welfare of the municipal officers and other municipal employees or any class of them including the sanctioning of loans to such officers and employees or any class of them for construction of houses and purchase of vehicles;
16. The organization or management of chemical bacteriological laboratories for the examination or analysis of water, food and drugs for the detection of diseases or research connected with the public health or medical relief;
17. The provision for relief to destitute and disabled persons;
18. The establishment and maintenance of veterinary hospitals;
19. The organization, construction, maintenance and management of swimming pools, public wash houses, bathing places and other institutions designed for the improvement of public health;
20. The organization and management of farms and dairies within or without Delhi for the supply, distribution and processing of milk and milk products for the benefit of the residents of Delhi;
21. The organization and management of cottage industries, handicraft centers, and sales emporia;
22. The construction and maintenance of warehouses and godowns;
23. The construction and maintenance of garages, sheds and stands for vehicles and cattle biers;
24. The provision for unfiltered water supply;
25. The improvement of Delhi in accordance with improvement schemes approved by the Corporation ;
26. The provisions of housing accommodation for the inhabitants of any area or for any class of inhabitants; and
27. (za) any measure not hereinbefore specifically mentioned, likely to promote public safety, health, convenience or general welfare.

12.6 The Municipal Corporation was set up at a time when there was no popular government in Delhi and was expected to fill up that gap as well. The corporation had the responsibility of not only providing the municipal services, but even some of the governmental functions like transport and power supply. In recent years independent bodies have been set up for water supply and sewerage and power. Transport had been withdrawn earlier and handed over to the Delhi Transport Corporation.

12.7 Article 243ZB specifically provides for the application of the various provisions of the amendment to the Union Territories. As far as the MCD is concerned, its Act has been amended in 1993 to make it conform to the obligatory provisions of the constitution. However, not all the obligatory functions set out in the Twelfth Schedule have been delegated to the

corporation.³ For instance, three functions i.e. urban planning including town planning, fire services, and water supply and sewerage are out of the purview of the MCD. At the same time, due to historical reasons, the corporation had certain functions in the fields of transport, power supply, health and education, not mentioned in the Twelfth Schedule when the new set up for Delhi was designed. As already mentioned some of the functions vested in the corporation have since then been withdrawn. However, it continues to run several hospitals and dispensaries, as well as, educational institutions. The recommendation of the two earlier Finance Commissions that large hospitals be transferred from the administrative control of the MCD to the GNCTD remains unimplemented.

12.8 Among the obligatory functions of the corporation is included the preparation of plans for economic development and social justice.⁴

Geographical Jurisdiction

12.9 Out of the Capital's total area of 1,483 square kilometres, the MCD covers an area of 1397.29 square kilometres. This is 94.22 percent of the total area of the NCT. 99.96 percent of the population of Delhi lives in the area under the jurisdiction of the MCD. The urban area of the MCD covers 599.63 square kilometres (42.91 percent) and involves a population of 12400256 (89.97 percent). The rural belt with a total population of 963215 (6.99 percent) covers an area of 797.66 square kilometres (57.09 percent). Thus the demographic jurisdiction of the MCD involves a total population of 13363471. The density (persons per kilometre) of population in the urban areas of MCD is 20680 while in the rural areas it is 1208.

12.10 The territorial jurisdiction of the Municipal Corporation is divided into 12 zones. Each zone is further divided into wards. The number of wards ranges from the lowest 04 to 06 (Narela Zone and Sadar Paharganj Zone), to the medium 08 to 10 (City Zone, Karol Bagh, Civil Lines Zone), to the largest 12 to 16 (Central Zone, South Zone, Rohini Zone). The population of the zones also varies from between 378490 (Sadar Paharganj) to 172235 (Najafgargh Zone). Again, while Sadar Pagarganj and Civil Lines Zones are relatively compact, the Najafgargh Zone extends from Bijwasan and Mahipalpur in the south of Delhi to Peeragarhi and Mongolpuri in the north. This makes for relatively very large

³ Annexe: Twelfth Schedule, see Vol-III, Section-II.

⁴ Section 42 says, 'subject to the provisions of this Act and any other law for the time being in force. It shall be incumbent on the Corporation to make adequate provision by any means or measures which it may be lawfully use or take, for each of the following matters...' Clause (wa) of Section 42 then lists 'the preparation of plans for economic development and social justice' among such responsibilities.

and very small zones. Practically the entire rural population is packed into two or three zones (Narela, Najafgargh, and Rohini zones). Other densely populated belts are the two east Delhi zones: North Shahdara (1507183) and South Shahdara (176569)⁵.

12.11 Apart from differences in the size of area and population, the zones represent vast differences in socio-economic conditions. The infrastructural needs and deficits, income levels, and economic profiles of Shahdara, South Delhi, Najafgargh, Chandni Chowk or the rural belt have little in common. These variations would suggest differences in civic service needs. Indeed, the special socio-economic status and features of each geographical tract would constitute its most defining 'area code.' For instance, which zone is host to slums, industrial clusters, or agricultural belts? What are the consequences for civic body expectations? What then are the resource needs of each zone? Analysis ought to take cognizance of differentiations in features- and problems. The differentiation in difficulties or needs does not appear to guide the policies or plans of the MCD.

12.12 The responsibilities of zonal offices are reproduced in Box 12.0

Box: 12.0-Responsibilities of Zonal Offices⁶

'The zonal offices are responsible for redress of day-to-day public grievances concerning breakdown of civic services *apart from development work* (emphasis provided) in sanitation, education, health, and transport (road and commercial services) sector.'

Role of the Deputy Commissioner in Zone

12.13 The Deputy Commissioner of the zone is the executive and administrative head of the zone⁷. All the departments, whose headquarters are stationed either at Town Hall, or elsewhere, function under the supervision and administrative control of the Deputy Commissioners. The Deputy Commissioner, apart from the works related to day-to-day administration, has to perform following formal/informal functions also:

- (a) redress of public grievances

⁵ Annexe: Zones and Wards of the MCD, DMC Act, 1957, Schedule-Thirteenth. See Vol-III, Section-II.

⁶ Extracted from Memorandum of the Municipal Corporation submitted vide DO No. CA/DFC/FMB/279 dated December 14, 2005

⁷ Based on the note received from the Deputy Commissioner of the Shahdara South Zone, Municipal Corporation of Delhi.

- (b) co-ordination of MCD departments within the zone, with departments of the MCD and the GNCTD.
- (c) accords administrative approval and expenditure up to Rupees 6 lakh.
- (d) exercises powers delegated by the Commissioner under the provisions of Section 491 of the DMC Act.⁸
- (e) disciplinary authority under the provisions of rules.
- (f) exercises delegated powers to invoke the provisions of section 345(A) and 466(A) against violators.⁹
- (g) the Deputy Commissioner coordinates with the Delhi police for action under the provisions of IPC 283 against violators who encroach upon public land.
- (h) secretariat services to ward committees.

HSMI Study

12.14 The HSMI, the Research and Training Wing of HUDCO were asked by the Commission to undertake a study on the status, potential and a possible road map for municipal finance in Delhi. The specific objectives of the study included an:

- (a) examination of the adequacy of municipal finance in a comparative manner.

⁸ Section 491 says: Power to delegate functions of Commissioner – The Commissioner may by order direct that any power conferred or any duty imposed on him by or under this Act shall in such circumstances and under such conditions, if any, as may be specified in the order, be exercised and performed also by any municipal officer or other municipal employees specified in the order.

⁹ Section 345 (A) Power to seal unauthorised constructions – (1) It shall be lawful for the Commissioner, at any time, before or after making an order of demolition under section 343 or of the stoppage of the erection of any building or execution of any work under section 343 or under section 344, to make an order directing the sealing of such erection or work or of the premises in which such erection or work is being carried on or has been completed in the manner prescribed by rules, for the purpose of carrying out the provisions of this Act, or for preventing any dispute as to the nature and extent of such erection or work. (2) Where any erection or work or any premises in which any erection or work is being carried on, has or have been sealed, the Commissioner may, for the purpose of demolishing such erection or work in accordance with the provisions of this Act, order such seal to be removed. (3) No person shall remove such seal except (a) under an order made by the Commissioner under sub-section (2); or (b) under an order of an Appellate Tribunal or the Administrator, made in an appeal under this Act].

Section 466A says Certain offences to be cognisable-The Code of Criminal Procedure, 1973 (2 of 1974), shall apply to – (a) an offence under sub-section (5) of section 313 or section 332 or sub-section (1) of section 333 or sub-section (1) of section 334 or section 343 or section 344 or section 345 or section 347. (b) an offence under sub-section (1) of section 317 or section (1) of section 320 or sub-section (1) or section 321 or sub-section (1) of section 325 or section 339 in relation to any street which is a public street. As if it were a cognisable offence – (i) for the purpose of investigation of such offence; and (ii) for the purpose of all matters other than – (1) matters referred to in section 42 of the Code, (2) arrest of a person, except on the complaint of, or upon information received from such officers of the Corporation not being below the rank of a Deputy Commissioner, as may be appointed by the Administrator. Provided that no offence of the contravention of any condition subject to which sanction was accorded for the erection of any building or the execution of any work shall be cognisable, if such contravention relates to any deviation from any plan of such erection or execution sanctioned by the Commissioner which is compoundable on payment of any amount under the bye-laws relating to buildings made under this Act]

- (b) analysis of the financial management system of the Municipal Corporation of Delhi (MCD) and New Delhi Municipal Council (NDMC) to identify problem areas.
- (c) identification of typology of innovations for potential areas of resource mobilization on the basis of a comparative analysis, as taken by selected Urban Local Bodies in India.
- (d) preparation of a road map for adaptation of selected innovations in the financial management and resource mobilization of MCD and NDMC to accelerate up-gradation and expansion of municipal infrastructure.

**Financial
Operations:
Receipts
Structure**

12.15 We shall rely on the findings of the study, to better illustrate some of the issues involved in an assessment of the financial status of the local bodies.

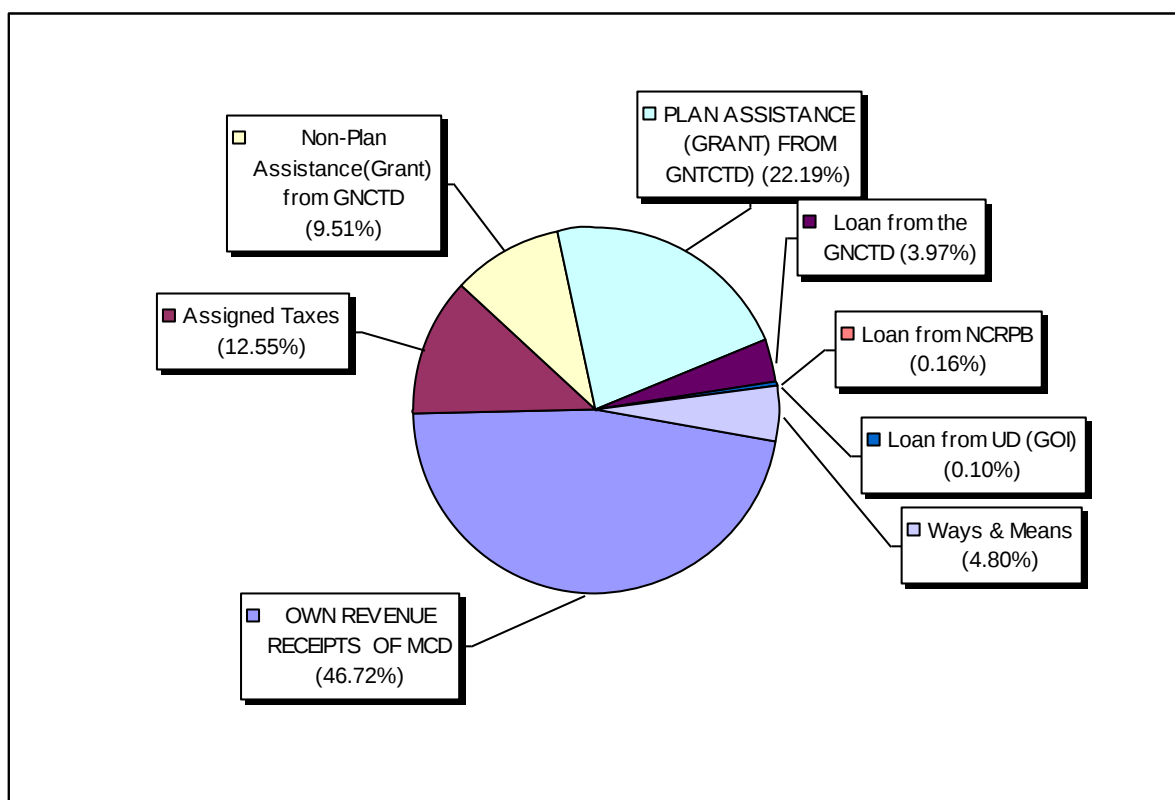
- The evaluation of the resource needs of the Municipal Corporation of Delhi can be approached from various directions: as an estimation of annual needs, as projections of requirements vis-à-vis functions and obligations, liabilities acquired over the years, as resources needed for projects and programs or for the delivery of infrastructure, services, and amenities. It is also possible to recall the fund requirement projected before the first and second Delhi Finance Commissions. We shall attempt to examine some of these aspects.
- The receipts attributed to 'own resources', 'assigned taxes', 'plan and non-plan grants' constitute the revenue receipts of the MCD. The 'loans from the GNCTD' are the capital receipts. Own resources include the tax and non-tax receipts of the MCD. The assigned taxes are the share of the Corporation in the taxes and duties etc levied by the Delhi government and assigned to the local bodies as per the recommendations of the State Finance Commission. The plan grants are released by the Delhi government for the implementation of its plan schemes in primary education, primary health, rural/urban development, roads, public health and sanitation. In this case the MCD is acting on behalf of the state government and performing agency functions. The non-plan grants are released under three heads: primary education, maintenance of resettlement colonies, and nutrition. The 'loans' component includes plan loans released for implementation of plan schemes for creation of certain assets. Non-plan loans are released as special ways and means advances to meet immediate and urgent needs. The receipts structure of the MCD is reflected in Table 12.3 and Figure 12.0.

Table: 12.3-Total Receipts Structure of the MCD-1994-1995 to 2004-2005
(Rupees in crore)

Year	Own Resources	Assigned taxes	Grants (Plan)	Grants (Non-plan)	Loans from GNCTD Plan	Ways and Means (Non-Plan)	Total
1994-1995	502.05	86.05	237.49	72.25	36.97	2.00	936.81
1995-1996	581.16	101.72	336.23	76.96	43.71	-	1139.78
1996-1997	665.92	114.00	396.09	80.30	48.18	-	1304.49
1997-1998	726.48	79.97	397.15	100.60	59.69	90.00	1453.89
1998-1999	1011.37	260.35	460.26	111.00	35.48	110.00	1988.46
1999-2000	1178.87	190.04	501.73	194.75	35.23	180.00	2280.62
2000-2001	1292.84	227.55	515.00	157.85	62.94	80.00	2336.18
2001-2002	1510.66	247.94	549.44	174.80	69.90	60.00	2612.74
2002-2003	1599.49	296.80	629.18	200.57	105.06	60.00	2891.10
2003-2004	1652.11	295.29	600.46	205.39	112.75	30.73**	2896.73
2004-2005	1897.07	347.01	651.46	455.25	151.84	310.00**	3862.63*

(*Note: The total receipts of 2004-2005 include the loans of Rupees 30 crore from the NCRPB and Rupees 20 crore from the Government of India, Ministry of Urban Development)

Note**: The Tables for 2003-2004 refer to the ways and means advance taken from the GPF account of Corporation employees. In 2004-2005, out of Rupees 310 crore, Rupees 250 crore was from the GNCTD and Rupees 60 crore from the GPF account of Corporation employees)

Figure: 12.0-Components of Total Receipts of MCD-1994-1995 to 2004-2005

12.16 The receipts from 'own resources' have increased from Rupees 502.05 crore (1994-1995) to Rupees 1897.07 crore (2004-2005), representing a percentage increase of 277.86 percent. The assigned taxes grew from Rupees 86.05 crore (1994-1995) to Rupees 347.01 crore (2004-2005). The plan grants increased from Rupees 237.49 crore (1994-1995) to Rupees 651.46 crore (2004-2005). The non-plan grants increased to Rupees 455.25 crore (2004-2005) from Rupees 72.25 crore (1994-1995). The loans from the GNCTD grew from Rupees 36.97 crore (1994-1995) to Rupees 151.84 crore (2004-2005). The ways and means advances were a minor component of the receipts structure in 1994-1995 being a mere amount of Rupees 2 crore. There is of course no pattern since there cannot be any specific trend. However, in subsequent years whenever the Corporation has resorted to ways and means advances they have generally been of not less than Rupees 30 crore (2003-2004). In fact in 1997-1998, 1998-1999, 1999-2000, and 2000-2001 they ranged between Rupees 80.00 crore (2000-2001) and Rupees 180 crore (1999-2000). In the year (2004-2005) when UAM was introduced with the expectation that reliance on ways and means advances could be expected to go down, the Corporation got an advance of Rupees 310.00 crore, the highest amount in the last eleven years.

12.17 Table 12.4 depicts the absolute and percentage variation in the receipts of the MCD source wise in the period 1994-1995 to 2004-2005.

**Table: 12.4- Absolute and Percentage Variation over Previous Year
(Rupees in crore)**

Year	Own Revenue Receipts		Assigned Taxes		Non-Plan Grants	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
1994-1995	-	-	-	-	-	-
1995-1996	77.11	15.30	15.67	18.21	4.71	6.52
1996-1997	84.76	14.58	12.28	12.07	3.34	4.34
1997-1998	150.56	22.61	-34.03	-29.85	20.30	25.28
1998-1999	304.89	37.34	180.38	225.56	10.40	10.34
1999-2000	237.50	21.18	-70.31	-27.01	83.75	75.45
2000-2001	13.97	1.03	37.51	19.74	-36.90	-18.95
2001-2002	197.82	14.41	20.39	8.96	16.95	10.74
2002-2003	88.83	5.66	48.86	19.71	25.77	14.74
2003-2004	23.35	1.41	-1.51	-0.51	4.82	2.40
2004-2005	524.23	31.15	51.72	17.51	249.86	121.65

Plan Grants		Loans		Total Receipts	
Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
-	-	-	-	-	-
98.74	41.58	6.74	18.23	202.97	21.67
59.86	17.80	4.47	10.23	164.71	14.45
1.06	0.27	11.51	23.89	149.40	11.45
63.11	15.89	-24.21	-40.56	534.57	36.77
41.47	9.01	-0.25	-0.70	292.16	14.69
13.27	2.64	27.71	78.65	55.56	2.44
34.44	6.69	6.96	11.06	276.56	11.84
79.74	14.51	35.16	50.30	278.36	10.65
-28.72	-4.56	7.69	7.32	5.63	0.19
51.00	8.49	39.09	34.67	965.90	33.34

- While the absolute variation in 'own resources' has been from Rupees 13.97 crore (2000-2001) to Rupees 524.23 crore (2004-2005), the percentage variation has ranged between as little as 1.03 percent (2000-2001) to as much as 37.34 percent (1998-1999). The absolute change in assigned taxes has been between minus Rupees 70.31 crore (1999-2000) and Rupees 180.38 crore (1998-1999). The percentage variation in assigned taxes has ranged from minus 29.85 percent to 225.56 percent. Similarly, the absolute change in the plan grants have ranged from minus Rupees 28.72 crore (2003-2004) to Rupees 98.74 crore (1995-1996) and non-plan grants have varied from minus Rupees 36.90 crore (2000-2001) to Rupees 249.86 crore (2004-2005). The percentage variation in

plan grants has ranged between minus 4.56 (2003-2004) percent and 41.58 percent (1995-1996), and non-plan grants between minus 18.95 percent (2000-2001) to 121.65 percent (2004-2005). The absolute variation in loans, representing the capital receipts, has been from minus Rupees 24.21 crore (1998-1999) to Rupees 39.09 crore (2004-2005), and the percentage variation from minus 40.56 percent (1998-1999) to 78.65 percent (2000-2001). The absolute variation in total receipts has varied from Rupees 5.63 crore (2003-2004) to Rupees 965.90 crore (2004-2005), while the percentage variation has been from 0.19 percent (2003-2004) to 36.77 percent (1998-1999)

- The trend growth rate of 'own resources' has been 15.50 percent; of assigned taxes has been 15.09 percent; of plan grants and non-plan grants has been 9.00 percent and 17.10 percent respectively, and; of loans has been 13.70 percent. Accordingly, the fastest growing source of revenues has been non-plan grants, while plan grants has been the slowest.
- The most significant aspect is the lack of any growth pattern. Statistically apart, there is no clear growth trend. For instance, if the revenues sharply increase in one year, they decline equally sharply in the next year. Accordingly, it would be difficult to distinguish as to what specifically are the steps or measures that have accounted for either the increases or the decreases. In such circumstances it is not possible to isolate the policy decisions or measures that the Corporation should persist with or modify.
- Practically speaking however, the budgetary process which enables the deliberative wing to approve revenue projections over and above that proposed by the executive wing, raises an important question: what is the basis for enhancing the annual revenues proposed by the Commissioner at the BE or the RE stage?
- Considering the there has almost always been a shortfall in performance against the approved targets, the performance of earlier years cannot provide the basis for revising each years proposed target upwards. If performance of the previous year is not a guide to positing realistic targets, there is the possibility of new measures envisioned. Now, the only revenue generating measure contemplated in recent years was the unit area method for implementation of the property tax. This was implemented with effect from April 1, 2004. The result has not been immediately satisfactory. Therefore, even new measures do not justify enhancing the basic revenue targets.

- Another possibility is that the Corporation was hoping to achieve larger revenue realizations in order to take advantage of the incentive scheme recommended by the Second Delhi Finance Commission. The results do not justify such a conclusion.¹⁰ Accordingly, if nevertheless, the Corporation chose every year to enhance the annual targets proposed by the Commissioner, it is obviously the triumph of hope over experience because actual measures for generating additional revenues and the corresponding required effort clearly trails targets.

12.18 Table 12.5 reports the position of various sources as a percentage of total receipts. Own resources form a major part of the resources of the MCD. They have been less than 50 percent of the total receipts in most of the years except in the year 2000-2001, 2001-2002 and 2003-2004.

Table: 12.5- Percentage of various sources in Total Receipts-1994-1995 to 2004-2005

Year	Own Resources	Assigned Taxes	Plan Grants	Non-plan Grants	Loans
1994-1995	53.80	9.19	25.35	7.71	3.95
1995-1996	50.99	8.92	29.50	6.75	3.83
1996-1997	51.05	8.74	30.36	6.16	3.69
1997-1998	56.16	5.50	27.32	6.92	4.11
1998-1999	56.39	13.09	23.15	5.58	1.78
1999-2000	59.58	8.33	22.00	8.54	1.54
2000-2001	58.76	9.74	22.04	6.76	2.69
2001-2002	60.12	9.49	21.03	6.69	2.68
2002-2003	57.40	10.27	21.76	6.94	3.63
2003-2004	58.09	10.19	20.73	7.09	3.89
2004-2005	57.14	8.98	16.87	11.79	3.93

- Clearly around 50 percent of the Corporations' resources still come from the state government. The total receipts have not grown in any substantial manner. There is an increasing share of non-plan grants which have increased more than six times while own resources have grown only a little over four times in the period of 11 years.
- If the percentage share of plan grants is taken as an indicator, the role of the MCD in the discharge of agency functions is on the decline. This

¹⁰ Report of the Second Delhi state Finance Commission; Volume I, page 125: 'As part of better financial management, the Commission recommends an incentive amount of 2 percent in respect of collections from new taxes, operative after the expiry of the first year of the levy of such taxes.'

reflects a lack of faith in the organization's capacity and willingness to discharge the responsibilities entrusted to it with due diligence and in time.

- This is unfortunate because it would clearly leave a huge amount of underutilized manpower in the Corporation who would still be drawing all their benefits. It also highlights the need for more trust in the Corporation and a much larger responsiveness from the MCD. The MCD has successfully undermined belief in its functioning by tardy reportage of projects and programs implementation, it seems to hold an erroneously held belief that it is not answerable to the state government for the utilization of even resources placed at its disposal or by adherence to even basic norms of project implementation.
- The position so far is restated . The Commissioner generally poses lower revenue targets. The Corporation almost always approves higher targets. The MCD never realizes revenues matching the approve targets. There is also no clear basis for approving higher targets: not past performance, not new revenue generation measures, not even the incentive scheme recommended by the Second Finance Commission. Therefore the first and most important observation that can be derived is that the revenue projections are no platform to asses the performance of the MCD.

12.19 Table 12.6 shows the various sources of revenue as a percentage of total revenue receipts. The data confirm the position reported in Table 12.3. It will bear reiteration that the share of state government's contribution to the resources of the MCD varies from 40 to 50 percent.

Table: 12.6- Percentage of various sources in Total Revenue Receipts-1994-1995 to 2004-2005

Year	Own Resources	Assigned Taxes	Plan Grants	Non-plan Grants
1994-1995	56.02	9.56	26.39	8.03
1995-1996	53.02	9.28	30.68	7.02
1996-1997	53.01	9.07	31.53	6.39
1997-1998	58.56	5.74	28.49	7.22
1998-1999	57.52	13.33	23.57	5.68
1999-2000	60.52	8.46	22.34	8.67
2000-2001	60.39	10.01	22.65	6.94
2001-2002	61.77	9.75	21.61	6.87
2002-2003	59.56	10.65	22.58	7.20
2003-2004	60.45	10.61	21.57	7.38
2004-2005	60.29	9.48	17.80	12.44

12.20 It is equally revealing to analyse the composition of and changes in the structure of revenue receipts in per capita terms. Table 12.7 evaluates the per capita position of own revenue receipts. It is evident that the population of Delhi has grown from 1.05 crore in 1994-1995 to 1.57 in 2004-2005, i.e. a variation of 0.52 crore. In the same period the receipts have grown from Rupees 36.50 crore to Rupees 1243.06 crore, that is an increase of Rupees 1876.56 crore. The per capita revenue receipts have grown from Rupees 244.33 to 791.76, an increase of Rupees 547.43.

Table: 12.7-Per capita Revenue of MCD-1994-1995 to 2004-2005

Year	Total Revenue (in Crore)	Absolute Increase Over previous year	Percentage Increase Over previous year	Population (in crore)	Absolute Increase Over previous year
1994-1995	502.05	-	-	1.05	-
1995-1996	581.16	79.11	15.76	1.09	0.04
1996-1997	665.92	84.76	14.58	1.16	0.07
1997-1998	726.48	60.56	9.09	1.20	0.04
1998-1999	1011.36	284.88	39.21	1.21	0.01
1999-2000	1178.87	167.51	16.56	1.25	0.04
2000-2001	1292.85	113.98	9.67	1.25	0.00
2001-2002	1383.25	90.40	6.99	1.33	0.08
2002-2003	1495.50	112.25	8.11	1.40	0.07
2003-2004	1652.11	156.61	10.47	1.50	0.10
2004-2005	1948.48	296.37	17.94	1.57	0.07

Percentage Increase Over previous year	Per capita revenue (in Rupees)	Absolute Increase Over previous year	Percentage Increase Over previous year
-	478.14	-	-
3.81	533.17	55.03	11.51
6.42	574.07	40.89	7.67
3.45	605.40	31.33	5.46
0.83	835.83	230.43	38.06
3.31	943.10	107.26	12.83
0.00	1034.28	91.18	9.67
6.40	1040.04	5.76	0.56
5.26	1068.21	28.18	2.71
7.14	1101.41	33.19	3.11
4.67	1241.07	139.66	12.68

(Source: Non-plan Income and Expenditure Budget: 2006-2007)

- The percentage change in total revenues was from 15.76 percent to 17.94 that is a percentage point increase of 2.18 percent. The percentage change in population was from 3.81 percent to 4.67 percent that is a percentage point increase of 0.86 percent. The percentage change in per capita revenue was from 11.51 percent to 12.68 that is a percentage point increase of 1.17 percent.
- The percentage variation in the total revenues has ranged from 6.66 percent (2001-2002) to 39.21 (1998-1999). The percentage variation in population has varied from 0.00 (2000-2001) percent to 7.14 percent (2003-2004). The per capita revenues have ranged from 0.56 percent (2001-2002) to 38.06 percent (1998-1999).
- The fact that both the population and the total revenue receipts have increased is evident. The additional fact that per capita revenues have increased is indicative of the fact that the growth of revenues has been more than the growth of population. However, a word of caution is desirable. The correlation between the increase in per capita revenues and the increase in population is a complex interaction, because total revenues are dependent on several other factors: the increase in the number of paying population, increase in the paying capacity of the citizens and therefore better compliance, increase in the tax rates etc. Additionally the growth of revenues has to be seen in the context of targeted revenue growth and the actual expenditures.

12.21 Table 12.8 gives the per capita revenue receipts at both current and constant prices of the MCD.

Table: 12.8-Per Capita Total Revenue Receipts (Per Capita Receipts in Rupees)

Year	MCD	
	Current Prices	Constant prices
1993-94	460.81	--
1998-99	861.84	538.01
2003-04	1255.93	623.53
ACGR (93-04)	10.55	3.07
ACGR (98-04)	7.82	2.99

Source: Estimated by HSML, New Delhi.

- Table 12.8 also shows that the per capita revenue receipts of MCD have increased substantially, from Rupees 460.81 in 1993-94 to Rupees 1255.93 in 2003-04 at current prices, an increase of 172 percent over the reference period, with an annual compound growth rate of 10.55 percent.

- However, in real terms, expressed in constant prices, the growth rate has been moderate, the annual compound growth rate being 3.07 percent. It is also evident that the pace of per capita revenue growth has slowed down during the last 5 years period of 1998-2004 from 10.55 percent during 1993-2004 to 7.82 percent during 1998-2004 at MCD. At constant prices during the same period, there has been marginal decline in per capita revenue receipts in case of the MCD.
- For instance, the increases in the total revenue and the per capita revenues are especially high in just two years: 1998-1999 and 2004-2005.

Analysis of Own Receipts

12.22 Table 12.9 summarizes the receipts position of the MCD between 1994-1995 and 2004-2005 as proposed by the Commissioner and as approved by the Corporation. The annual projected own receipts are a measure of the resource needs of the MCD.

Table: 12.9-Receipts of 'Own Revenues' the MCD 1994-1995 (Rupees in crore)

Year	Budget Estimates			Revised Estimates			Actual
	By Commissioner	By Corporation	Variation (3-2)	By Commissioner	By Corporation	Variation (6-5)	
1	2	3.	4.	5.	6.	7.	8.
1994-1995	429.57	429.57	00	473.83	473.83	00	504.05
1995-1996	478.57	478.57	0.00	555.41	555.41	0.00	581.16
1996-1997	578.18	578.18	0.00	668.09	668.09	0.00	665.92
1997-1998	779.07	779.07	0.00	1078.88	1078.88	0.00	816.48
1998-1999	1254.12	1374.12	120.00	1385.04	1412.04	27.00	1121.37
1999-2000	1355.56	1429.56	74.00	1670.06	1685.06	15.00	1358.87
2000-2001	1753.35	1857.35	104.00	1620.54	1653.54	33.00	1372.84
2001-2002	1699.60	1794.10	94.50	1947.83	1968.93	21.10	1570.66
2002-2003	1849.55	1910.05	60.50	2027.27	2037.27	10.00	1659.49
2003-2004	2170.50	2270.20	99.70	2213.90	2213.90	0.00	1682.84
2004-2005	2455.06	2499.36	44.30	2699.37	2716.22	16.85	2207.07

- The targets for receipts as proposed by the Commissioner were approved by the Corporation in the first four years (1994-1995 to 1997-

1998). Thereafter the Corporation has approved higher targets than proposed by the Commissioner both at the budget and revised estimates stages.

- The actual realizations have been more than the budget and revised estimates in just two year (1994-1995 and 1995-1996). In all the other years the actual receipts have been below the budget and revised estimates: both as proposed by the Commissioner and as approved by the Corporation.

12.23 The absolute variation in the actual realizations and the proposed (by the Commissioner as also approved by the Corporation) BE and RE targets are summarized in Table 12.10.

Table: 12.10- Variations in Actual Realizations over Budget and Revised Estimates (Rupees in crore)

Year		Variation in Actual over Budget Estimates		Variation in Actual over Revised Estimates	
	By Commissioner	By Corporation	By Commissioner	By Corporation	
1994-1995	74.48	74.48	30.22	30.22	
1995-1996	102.59	102.59	25.75	25.75	
1996-1997	87.74	87.74	-2.17	-2.17	
1997-1998	37.41	37.41	-262.40	-262.40	
1998-1999	-132.75	-252.75	-263.67	-290.67	
1999-2000	3.31	-70.69	-311.19	-326.19	
2000-2001	-380.51	-484.51	-247.70	-280.70	
2001-2002	-128.94	-223.44	-377.17	398.27	
2002-2003	-190.06	-250.56	-367.78	-377.78	
2003-2004	-487.66	-587.36	-531.06	-531.06	
2004-2005	-247.99	-292.29	-492.30	-509.15	

- The actual realization is being compared to the BE and RE with reference to the proposals made by the Commissioner as well as the amounts approved by the Corporation.
- Initially, there was convergence between the proposals of the Commissioner and the projected annual receipts approved by the Corporation (1994-1995 to 1997-1998). The variation in actual realizations and the BE as proposed and approved in the period 1994-1995 to 1997-1998 have been positive. This means that, whether compared to the projections or the approved amounts, the realizations

have been higher. In fact, in 1995-1996, the positive increase was as much as Rupees 102.59 crore. The data for this period suggest that the projections and approvals were realistic and the variations were marginal. Further, most of the variation was positive.

- In the post-1997-1998 period, there has been growing divergence between the proposals of the Commissioner and the approvals by the Corporation. This has meant that the variations have been negative, except a small positive amount (over the proposal of the Commissioner) in 1999-2000. This also reflects that the approvals are for unrealistically higher amounts of receipts.
- The position becomes worse when we compare the actual realizations to the Tables of revised estimates. The revised Tables whether proposed by the Commissioner or approved by the Corporation have just no linkage with realized revenues. The differences between the projections of the Commissioner and the amounts approved by the Corporation have almost always narrowed down at the revised estimates stage. Accordingly, the variation in actual realizations over the revised estimates, whether based on the proposals of the Commissioner or approvals of the Corporation are much lower. Nevertheless, the absolute variation is very high compared to the revised estimates of both the Commissioner and the Corporation. Based on the Commissioner's revised estimates, this ranges from minus Rupees 247.70 crore (2000-2001) to minus Rupees 531.06 crore (2003-2004). Based, on the other hand, on the revised estimates approved by the Corporation the variation in actual receipts ranges from minus Rupees 262.40 crore (1997-1998) to minus Rupees 531.06 crore (2003-2004).
- Another point to note is that where ever there has been variation in the receipts estimated by the Commissioner and the receipts approved by the Corporation, the actual realizations have been much lower in comparison to the approved rather than proposed amounts. In some years (1998-1999, 2000-2001 and 2003-2004) the variation is around or even more than minus Rupees 100 crore. This makes the entire exercise of approval by the Corporation of projected receipts of somewhat doubtful utility. Are the Tables merely intended to support higher expenditure levels rather than provide a realistic basis for annual estimated revenue receipts? If so they do not form the basis for any financial management i.e expenditure is de-linked from revenue receipts.

12.24 Table 12.11 summarizes the absolute and percentage variations within a year in the budget estimates, revised estimates and the actual realizations.

Table: 12.11-Absolute and percentage variation in BE/RE/Actual within the year-1994-1995 to 2004-2005 (Rupees in crore)

Year	Proposed by Commissioner	BE Approved by Corporation	Percentage variation in receipts proposed and approved (BE)	Absolute variation in RE over BE	Percentage variation in RE over BE
1994-1995	429.57	429.57	0.00	44.26	10.30
1995-1996	478.57	478.57	0.00	76.84	16.06
1996-1997	578.18	578.18	0.00	89.91	15.55
1997-1998	779.07	779.07	0.00	299.81	38.48
1998-1999	1254.12	1374.12	9.57	37.92	2.76
1999-2000	1355.56	1429.56	5.46	255.50	17.87
2000-2001	1753.35	1857.35	5.93	-203.81	-10.97
2001-2002	1699.60	1794.10	5.56	174.83	9.74
2002-2003	1849.55	1910.05	3.27	127.22	6.66
2003-2004	2170.50	2270.20	4.59	-56.30	-2.48
2004-2005	2455.06	2499.36	1.80	216.86	8.68

Percentage variation in Actual over RE	Absolute Variation in Actual over BE	Percentage variation in Actual over BE	Absolute Variation in Actual over RE
6.38	74.48	17.34	30.22
4.64	102.59	21.44	25.75
-0.32	87.74	15.18	-2.17
-24.32	37.41	4.80	-262.40
-20.59	-252.75	-18.39	-290.67
-19..36	-70.69	-4.94	-326.19
-16.98	-484.51	-26.09	-280.70
-20.23	-223.44	-12.45	-398.27
-18.54	-250.56	-13.12	-377.78
-23.99	-587.36	-25.87	-531.06
-18.74	-292.29	-11.69	-509.15

- It is clear that the percentage variation between the proposed and approved BE ranged from 1.80 percent (2004-2005) to 9.57 percent (1998-1999). Further, though initially there was no variation between the

proposed and the approved BE, the same reached a peak in 1998-1999. Thereafter, despite ups and downs, there has been overall a downward trend in the percentage variation.

- The approved BE increased from Rupees 429.57 crore (1994-1995) to Rupees 2499.36 crore (2004-2005)
- The approved RE have always been higher than the approved BE. The percentage variation in RE over BE has ranged from minus 10.97 percent (2000-2001) to 38.48 percent (1997-1998). As a matter of fact, the RE has been revised upwards quite substantially in a number of years. For instance, the increase was as high as Rupees 299.81 crore (1997-1998), Rupees 255.50 crore (1999-2000), and Rupees 216.86 crore (2004-2005).
- Except in the initial four years, the actual realizations have not quite matched the projected ¹¹ or approved revenue receipts. The variation in actual realizations over the approved BE in absolute terms has varied from minus Rupees 587.36 crore (2003-2004) to Rupees 102.59 crore (1995-1996). The variation in actual realizations over the RE in absolute terms has varied from minus Rupees 531.06 crore (2003-2004) to Rupees 30.22 crore (1994-1995).
- The percentage variation in the actual realization over BE has varied from minus 26.09 percent (2000-2001) to 21.44 percent (1995-1996). The percentage variations in the actual realizations over the RE ranged between minus 24.32 percent (1997-1998) to 4.64 percent (1995-1996).

12.25 Table 12.12 summarizes the absolute and percentage variations in own receipts over the years 1994-1995 and 2004-2005. The absolute variation in BE over the previous year has varied from minus Rupees 63.25 crore (2001-2002) to Rupees 595.05 crore (1998-1999). In percentage terms the variation has been from minus 3.41 percent (2001-2002) to 76.38 percent (1998-1999). The absolute variations in the RE over the previous year have been from minus Rupees 31.52 crore (2000-2001) to Rupees 502.32 crore (2004-2005). The percentage variations have been from minus 1.87 percent (2000-2001) to 61.49 percent (1997-1998). The absolute variations in actual realizations have been from Rupees 13.97 crore (2000-2001) to Rupees 524.23 crore (2004-2005). Similarly, the percentage change has ranged from 1.03 percent (2000-2001) to 37.34 percent (1998-1999).

¹¹ 1999-2000 was an exception to the extent that there was a small excess over the revenue projections made by the Commissioner. However, in comparison to the receipts approved by the Corporation (BE stage), there was a substantial shortfall of Rupees 70.69 crore.

Table: 12.12-Absolute and percentage variation in BE/RE/Actual over the previous year-1994-1995 to 2004-2005 (Rupees in crore)

Year	Absolute variation in BE	Percentage variation in BE	Absolute variation in RE	Percentage variation in RE	Absolute variation in Actual	Percentage variation in Actual
1994-1995	-	-	-	-	-	-
1995-1996	49.00	11.41	81.58	17.22	77.11	15.30
1996-1997	99.61	20.81	112.68	20.29	84.76	14.58
1997-1998	200.89	34.75	410.79	61.49	150.56	22.61
1998-1999	595.05	76.38	333.16	30.88	304.89	37.34
1999-2000	55.44	4.03	273.02	19.34	237.50	21.18
2000-2001	427.79	29.92	-31.52	-1.87	13.97	1.03
2001-2002	-63.25	-3.41	315.39	19.07	197.82	14.41
2002-2003	115.95	6.46	68.34	3.47	88.83	5.66
2003-2004	360.15	18.86	176.63	8.67	23.35	1.41
2004-2005	229.16	10.09	502.32	22.69	524.23	31.15

- The annual average growth has been 33.79 percent and the long term trend growth rate works out to 15.50 percent. The annual variation in receipts has been below the annual average growth except in 1998-1999 (37.34 percent). It has also been lower than the long term growth trend in six years and above in four years. There is clearly no specific trend in the projections, approvals or realizations of receipts.

Own Receipts: Source wise

12.26 Deconstructing the revenue sources into receipts as per the realizations from each source is an equally important ingredient of the analysis. The statute provides for both obligatory and discretionary taxes. The list of both is summarized in Box 12.1.

**Box: 12.1-Obligatory and Discretionary Taxes-
(Section 113, Delhi Municipal Corporation Act, 1957)**

Obligatory Taxes	Discretionary Taxes
Property Tax	Education Cess
Tax on Vehicles and Animals	Land Revenue
Theater tax	Profession Tax
Tax on Advertisements	Electricity Tax
Duty on transfer of property	Betterment Tax
Tax on building plans	Tax on boats
=	Toll tax

- The Corporation has informed that it is levying all the obligatory taxes. Among the discretionary taxes it is levying only the electricity and toll tax. The basic information about the tax rates leviable, the tax actually levied, the tax base, and the revisions in tax rates has been reviewed. This is reflected under each tax.
- Approval of the state government is needed to levy any new tax and that of the central government for amendments to the maximum rates prescribed in the Delhi Municipal Corporation Act, 1957.¹²

12.27 Table 12.13 traces the revenue yields from the tax and non-tax sources in the period 1994-1995 to 2004-2005. The tax revenues have increased from Rupees 313.85 crore (1994-1995) to Rupees 1072.72 crore (2004-2005). Non-tax revenues have grown from Rupees 190.20 crore (1994-1995) to Rupees 1134.35 crore (2004-2005). In other words, the non-tax revenues were higher than the tax revenues in 2004-2005. The total tax revenue in the period (1994-1995 to 2004-2005) has been Rupees 7902.71 crore, while the total non-tax revenues were Rupees 5638.04 crore making for total revenue (tax and non-tax) of Rupees 13540.75 crore.

Table: 12.13-Tax and Non-tax Revenues of the MCD-1994-1995 to 2004-2005 (Rupees in crore)

Year	Tax Revenues	Non-tax Revenues	Total
1994-1995	313.85	190.20	504.05
1995-1996	370.70	210.46	581.16
1996-1997	449.67	216.25	665.92
1997-1998	532.00	284.48	816.48
1998-1999	620.97	500.40	1121.37
1999-2000	737.99	620.88	1358.87
2000-2001	865.20	507.64	1372.84
2001-2002	900.85	669.81	1570.66
2002-2003	958.51	700.98	1659.49
2003-2004	1080.25	602.59	1682.84
2004-2005	1072.72	1134.35	2207.07
Total	7902.71	5638.04	13540.75

¹² Delhi Municipal Corporation Act, 1957, Chapter XXIII, Sections 479, 480, 481, 482, 483, and 484 read with the provisions of Sections 109 (2) and 150.

- The annual absolute variation in tax revenues has varied from minus Rupees 7.53 crore (2004-2005) to Rupees 127.21 crore (2000-2001). The percentage variation has ranged from minus 0.70 percent (2004-2005) to 21.30 percent (1996-1997).
- The trend growth rate of tax revenues has been 13.70 percent. The annual variation has been above 13.70 percent in the first six years and below the trend growth since 2001-2002. The growth of tax revenues appears to have slowed down while that of non-tax revenues too has not picked up pace.
- Tax revenues whether as a percentage of 'own revenue receipts', a percentage of total revenue receipts, or as a percentage of total receipts have remained more or less stable. However, 2004-2005 presents a somewhat different picture. There is a sharp decline against all parameters: as a percentage of own revenues it declined to 48.60 percent (a 15.59 percentage points decline over the previous year); as a percentage of total revenue receipts the tax revenues declined from 38.80 to 29.30 (a 9.50 percentage points decline), and as a percentage of total receipts the reduction was from 37.29 percent in the previous year to 27.77 percent (a 9.52 percentage points decline). These are statistically significant differences that deserve a detailed investigation of causes and remedies by the Corporation. (Table 12.14)

Table 12.14: Absolute and Percentage variation in Tax Revenues-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Realization of Tax Revenue	Absolute Increase/ Decrease over Previous year	Percentage Increase/ Decrease over previous year	Percentage of Own Revenue Receipts	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	313.85	-	-	62.27	34.88	33.50
1995-1996	370.70	56.85	18.11	63.79	33.82	32.52
1996-1997	449.67	78.97	21.30	67.53	35.79	34.47
1997-1998	532.00	82.33	18.31	65.16	38.16	36.59
1998-1999	620.97	88.97	16.72	55.38	31.80	31.23
1999-2000	737.99	117.02	18.84	54.31	32.87	32.36
2000-2001	865.20	127.21	17.24	63.02	38.06	37.03
2001-2002	900.85	35.65	4.12	57.35	35.43	34.48
2002-2003	958.51	57.66	6.40	57.76	34.40	33.15
2003-2004	1080.25	121.74	12.70	64.19	38.80	37.29
2004-2005	1072.72	-7.53	-0.70	48.60	29.30	27.77

12.28 Table 12.15 reports the absolute and percentage variation in non-tax revenues from 194-1995 to 2004-2005. The absolute variation in non tax revenue has been from minus Rupees 54.18 crore (1996-1997) to Rupees 70.48 crore (2004-2005). The percentage variation has ranged from minus 19.15 (1996-1997) to 172.60 percent (1999-2000).

Table 12.15: Absolute and Percentage variation in Non-Tax Revenues-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Realization of Tax Revenue	Absolute Increase/ Decrease over Previous year	Percentage Increase/ Decrease over previous year	Percentage of Own Revenue Receipts	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	52.65	-	-	14.37	6.51	6.21
1995-1996	54.74	2.09	3.97	12.87	5.52	5.29
1996-1997	44.26	-10.48	-19.15	8.96	4.15	3.97
1997-1998	45.53	1.27	2.87	7.88	4.14	3.65
1998-1999	54.12	8.59	18.87	8.02	3.90	3.53
1999-2000	147.53	93.41	172.60	16.66	8.77	7.77
2000-2001	105.13	-42.40	-28.74	10.82	5.94	5.48
2001-2002	132.95	27.82	26.46	12.86	7.07	6.59
2002-2003	123.07	-9.88	-7.43	11.38	5.94	5.51
2003-2004	153.94	30.87	25.08	12.47	7.02	6.60
2004-2005	168.92	14.98	9.73	13.59	6.62	5.52

- The trend growth rate of non-tax revenues has been 18.20 percent. The annual variation in non –tax revenues has been above the trend growth rate in 1997-1998, 1998-1999, 1999-2000, 2000-2001, and 2004-2005. It has been below the trend rate in the rest of the years. Indeed in two of the years (2000-2001 and 2003-2004) it was negative.
- The non-tax revenues as a percentage of own revenue receipt displays two distinct phases. In one (1994-1995 to 1999-2000) the range was from 8 percent (1997-1998) to 17 percent (1999-2000). In the second phase the variation is between 10.00 percent and 14.00 percent. This position remains unaltered when we consider the share of non-tax revenues as a percentage of total revenue or total receipts.
- The year 1999-2000 represents a major departure in non tax revenue. It was the peak of the first phase as well as provided the platform the

second phase. Not only was the annual increase unusual, it was positively a discontinuous break in the annual from the previous and subsequent period. In the subsequent year, the non tax revenues have never been below the platform of Rupees 100.00 crore established in 1999-2000. Therefore, this deserves to be investigated by the Corporation to determined the causes and circumstances so that such of the initiatives that resulted in higher revenues as in the year 1999-2000 get strengthened.

Figure: 12.1-Revenue Receipts of the MCD for the Year 1994-1995

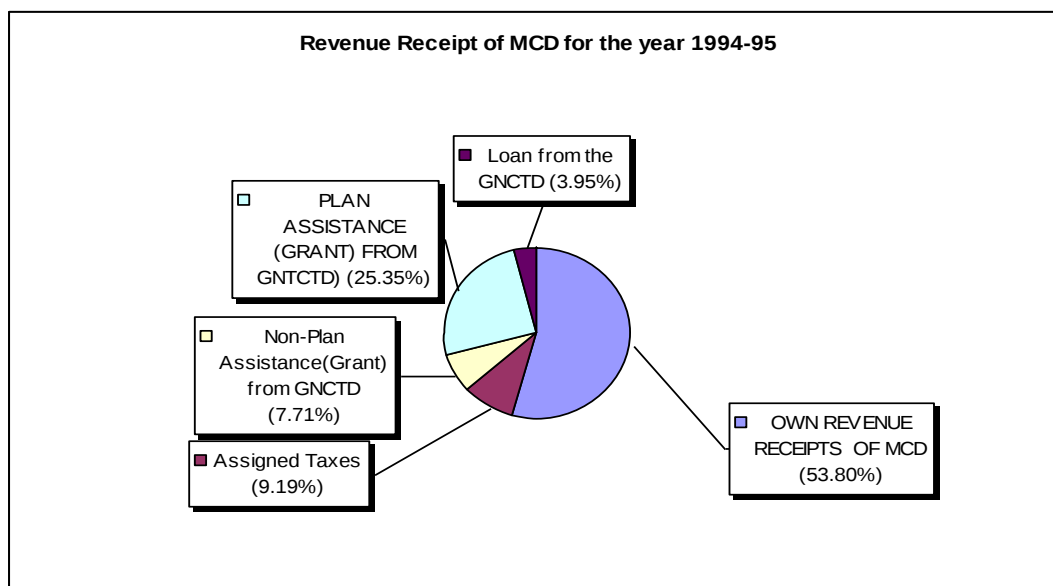
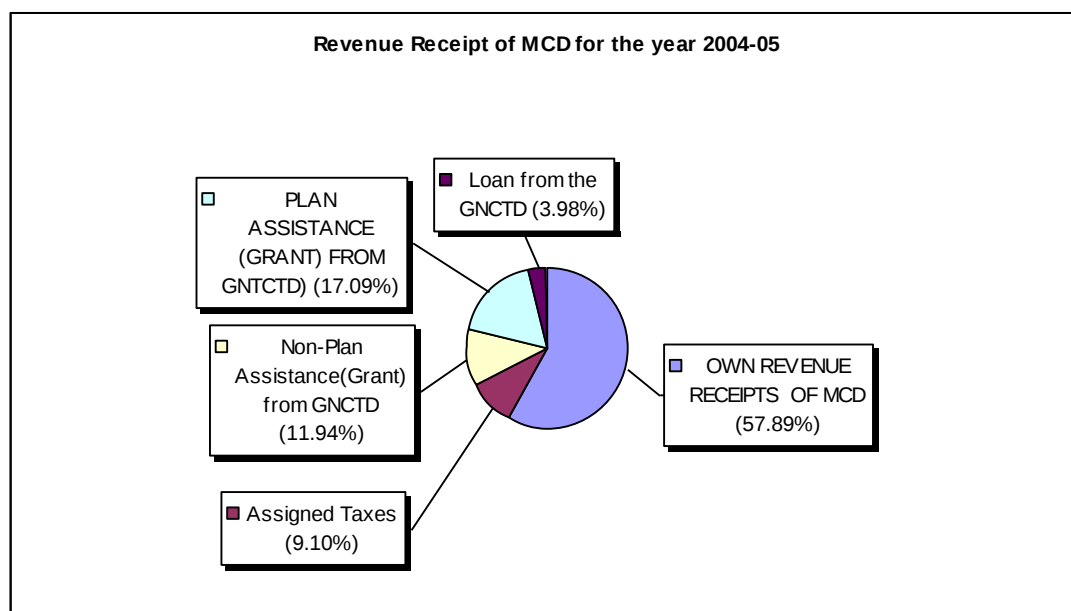


Figure: 12.2-Revenue Receipts of MCD for the Year 2004-2005



Obligatory Taxes

12.29 Property Tax: A consideration of the tax receipts will inevitably take us through an examination of property tax. Without doubt, among the Corporations own revenues, property tax remains the most important single source of revenue tax or non-tax.

12.30 We begin by recalling the findings and observations of the First and Second Delhi Finance Commissions on matters related to the levy and collection of property tax.

First Delhi Finance Commission on property tax

12.31 The First DFC had commissioned a study on the subject of 'property tax'. The study conducted by the HSMI confirmed:¹³

- ✓ The primacy of property tax as the single largest and the most dependable source of municipal finance in Delhi.
- ✓ The MCD had the distinction of the highest amount of property tax collected by any municipal government in the country.
- ✓ Property tax was the fastest growing source in Delhi and was maintaining its growth at constant prices as well.
- ✓ It was elastic in relation to other instruments of municipal income, population, and prices.
- ✓ The mobilization of property tax in Delhi is, however, not as good as it appears from the collection Tables. It is rather discouraging to note that only 31 per cent of the current demand is collected by the MCD.
- ✓ Nearly 2,14,000 assesses are estimated to be "tax payers" as against a total assessment of 7,76,000 properties in 1995-1996 at the MCD.
- ✓ The collection of arrears is equally discouraging. Only 10 per cent arrears are collected whereas the magnitude of arrears is abnormally high being over Rs. 2000 crore or five times the current demand of property tax.
- ✓ The study concluded that arrears of nearly Rupees 1400 crore are such that can be collected with special persuasion.
- ✓ This study placed on record its conclusion that there was enormous scope for horizontal and vertical growth of property tax provided that is political and administrative willingness and action are initiated in this direction.

¹³ Report of the First Delhi Finance Commission on Municipalities in National Capital Territory of Delhi (1996-2001), Volume-II, pages: 114 to 123, December 1997.

- ✓ The study also suggested certain action that were immediately adaptable and feasible within the existing framework. These relate to the listing of properties, revision of demand for owner-occupied properties as stipulated in the Act, and development of rental data from a cross-section of sources and cross-checks in the valuation.
- ✓ Apart from the inadequate coverage, underassessment was another factor, which is affecting the vertical growth of the property tax base in Delhi.
- ✓ Another factor that encourages underassessment was the discretionary and ad hoc nature of valuation. The assessment done by MCD was not based on necessary cross-referencing and sample check in relation to a number of properties, use, tenancy status, market rate of land, and rents, and so on.
- ✓ Nearly one-fifth of assesseees at the MCD (1,21,000 out of 7,76,000 assesseees) did not turn up for presenting necessary details. This also indicated that MCD failed to establish a “formal” contact line with such a large number (16 per cent) of assesseees.
- ✓ The deployment of inspectors whose role was crucial in the assessment and collection was no better. Each Inspector at MCD has to, on an average, cover 4,675 properties.
- ✓ The staff deployed on property tax administration was also not competent enough to carry out the requisite tasks. The technical skill of assessing staff is rather conventional and the cadre was exchangeable with clerks. Sometimes inspectors work as clerks and at other times as inspectors. They are neither technically qualified personnel and nor is there provision for suitable training for both the categories.
- ✓ The deployment of senior staff is no better. The key positions are filled by officials on deputation and the MCD had not developed its own cadre to handle such a sensitive wing and promote accountability and transparency in the property tax system.
- ✓ It was particularly noted by the study that a series of reforms have been introduced over a period of time to remove the hurdles in the mobilization of Property Tax. It was equally important to note that the impact of these reforms is rather limited.
- ✓ The collection mechanism was rather conventional, although MCD had initiated computerization of some of the property tax

zones. On the whole, detailed information of collections was not maintained. This leads to an ad-hoc nature of administration.

- ✓ The linkages with the general finance wing and the property tax wing were fairly loose. Budgets do not reflect the actual potential of property tax. Thus fiscal discipline was largely missing in administering property tax.
- ✓ The follow-up of assessment and collection is rather poor. The interdepartmental coordination between the General Accounts, Building, Law, Administration and Property Tax wing of the two agencies is fairly loose. Similarly, links with other sources/departments for necessary cross-referencing are also not established.
- ✓ These factors lead to a lack of transparency, efficiency and accountability in the property tax administration. Inadequacies of the collection mechanism and follow-up are clearly demonstrated in the single-digit collection of property tax against the total demand.

**Second Delhi
Finance
Commission
on property
tax**

12.32

The Second Commission too noted that:

- ✓ Property tax constituted the mainstay of the internal revenue base of MCD¹⁴
- ✓ The study conducted for the First Commission by the Human Settlement Management Institute (HSMI) confirmed that MCD had been able to collect only a fraction of the potential revenues from this source. The collection performance of property tax was far from satisfactory. As a percentage of total demand including arrears, the recovery percentage was a mere 9.11 percent in 1990-91. This percentage has gone up in subsequent years, but even in 2000-2001 was only 20.86 percent.
- ✓ Another negative feature of property tax in MCD area was its narrow base and heavy underassessment. According to the HSMI study, once again, if the assessable properties were brought into the tax net, the demand would go up by 50 percent even at the current level of assessment efficiency. If, further, underassessment is also taken care of the demand may go up by 30 percent.

¹⁴ Report of Second Finance Commission, Volume-I, National Capital Territory of Delhi, pages: 111-115, April 2002.

- ✓ Mobilization performance of property tax has also not been as good as its potential. Data in respect of property tax demanded and collected in respect of MCD area is placed in Table 12.16. The data clearly indicate the inefficiency in property tax mobilization.

Table: 12.16-Property Tax Demanded and Collected in MCD Area

Years	Numbers of properties assessed for taxation	Amount (Rs. in Crore)		Amount collected as a % of amount demanded
		Demanded	Collected	
1990-91	488452	1396.83	127.21	9.11
1991-92	521786	1623.95	137.17	8.45
1992-93	524991	1850.66	137.22	7.41
1993-94	591368	2107.37	205.71	9.76
1994-95	643555	2316.09	234.25	10.11
1995-96	704400	2523.23	267.14	10.59
1996-97	735924	2704.26	331.86	12.27
1997-98	761568	2871.62	424.80	14.79
1998-99	792779	3007.33	508.09	16.90
1999-00	808572	3167.59	596.38	18.83
2000-01	836951	3246.64	677.22	20.86

Source: Report of the Second Delhi Finance Commission

- ✓ Notwithstanding the recommendations made by the First Commission including the observations of the HSMI study, the Second Commission found that MCD had not been able to improve its resource mobilization in this potentially very important area.
- ✓ After a spurt in growth over previous years, at 28 percent in 1997-1998, after the HSMI study and the first Commission's report, the growth rate of property tax had come down to 20 percent in 1998-1999, 17% in 1999-2000, and 14% in 2000-2001. These Tables themselves indicate the enormous potential for increasing revenues on this count.
- ✓ The Commission took note of the judgment given by Justice BP Jeevan Reddy and Justice (Mrs.) Sujata Manohar of the Supreme Court wherein they mentioned the advantages of the method of Property Tax Valuation adopted by the Patna Municipal Corporation in 1993.

- ✓ Further, the reforms and restructuring of property tax assessment in Andhra Pradesh was aimed at evolving a scientific method in assessment and levy of property tax incorporating the principles of equity, objectivity, fairness and simplicity as also to make tax administration efficient, transparent and effective in the levy of property taxes, while also improving buoyancy in property tax revenues. The pattern adopted is Area Based Annual Rental Values as the basis for property tax assessment.
- ✓ Several states had successfully switched to Unit Area Method for property tax assessment. In Tamil Nadu also, the 1998 Act prescribed that the basic property tax for every building shall relate to the carpet area of the building and its usage.
- ✓ Accordingly, the Commission recommended that MCD should also reform its method of property taxes based on unit area method of valuation to make the same more scientific, objective and simple. The Commission was of the opinion that there was no reason why local bodies in Delhi could not gain through reform of property tax assessment as had already been done in several states.
- ✓ Under the unit area method, said the Commission, the only thing that had to be ascertained was the carpet area of the house. The rest was determined by the rules.
- ✓ The Commission also emphasized the need for MCD to focus on collection efficiency defined as the percentage of total amount billed that is collected as well as billing efficiency defined as percentage of total amount of property taxes that is actually billed.

**Post-Second
Finance
Commission**

12.33 Has there been any impact of the recommendations? Have reforms in the levy and collection of property tax shown marked improvements?

- Following the recommendations of the Second Finance Commission, a most comprehensive review of the property tax system was undertaken. This also resulted in several amendments to the Delhi Municipal Corporation Act, 1957.

**Constitution
of Expert
Committee
on Unit Area
Method of
Property Tax
Assessment**

12.34 An Expert Committee on the Unit Area Method was constituted by the Delhi government on July 09, 2002.¹⁵ The committee was required to furnish recommendations on the introduction of the unit area method of

¹⁵Annexe: Order No. F.7 (36) (2) 2002/UD/10288 dated July 09, 2002, see Vol-III, Section-II.

property tax assessment. This included determination of the principles for classification of different colonies in order to assess their liability for paying property tax. It was expected to work out a system for calculation of property tax initially for self-occupied residential properties to enable self-assessment of property tax, the rate at which the unit area tax was to be calculated, classify various properties, and determine the index factors on which the property tax would be calculated.

- The main features of the Unit Area Method of levying the property tax implemented with effect from April 01, 2004 are summarized in Table 12.17.
- In the report dated January 31, 2003 the Committee made the following recommendations:
 - ✓ The new scheme dispensed with the concept of 'rateable value.' It evolved a new concept of 'annual value' of the land or building in terms of the per unit value of the covered area.
 - ✓ Having determined a base unit value for a self-occupied residential *pucca* property constructed after the year 2000 in a median type of colony, the Committee recommended the following six multiplicative factors for arriving at the annual value of different properties.
 - ✓ Category factor (CF): All the colonies areas/localities were classified into homogeneous groups considering ten parameters including the average capital and rental values, infra-structural facilities, access to roads and market, economic status of the occupants. On this basis, all the colonies were classified into 7 categories, A to G.
 - ✓ Structure factor (S.F): The Census classification of *pucca*, semi-*pucca* and *kuccha* was adopted for classifying structural characteristic of constructions, for minimizing the scope for exercise of discretion.
 - ✓ Age factor (A.F): The properties were classified in the four groups based on year of construction, viz (i) prior to 1960, (ii) between 1960 and 1979 (iii) between 1980 and 1999, and (iv) in 2000 and thereafter.
 - ✓ Occupancy factor (O.F): The factor (whether self-occupied or tenanted) was used for residential properties only. No such distinction has been made for commercial properties, since there is tendency for suppression of tenancies and rents through various devices.

- ✓ Use factor (U.F): This was applied to properties other than residential, put to use, such as public purpose, recreation, education, public utility, hospitals and nursing homes, industries, business and offices, mercantile establishments and shops and star hotels and banks.
- ✓ The Committee mentioned another factor viz. 'width of street' on which property was located. The Committee recommended that, while an enabling provision be made in law, this factor need not be used in the initial stage.
- ✓ Based on the five above-mentioned factors, the 'annual value' of a property would be the product of: base unit value x multiplicative factors (CF, OF, AF, SF, & UF) x covered area.
- ✓ The Committee recommended the base unit value of Rupees 30 per square ft. for a pucca property constructed in 2000 or after in a colony classified in 'D' category. Having done so, it attached the values as shown below to the various multiplicative factors:

- (i) **Category factor (CF):** This forms the base and would be for residential self-occupied properties.

<u>Category</u>	A	B	C	D	E	F	G
Factor (CF)	2.0	1.6	1.3	1.0	0.8	0.7	0.6
Rural area factor will be 0.3							

- (ii) **Occupancy factor (OF):** For residential tenanted properties.

<u>Category</u>	A	B	C	D	E	F	G
Factor (OF)	3.5	3.0	2.5	2.5	2.0	2.0	2.0

- (iii) **Age factor (AF):** The factor for age will be on the basis of year of completion of construction

<u>Year of Completion</u>	<u>prior to 1960</u>	<u>1960 to 1979</u>	<u>1980 to 1999</u>	<u>2000& thereafter</u>
Factor (AF)	0.7	0.8	0.9	1.0

- (iv) **Structure Factor (SF):** The factor for different types of structure will be

<u>Structure Type</u>	<u>Kuccha</u>	<u>Semi-Pucca</u>	<u>Pucca</u>
Factor (SF)	0.6	0.8	1.0

- (v) Use Factor: This will apply to non-Residential uses whether in residential or commercial zones as under:

	Use	Factor (UF)
I	Public Purpose	Same as residential (i.e. product of CF, OF, AF, & SF)
II	Recreation	3.0
III	Education	3.0
IV	Public Utility	4.0
V	Hospitals	5.0
VI	Industries	6.0
VII	Business & Office	8.0
VIII	Mercantile	8.0
IX	Star-Hotels & Banks	10.0

- Government were of the view that the values recommended of the Occupancy Factor (OF) ranging from 2 to 3.5 times those of the Category Factor (CF) were somewhat high.
- Second, the range of values from 0.7 to 1.0 recommended for the Age Factor (AF) appears too narrow for a time-span of over 40 years.
- Third, concession of 30 percent to properties constructed prior to 1960 appears inadequate looking to the inflation factor.
- Fourth, as regards the Use Factor (UF), the assigned weight of 3 to 10 times in the case of non-residential properties, of the corresponding value of the self-occupied residential property appear to be quite high.
- The Committee recommended a tax range of 6 to 20 percent of the 'annual value' both for lands and buildings and felt a rate of 10-12 per cent as reasonable.
- The Committee recommended a 'flat rate of tax' in the initial stages of implementation of the new method to make the self-assessment easier. However, it felt that in the long run it would be useful to bring in equity considerations and to introduce a graduated system of tax with properties having a higher annual value (or higher covered area) having to pay tax at a higher rate. They also recommended that a straight line system of graduation be adopted.
- The Committee recommended total exemption from payment of property tax for the following
 - ✓ Vacant lands and buildings (other than dwelling houses exclusively used for agricultural purposes)

- ✓ Vacant lands or buildings or portions thereof, exclusively used for the purpose of public worship (this will not include portions used as residence or for commercial purpose or from which income or rent is derived).
- ✓ Vacant lands or buildings exclusively used for the purpose of public burial or as cremation ground, or any other place used for the disposal of the dead, duly registered under the Delhi Municipal Corporation Act.
- ✓ Any heritage land or building declared as such by the Corporation.
- ✓ Vacant land and buildings being the properties of the Union or of the Government in the occupation and use of the Union or of the Government (this would not apply to properties of public sector or government undertakings, companies or other autonomous bodies).
- ✓ Vacant lands and buildings owned by, or vested in, the Corporation but not leased out or rented out, and in respect of which the property tax, if levied, would, under the provisions of Delhi Municipal Corporation Act, be leviable primarily on the Corporation.

12.35 Further, the Committee considering grant of exemption wholly or in part, from payment of property tax to any vacant land or building exclusively occupied and used with the approval of the Corporation for the purpose of public charity or the purpose of medical relief to, or education of, the poor, free of charge.

- The Committee recommended certain concessions in payment of property tax in respect of village abadi areas, senior citizens women and physically challenged and group housing societies and organized groups.
- The Committee recommended that the Corporation may levy service charges on such of the vacant lands and buildings as are exempt from property tax.
- To carry out 100 percent inventory of all properties within period of six months through field level survey to widen the base of tax and proper compliance. Such surveys may be a continuous process to update the information.
- Reorganization and revamping of the Assessment and Collection Department through measures like establishment of an Urban Mapping Division, computerization of its operations.
- The Committee recommended setting up of an Anomalies and Hardships Committee for a period of one year.

- The Committee recommended constitution of a Municipal Taxation Tribunal to deal with appeal cases.
- Some basic information about the property tax levied by the MCD is summarized in Table 12.17.

Table: 12.17- Basic Information about Property Tax-MCD

Item of Tax	Tax Leviable on-Tax Base	Minimum Tax rate, if any	Maximum Tax rate, if any	Current Tax rate, if levied	Date of last Revision	Exemptions/Rebates
Property Tax	Lands capable of being built up or a building	6 percent of annual value	20 percent of annual value	1.Residential Properties: 6 percent for category F, G and H localities and 10 percent for A, B, C, D, E 2. Non-residential properties in all localities at a 10 percent flat rate 3. Farmhouse at the rate of 10 percent of covered portion and 6 percent of the vacant land if used for residential purpose. Otherwise at a flat rate of 10 percent for built up and vacant	April 1, 2004 April 1, 2006 April 1, 2006	Exemptions 1.Properties exclusively used for agriculture. 2.Vacant land in a village or abadi area subject to a maximum of 200 square meters covered space. 3.Property exclusively used for public worship. 4.Properties or a portion of it exclusively occupied and used with approval of the Corporation for a public purpose. 5.Properties up to a maximum of 100square meters of covered space belonging to ex-servicemen. Rebates 1. 10 percent rebate on DDA and CGHS flats up to covered area of 100 square meters. 2.Senior citizens,

				portion. 4. Properties exclusively occupied and used for charitable purposes 75 percent of the tax otherwise payable.		women and physically challenged 30 percent for covered area of 200 square meters. Concessions 1. 15 percent for timely payment.
--	--	--	--	--	--	--

Data

12.36 Now let us consider the position as revealed by the data. The first set of data relates to what the Commission proposed and what the Corporation approved. Table 12.18 summarizes the position. In the early years (1994-1995 to 1998-1999) there was no variation between the two: proposed and approved whether at the budget or revised estimates stage. Thereafter, divergence between the proposed and the approved amount has been the dominant theme at the budget estimates stage (exceptions being 2000-2001 and 2004-2005) though divergence at the revised estimates stage has been an exception throughout (2000-2001, 2001-2002, and 2004-2005). Given the track record of collections, the basis for the Corporation revising upward the revenue targets proposed by the Commissioner (at the BE or the RE stage) is simply not clear.

12.37 Again, consider the pattern of the RE Tables. As already noted divergence between the proposals of the Commissioner and approvals of the Corporation is an exception. However, even more interestingly, the Commissioner has almost always enhanced the targets at the RE stage. In the initial stages such enhancement looks justified, the Tables of actual realization being more than the budget estimates and marginally different from the target posed in the RE Tables. The first great shortfall came in 1997-1998 (Rupees 60 crore). However, in the latter years (1998-1999 onward) the difference between proposals, approvals, and realizations has grown beyond ordinary explanation of being in the acceptable range of performance shortfalls. Therefore, once again: what is the explanation for the ambitious revisions of property tax targets for a year?

Table: 12.18-Property Tax-1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate			Revised Estimate			Actual
	Proposed by Commissioner	Approved by Corporation	Variation (Col. 3-2)	Proposed by Commissioner	Approved by Corporation	Variation (Col. 6-5)	
1	2	3	4	5	6	7	8
1994-1995	184.65	184.65	0.00	220.00	220.00	0.00	234.25
1995-1996	220.00	220.00	0.00	258.75	258.75	0.00	267.14
1996-1997	284.85	284.85	0.00	339.85	339.85	0.00	331.86
1997-1998	421.80	421.80	0.00	484.80	484.80	0.00	424.80
1998-1999	629.80	629.80	0.00	619.80	619.80	0.00	508.09
1999-2000	626.80	700.80	74.00	700.80	700.80	0.00	596.38
2000-2001	850.70	850.70	0.00	850.00	857.50	7.50	676.70
2001-2002	950.00	986.00	36.00	1019.20	1029.20	10.00	687.45
2002-2003	1076.00	1124.00	48.00	1174.00	1174.00	0.00	704.15
2003-2004	1248.50	1290.00	41.50	1215.00	1215.00	0.00	768.94
2004-2005	1245.00	1245.00	0.00	1245.00	1260.00	15.00	645.88

12.38 Now consider the data in Table 12.19. This brings into relief even more sharply the dichotomy between proposals, approvals and achievements. We can overlook the variations in the projections and achievements of the years 1994-1995 to 1997-1998 as a case of miscalculation by both the Commissioner and the Corporation (though in hindsight the RE Table which led to a shortfall of Rupees 60 crore does appear to be unrealistic). Thereafter, the variations, all negative, in the actual realization and the BE and RE Tables (whether with reference to the proposals of the Commissioner or approvals of the Corporation) are just too large. The variation ranges from minus Rupees 104 crore (1999-2000) to minus Rupees 599.12 crore (2004-2005). Indeed, in no year was the difference less than a hundred crore! This raises serious doubts about the validity of the entire budgetary exercise.

**Table: 12.19 -Variation in Actual Realization over budget & Revised Estimates -
Property Tax (Rupees in crore)**

Year	Variation in Actual over Budget estimate		Variation in Actual over Revised Estimates	
	Proposed by Commissioner	Approved by Corporation	Proposed by Commissioner	Approved by Corporation
1994-1995	49.60	49.60	14.25	14.25
1995-1996	47.14	47.14	8.39	8.39
1996-1997	47.01	47.01	-7.99	-7.99
1997-1998	3.00	3.00	-60.00	-60.00
1998-1999	-121.71	-121.71	-111.71	-111.71
1999-2000	-30.42	-104.42	-104.42	-104.42
2000-2001	-174.00	-174.00	-173.30	-180.80
2001-2002	-262.55	-298.55	-331.75	-341.75
2002-2003	-371.85	-419.85	-469.85	-469.85
2003-2004	-479.56	-521.06	-446.06	-446.06
2004-2005	-599.12	-599.12	-599.12	-614.12

12.39 The data in Table 12.20 examines the position in respect of property tax over the previous years. The variations in the actual realizations, in absolute terms over previous years, have been from minus Rupees 123.06 crore (2004-2005) to Rupees 92.94 crore (1997-1998). In percentage terms the range has been from minus 16.00 percent (2004-2005) to 28.01 percent (1997-1998). Two trends are visible: between 1996-1997 and 2000-2001, the annual variations were a healthy and positive sum. In subsequent years, the annual increases were neither so large nor in one year even positive. Indeed, the shortfall was quite large being Rupees 123.06 crore.

**Table: 12.20-Absolute and Percentage variation in Property Tax Revenues-1994-1995
to 2004-2005 (Rupees in crore)**

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year
1.	2.	3.	4.	5.
1994-1995	184.65	220.00	234.25	-
1995-1996	220.00	258.75	267.14	35.35
1996-1997	284.85	339.85	331.86	64.85
1997-1998	421.80	484.80	424.80	136.95
1998-1999	629.80	619.80	508.09	208.00
1999-2000	700.80	700.80	596.38	71.00
2000-2001	850.70	857.50	676.70	149.90

2001-2002	986.00	1029.20	687.45	135.30
2002-2003	1124.00	1174.00	704.15	138.00
2003-2004	1290.00	1215.00	768.94	166.00
2004-2005	1245.00	1260.00	645.88	-45.00

Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
6	7	8	9	10
-	-	-	-	-
19.14	38.75	17.61	32.89	14.04
29.48	81.10	31.34	64.72	24.23
48.08	144.95	42.65	92.94	28.01
49.31	135.00	27.85	83.29	19.61
11.27	81.00	13.07	88.29	17.38
21.39	156.70	22.36	80.32	13.47
15.90	171.70	20.02	10.75	1.59
14.00	144.80	14.07	16.70	2.43
14.77	41.00	3.49	64.79	9.20
-3.49	45.00	3.70	-123.06	-16.00

- The annual percentage variations reflect the same trends. From 1998-1999 (19.61 percent) the trend has been downwards, 2003-2004 providing an exception over the previous year. In fact in 2004-2005, the percentage variation was minus 16.00 percent over the previous year. This is not a healthy sign.

12.40 Table 12.21 reports the absolute and percentage variation in BE, RE and actual realizations. The range of absolute variation in the RE over the approved BE has been from Rupees minus 75.00 crore (2003-2004) to Rupees 63.00 crore (1997-1998). Whether negative or positive, clearly, the variations are substantial. In other years, whenever the revision has involved enhancement of the revenue target, the variation has been from Rupee 35 crore to Rupees 55 crore. Similarly, the percentage variation has been from minus 5.81 percent (2003-2004) to 19.31 percent (1996-1997).

Table: 12.21 Absolute & Percentage Variation in BE/RE, Actual within the year 1994-1995 to 2004-2005 -Property Tax

Year	Budget Estimate			
	Proposed by Commissioner	Approved by Corporation	Absolute Variation proposed/ Approved BE	Percentage Variation proposed/ Approved BE
1	2	3	4	5
1994-1995	184.65	184.65	0.00	0.00
1995-1996	220.00	220.00	0.00	0.00
1996-1997	284.85	284.85	0.00	0.00
1997-1998	421.80	421.80	0.00	0.00
1998-1999	629.80	629.80	0.00	0.00
1999-2000	626.80	700.80	74.00	11.81
2000-2001	850.70	850.70	0.00	0.00
2001-2002	950.00	986.00	36.00	3.79
2002-2003	1076.00	1124.00	48.00	4.46
2003-2004	1248.50	1290.00	41.50	3.32
2004-2005	1245.00	1245.00	0.00	0.00

Revised Estimate			Actual	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
RE Approved by Corporation	Absolute Variation in RE over BE	Percentage Variation in RE over BE					
6	7	8	9	10	11	12	13
220.00	35.35	19.14	234.25	49.60	26.86	14.25	6.48
258.75	38.75	17.61	267.14	47.14	21.43	8.39	3.24
339.85	55.00	19.31	331.86	47.01	16.50	-7.99	-2.35
484.80	63.00	14.94	424.80	3.00	0.71	-60.00	-12.38
619.80	-10.00	-1.59	508.09	-121.71	-19.33	-111.71	-18.02
700.80	0.00	0.00	596.38	-104.42	-14.90	-104.42	-14.90
857.50	6.80	0.80	676.70	-174.00	-20.45	-180.80	-21.08
1029.20	43.20	4.38	687.45	-298.55	-30.28	-341.75	-33.21
1174.00	50.00	4.45	704.15	-419.85	-37.35	-469.85	-40.02
1215.00	-75.00	-5.81	768.94	-521.06	-40.39	-446.06	-36.71
1260.00	15.00	1.20	645.88	-599.12	-48.12	-614.12	-48.74

- A closer look at the Tables will show that the budgetary exercise is either very conservative or very ambitious. Let us in this context consider the facts revealed by the data. The BE Tables for 1994-1995, 1995-1996, and 1996-1997 were enhanced substantially at the RE stage. Yet, the actual

realizations exceeded the enhanced RE targets (in 1996-1997 the actual Tables were less than the RE just marginally). Nevertheless, while the BE could be deemed conservative and the RE ambitious, the actual Tables justified the enhancements at the RE stage. The same is not true of the following years.

- The divergence between BE, RE, and actual realizations grows over the years from 1998-1999 onwards. Table 12.21 substantiates this position.

12.41 Table 12.22 indicates the position of property tax revenues as a percentage of tax receipts, total revenue receipts, and total receipts. The Tables show that despite a declining trend, property tax remains the single largest source of tax revenue. As a percentage of tax revenues the property tax contribution has ranged from 60.13 percent (2004-2005) to 81.82 percent (1998-1999). Except in 2004-2005 (when it was 60.13 percent), 1998-1999 and 1999-2000 (when it was above 80 percent) the contribution has been above 70 percent. As a percentage of total revenue receipts, the share has been from 25.32 percent (2004-2005) to 38.60 percent (1997-1998). By and large, the share in the remaining years has been between 27 percent and 38 percent. As a percentage of total receipts, it has varied from 21.12 percent (2004-2005) to 35.30 percent (2000-2001). In the balance years it has been from 26 percent to 34 percent.

Table: 12.22- Property Tax as Percentage-1994-1995 to 2004-2005
(Rupees in crore)

Year	Actual	Percentage Variation in Actual over Previous Year	Percentage of Total Tax Revenue	Absolute Variation over Previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	234.25		74.64		28.98	27.65
1995-1996	267.14	14.04	72.06	32.89	26.96	25.82
1996-1997	331.86	24.23	73.80	64.72	31.14	29.79
1997-1998	424.80	28.01	79.85	92.94	38.60	33.98
1998-1999	508.09	19.61	81.82	83.29	36.58	33.11
1999-2000	596.38	17.38	80.81	88.29	35.46	31.40
2000-2001	676.70	13.47	78.12	80.32	38.25	35.30
2001-2002	687.45	1.59	76.31	10.75	36.55	34.10
2002-2003	704.15	2.43	73.47	16.70	34.00	31.52
2003-2004	768.94	9.20	71.19	64.79	35.07	32.97
2004-2005	645.88	-16.00	60.13	-123.06	25.32	21.12

- Given the fact that percentage share of both total revenue receipts and total receipts has remained more or less the same, not clear as to whether the Corporation made any efforts to improve performance in terms of, tackling current demand, the issue of underassessment pointed out by the Second Finance Commission, and arrears. This is despite the fact that the Corporation cannot really claim that its problems were not examined or that possible remedies were not highlighted. Therefore, the inexplicable lack of suitable action is all the more unfortunate.

12.42 Table 12.23 examines the variations in property tax collection from the average collections. The annual average collection on account of property tax in the period 1994-1995 to 2004-2005 was Rupees 531.42 crore. The collections have been below the annual average in the first five years, ranging from minus Rupees 23.33 crore (1998-1999) to minus Rupees 297.17 crore (1994-1995). It has been above in the six year period 1999-2000 to 2004-2005, ranging from Rupees 64.96 crore (1999-2000) to Rupees 237.52 crore (2003-2004). The property tax revenues as a percentage of the annual average were below in five years (1994-1995 to 1998-1999) and above in the balance six years. The range in below-average variation was from minus 4.39 percent (1998-1999) to minus 55.92 percent (1994-1995)-the percentage points variation in this range was minus 51.53 percent. When the revenues were above average, the percentage variation ranged from 12.22 percent (1999-2000) to 44.69 percent (2003-2004)-the percentage points variation in this range being 32.47 percent. Though, the percentage share over the annual average was positive after 1998-1999 going up from 12.22 percent to 44.69 percent in 2003-2004, there was a sharp decline in the next year to 21.54 percent. This works out to a percentage point decline of 23.15 percent in a single year.

Table: 12.23-Variation in Property Tax Collections from Average Collection-1994-1995 to 2004-2005 (Rupees in Crore)

Year	Actual	Average collection during the period	Absolute Variation over the Average collection	Percentage variation over the average collection
1994-1995	234.25	531.42	-297.17	-55.92
1995-1996	267.14	531.42	-264.28	-49.73
1996-1997	331.86	531.42	-199.56	-37.55
1997-1998	424.80	531.42	-106.62	-20.06

1998-1999	508.09	531.42	-23.33	-4.39
1999-2000	596.38	531.42	64.96	12.22
2000-2001	676.70	531.42	145.28	27.34
2001-2002	687.45	531.42	156.03	29.36
2002-2003	704.15	531.42	172.73	32.50
2003-2004	768.94	531.42	237.52	44.69
2004-2005	645.88	531.42	114.46	21.54

Analysis Based on some Select Parameters

12.43 Some analysis is now done on the basis of a few select parameters. In doing so the findings of the study conducted by the Human Settlement Management Institute (HSMI) on behalf of the Commission are relied on.¹⁶

Growth of Property Taxes versus GSDP

12.44 Table 12.24 compares the annual compound growth rate of property tax of MCD with that of gross state domestic product of Delhi. As can be seen from the table, there has been a decline in growth rate of property collection from an ACGR of 20 percent during the 1993-1999 period to 8.05 percent during the 1998-2004 period in case of MCD at current prices and from 9.23 percent to 3.23 percent during the same period at constant prices.

Table: 12.24- Annual Compound Growth Rate of Property Tax vs GSDP (%)

Item	At Current Prices			At Constant Prices		
	1993-94 to 1998-99	1998-99 to 2003-04	1993-94 to 2003-04	1993-94 to 1998-99	1998-99 to 2003-04	1993-94 to 2003-04
GSDP	--	12.04	14.85		7.02	7.08
MCD	20.00	8.05	13.87	9.23	3.23	6.19

(Source: Estimated by HSMI, New Delhi Base Tables – B-10)

- Further, Table 12.25 reveals that the growth of property tax of MCD has not been increasing at the same pace as that of the overall economic growth of Delhi. The ACGR of MCD has been lower than that of the GSDP in all the reference periods at both current and constant prices.

Per Capita Receipts from Property Taxes

12.45 Per capita property tax collected at current and constant prices is given in Table 12.25 and Figure -12.3. A significant result for MCD is that although at current prices the per capita property tax receipts have increased

¹⁶ Report-Status, Potential and Roadmap for Urban Finance Reforms for MCD and NDMC; Human Settlement Management Institute (HSMI), Volume I, pages: 17-21(March 2006)

from Rupees 216 in 1993-94 to Rupees 535 in 2003-2004, the same in real terms (at constant prices) has been declining since 1998-99, i.e. from Rupees 271 in 1998-1999 to Rupees 266 in 2003-2004, a decline of 1.85 percent over the 5 year period, at an annual average compound growth rate of (-) 0.37.

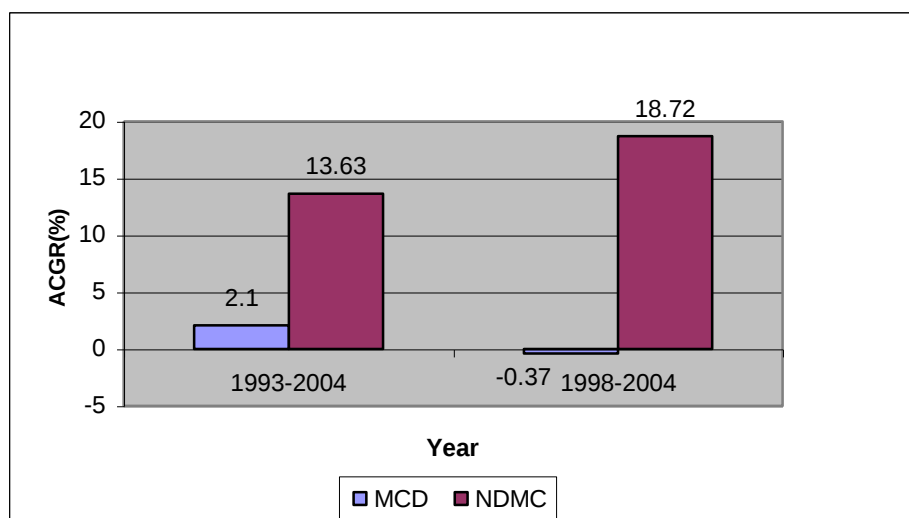
Table: 12.25- Per Capita Receipts from Property Taxes (Per Capita Receipts in Rupees)

Year	MCD	
	Current Prices	Constant prices
1993-94	216	216
1998-99	437	273
2003-04	535	266
ACGR (93-04)(%)	09.49	02.10
ACGR (98-04) (%)	04.27	(-) 0.37

(Source: Estimated by HSMI, New Delhi. Base Tables – B-10 & 17)

- The reasons for this decline could be: (a) inability of MCD to bring all the properties under the property tax net. Out of over 25 lakh properties only 9.63 lakh are covered under municipal records at MCD. Out of this only 3.48 lakh are placed on computers for detailed data; (ii) gross inefficiency in the collection of taxes and collectable demand not worked out properly. Statements are not available in a proper manner failing which effective and suitable collection drives are not launched; and (iii) the tax rates are determined without fixing a target.

Figure 12.3: ACGR of per capita Property Tax



12.46 It is striking to note that a vast majority of properties are not under the net of property tax at MCD. Table 12.26 shows that out of the total number

of properties under MCD, only 28.6 percent were assessed in 1993-94 and 38 percent in 2003-04.

Table: 12.26 – Property Tax Assessment

Serial Number	Item	MCD	
		1993-04	2003-04
1.	No. of Properties	2067409	2536632
2.	No. of Properties Assessed	591368	963119
3.	Properties under computerized details	--	348000
4.	% of Properties Assessed	28.6	37.97
5.	% of Assessed Properties under computerized details	--	36.13

(Source: 1. Estimated by HSMI from Census of India 1991 & 2001)

Property tax Potential

12.47 As can be seen from Table 12.26 only a small proportion of property tax potential is being tapped into. It is also observed that property tax has not grown in real terms during 1998-2004 periods. This is surprising because construction activities in Delhi have shown a sizable increase whereby the share of construction industry in GSDP has increased from 7.39 percent in 1998-99 to nearly 11.00 percent in 2002-03. The Corporation needs to be concerned if even new constructions are escaping their tax net. These constructions must be seeking and obtaining approvals for building plans and completion certificates. Accordingly, they should automatically enter the tax data base.

Collection Efficiency of property tax

12.48 In addition to the inadequate assessment, the collection shows further negligence of civic bodies particularly in relation to MCD. The collection efficiency as shown in Table 12.27 and Figure 12.4 (a-c) indicates that only 15 percent of the total demand is collected. In this case, particularly the collection of arrears is abnormally low, being only 5.65 percent.

Table: 12.27- Collection Efficiency

Year	MCD		
	Current	Arrear	Total
1993-94	39.11	3.20	10.06
1998-99	67.02	5.87	17.54
2003-04	44.54	5.65	14.66

Source: MCD & NDMC, Base Tables – B-10(a)3

Figure 12.4a

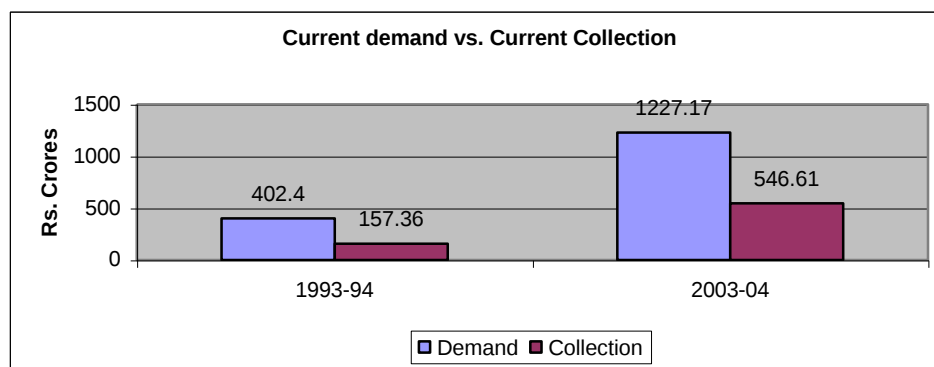


Figure 12.4b

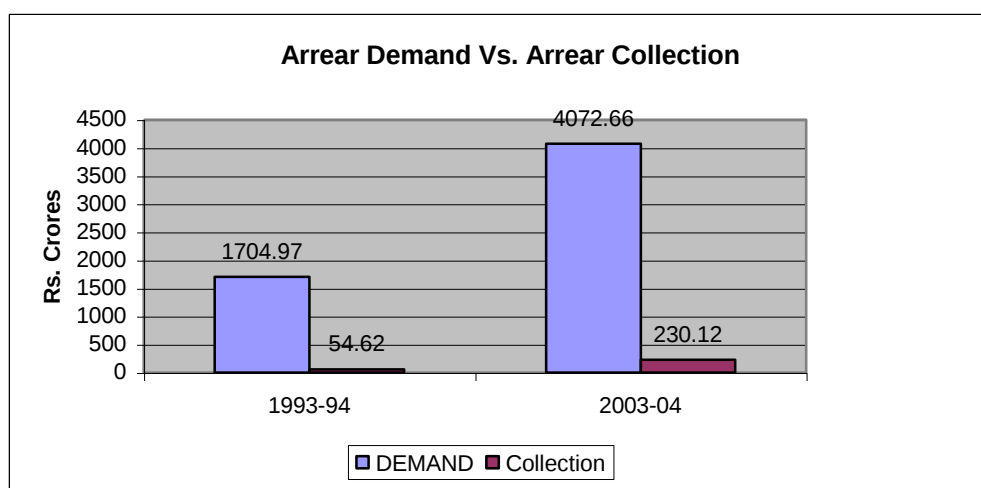
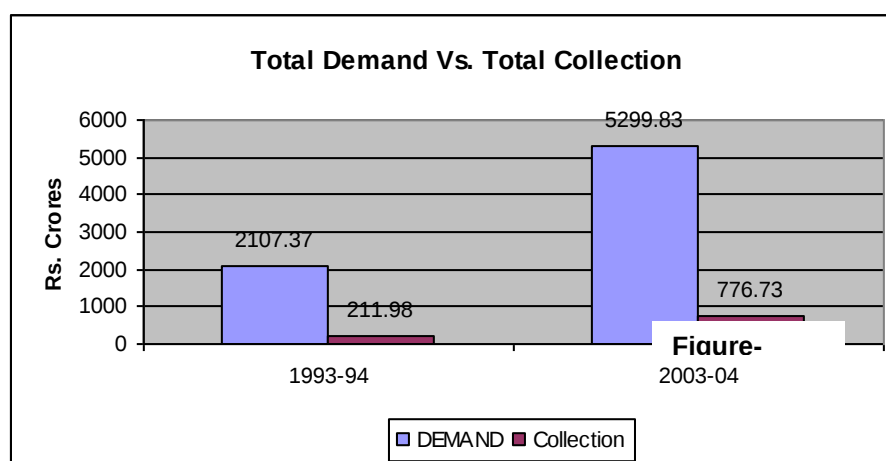


Figure 12.4(C)



Break-up of arrears of property tax

12.49 Table 12.28 gives the break-up of arrears for last 3 years which shows that 83.54 percent of the arrears are due to residential and other properties in 2004-05. Arrears from government properties and cinema halls constitute 8.75 percent and 7.71 percent respectively of the total arrears. The

arrear amount of residential and other properties also contains quite a significant proportion of funds stuck up in the litigation cases.

Table: 12.28-Break-up of Arrears (Rupees in Crore)

Items	2002-03	percentage	2003-04	percentage	2004-05	percentage
Cinema Halls	245.20	8.70	311	9.57	348.90	7.71
Government Properties	436.47	15.48	406.75	12.52	395.67	8.75
Residential & other properties	2137.53	75.82	2531.95	77.91	3779.26	83.54
ALL	2819.20	100.00	3249.70	100.00	4523.83	100.00

(Source: MCD)

- Further, the amount given is not properly calculated, as there is a need to work out collectible demand Table.

12.50 The Commission has separately obtained data on the position of arrears. These are reflected in Table 11.29¹⁷

Table: 12.29 - Statement of Current Demand and Arrears of Property Tax-MCD (1993-1994 to 2003-2004) Rupees in crore

Year	Current Demand	Arrears	Total Demand
1993-1994	402.40	1704.97	2107.37
1994-1995	420.70	1895.39	2316.09
1995-1996	451.75	2071.48	2523.23
1996-1997	453.69	2247.57	2701.26
1997-1998	512.10	2359.52	2871.62
1998-1999	573.89	2433.44	3007.33
1999-2000	687.73	2479.86	3167.59
2000-2001	787.77	2558.87	3346.64
2001-2002	875.42	2657.67	3533.09
2002-2003	1158.03	2817.72	3975.75
2003-2004	1227.17	3295.83	4523.00

12.51 The demand-collection-arrears position in the years 1993-1994 to 2003-2004 is quite disturbing. Table 12.30 presents the position in terms of absolute and percentage changes. Consider the data on the absolute and

¹⁷ Letter No. Tax/A&C/PC/2006/21 dated may 23, 2006 from Assessor and Collector, assessment and Collection Department, Municipal Corporation of Delhi.

percentage changes in current demand and arrears over the years. The variation in current demand in absolute terms has ranged from Rupees 1.94 crore or 0.43 percent (1996-1997) to Rupees 282.61 crore (or 32.28 percent) in 2002-2003. In other years it has varied from 4.55 percent to 14.55 percent with the exception of 1999-2000 (19.84 percent). The additional arrears each year have been from Rupees 46.42 crore or 1.91 percent (1999-2000) to Rupees 478.11 crore or 16.97 percent (2003-2004). In other years it has ranged from 3 to 11 percent.

Table: 12.30-Absolute and Percentage changes in Current Demand and Arrears-Property Tax-MCD (1993-1994 to 2003-2004)

Years	Current Demand	Absolute Change over Previous Year	Percentage Change over Previous Year	Arrear Demand	Absolute Change over Previous Year
1993-1994	402.40	-	-	1704.97	-
1994-1995	420.70	18.30	4.55	1895.39	190.42
1995-1996	451.75	31.05	7.38	2071.48	176.09
1996-1997	453.69	1.94	0.43	2247.57	176.09
1997-1998	512.10	58.41	12.87	2359.52	111.95
1998-1999	573.89	61.79	12.07	2433.44	73.92
1999-2000	687.73	113.84	19.84	2479.86	46.42
2000-2001	787.77	100.04	14.55	2558.87	79.01
2001-2002	875.42	87.65	11.13	2657.67	98.80
2002-2003	1158.03	282.61	32.28	2817.72	160.05
2003-2004	1227.17	69.14	5.97	3295.83	478.11
Percentage Change over Previous Year		Total Demand	Current Demand as Percentage of Total Demand	Arrear as Percentage of Total Demand	
-		2107.37	19.09	80.91	
11.17		2316.09	18.16	81.84	
9.29		2523.23	17.90	82.10	
8.50		2701.26	16.80	83.20	
4.98		2871.62	17.83	82.17	
3.13		3007.33	19.08	80.92	
1.91		3167.59	21.71	78.29	
3.19		3346.64	23.54	76.46	
3.86		3533.09	24.78	75.22	
6.02		3975.75	29.13	70.87	
16.97		4523.00	27.13	72.87	

- There are two other interesting aspects of the current demand-arrears situation. One is quite straightforward. The percentage share of arrears in total demand has seen a two-phase pattern: over 80 percent in the period 1993-1994 to 1998-1999 and above 70 but below 80 percent in the period from 1999-2000. It has therefore come down but remains as high as an astonishing 72.87 percent (2003-2004). Correspondingly the percentage share of current demand in total demand has risen from 19.09 percent (1993-1994) to 27.13 percent (2003-2004)
- The other interesting issue is that arrears have grown irrespective of whether the annual current demand has been pitched substantially higher or moderately so. Between 1993-1994 and 1996-1997 the annual percentage increase in current demand was vastly outstripped by the percentage growth of arrears. In fact from 1993-1994 to 1997-1998, the Corporation added over a hundred rupees to its existing pool of arrears. Again when the percentage additional current demand was raised more ambitiously (1999-2000 to 2003-2004) the arrears too increased substantially. Indeed, in 2003-2004, the accretion to arrears was a huge amount of Rupees 478.11 crore. Therefore out of a total demand of Rupees 4523.00 crore in 2003-2004, arrears were Rupees 3295.83 crore.
- This, by any yardstick, is a cause for deep concern. It is surprising that it has not galvanized the Corporation in to focused action and introduction of special steps to liquidate the arrears. The Corporation needs to do so even at this late stage; some of the cases are likely to go back as far as 1993-1994, if not farther.
- Another set of data are available in the Comprehensive Annual Financial Reports¹⁸. The CAFR for the financial year 2004-2005 states that arrears of property tax for the period up to March 31, 2004 were Rupees 3766.65 crore.

12.52 Arrears are not the only area of concern. As a matter of fact, the number of court cases and the revenue locked up in litigation should also be a reason for deep concern to the Corporation. The MCD has reported that there are 2689 cases in court and revenue of Rupees 800 crore is involved.¹⁹ This may not look to be a very large Table. However, it needs to be noted that the total number of properties in the tax net too is a piffle compared to the total potential tax base and the number of assessed properties. It is high time the

¹⁸ Municipal Corporation of Delhi; Comprehensive Annual Financial Reports: 2004-2005, Volume I

¹⁹ Ibid.

Corporation took action to determine the vintage of these cases, the cases involving the largest amount of locked revenue, and identified measures to bring them to a closure.

- The broad findings of the HSMI in respect of the property tax levied and collected by the MCD are reproduced in Box 12.2.

Box: 12.2-Findings and Recommendations of the HSMI regarding Property Tax

(a) Property Tax (PT)

Revenue is a function of base, rate and structure. Therefore, mobilization of PT is to be done through a range of actions under its base, rate and collection system.

(b) Property Tax Base

- Carry out complete listing of all the properties within respective jurisdiction to plug leakages. In this area, private sector may also be involved.
- Update the data on use, location, size, etc. on the basis of self- assessment done by PT account holders at MCD and NDMC accordingly.
- All properties should be brought under the net of PT.
- PT Registration Card (PRC) should be issued for rectification and multiple use.
- Government properties should be brought under the net of service charges (de facto PT) as per GOI circular issued from time to time.
- Suitable steps should be taken in the light of Supreme Court Judgments issued on imposition of service charges on railways and Post and Telegraph departments (Refer Civil Appeal No.6532 of 2002).
- It is desirable that the civic bodies in Delhi follow similar system of PT. NDMC in this regard should examine scope for UAM (Unit Area Method) to promote transparency and accountability after suitable analysis of MCD experience for adoptability in a time bound manner.
- PT potential of vacant land should be tapped as per Section 114 of DMC Act 1957.

(c) Property Tax Rate

- The two civic bodies to first decide the amount to be recovered from PT.
- Rental data and land values should be collected and updated in a regular manner.
- The rate should be fixed in line with the amount to be recovered and size of PT base.
- A system of modification of unit rates should be developed accordingly.

(d) Property Tax Collection System

- Data on DCB (Demand Collection Balance) statements should be updated.
- ABC (Always Best Control) analysis of arrears should be adopted.
- Collectable demand should be computed. Collection through one (or

	single) window approvals i.e. citizen service bureau at MCD (in line with Hyderabad) should be popularized for wider compliance.
(iv)	Effective collection drive should be launched using e-collection, collections at door-steps, mutual resolution of disputes, Lok Adalats, display of defaulters' name in the locality itself, attractive incentives and penalties including attachment of bank account and levy of penal interest.
(v)	MCD should take steps to involve Private Sector for collection of Property Tax.

Evaluation of
Property Tax With
Reference to
Recommendations
of the Expert
Committee

12.53 For any meaningful assessment of the implementation of the property tax the position of projected revenue and actual realizations from the year 2001-2002 to 2005-2006 are worth recalling. Table 12.31 summarizes the position.

Table: 12.31-Property Tax-1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate			Revised Estimate			Actual
	Proposed by Commissioner	Approved by Corporation	Variation (Col. 3-2)	Proposed by Commissioner	Approved by Corporation	Variation (Col. 6-5)	
2001-2002	950.00	986.00	36.00	1019.20	1029.20	10.00	687.45
2002-2003	1076.00	1124.00	48.00	1174.00	1174.00	0.00	704.15
2003-2004	1248.50	1290.00	41.50	1215.00	1215.00	0.00	768.94
2004-2005	1245.00	1245.00	0.00	1245.00	1260.00	15.00	645.88
2005-2006	1245.00	1442.89	197..89	1442.89	1442.89	00.00	497.00*
2006-2007	1442.89	1474.00	11.11	-	-	-	-

(*Provisional)

- Notice that the Commissioner projected revenues of over Rupees 1000 crore in the budget estimates of 2002-2003 to 2005-2006 and in the revised estimates of 2001-2002 too. The Corporation approved higher budget and revised estimates in all the years except 2004-2005 (BE) and 2002-2003 and 2003-2004 (RE).
- Compared to the budget or revised estimates the actual realizations have always been lower than the projections. Actual collections have been lower than the lowest Table of each year that is the projections of the Commissioner at the budget estimates stage.

12.54 The absolute variations in the actual realizations and the proposed or approved budget estimates and the proposed and approved revised estimates are reported in Table 12.32. The shortfalls in revenue realizations even as compared to the proposals of the Commissioner have been large, but

compared to what whenever the Corporation chose to approve (the higher targets whenever there was a divergence between the proposed and the approved) has only enlarged (2001-2002 and 2004-2005) the gap.

Table: 12.32-Variation in and BE/RE-2001-2002 to 2004-2005

Year	Absolute Variation in Actual and BE (Commissioner)	Absolute Variation in Actual and BE (Corporation)	Absolute Variation in Actual and RE (Commissioner)	Absolute Variation in Actual and RE (Corporation)
2001-2002	-262.55	-298.55	-331.75	-341.75
2002-2003	-371.85	-419.85	-469.85	-469.85
2003-2004	-479.56	-521.06	-446.06	-446.06
2004-2005	-599.12	-599.12	-599.12	-614.12

- Note, for instance, that the gap between the proposed budget estimates and the approved budget estimates was nearly Rupees 200.00 crore in 2005-2006. This is not reasonable because in the previous year also, the actual collections were as mere 39.92 percent of the BE projections of the Commissioner and 34.44 percent of the BE approved by the Corporation and the RE proposed and approved.
- The BE of 2006-2007 is approximately three time the actual collection of 2005-2006. in this context does the proposed RE (Rupees 1462.89 crore) and the approved BE (Rupees 1474.00 crore) for 2006-2007.
- The actual collections of property tax as a percentage of the proposed and approved BE or the proposed and approved RE are reproduced in Table 12.33. As a percentage of the budget estimates proposed by the Commissioner, the actual collections have declined from 72.36 percent to 51.88 percent and as a percentage of the budget estimates approved by the Corporation from 69.72 percent to 51.88 percent. As a percentage of the revised estimates proposed by the Commissioner and approved by the Corporation, the actual collections have declined from 67.45 percent to 51.88 percent and 66.79 percent to 51.26 percent respectively.

**Table: 12.33-Actual as a percentage of BE/RE-
2001-2002 to 2005-2006**

Year	Actual as percentage of BE (Commissioner)	Actual as percentage of BE (Corporation)	Actual as percentage of RE (Commissioner)	Actual as percentage of RE (Corporation)
2001-2002	72.36	69.72	67.45	66.79
2002-2003	65.44	62.65	59.98	59.98
2003-2004	61.59	59.61	63.29	63.29
2004-2005	51.88	51.88	51.88	51.26

- The shortfalls in the actual collections have been fairly large. Accordingly, the higher projections of each year are simply inexplicable. The question that automatically springs to the fore is: what determines the revenue targets of the year, since actual collections obviously do not provide the basis for the annual enhancements being witnessed?
- Several factors can be responsible for optimism on this score. It could be the track record of revenue realizations or new tax proposals or revisions in extant tax rates, or expected widening of the tax base reduction in the arrears or settlement of court cases. Recall all these were anticipated as contributing to the success of the UAM.
- However, none of these factors appear to have worked in the case of the reformed property tax system. The Unit Area Method of property tax, a major reform measure, did not lead to enhanced revenues: witness the shortfall in 2004-2005 and 2005-2006.
- In 2003-2004, a year before introduction of the UAM, the collections as percentages of the approved BE were 61.59 percent and 59.61 percent respectively. Against proposed and approved was 63.29 percent. In 2004-2005, the corresponding percentage figures were 51.88 percent of the proposed and approved BE, and the proposed Re, and 51.26 percent of the approved RE. This itself represented a percentage point decline in 2004-2005 of 9.71 percent of the BE proposed by the Commissioner and 7.73 percentage points of the Be approved by the corporation. Against the revised estimates as proposed by the Commissioner, the decline was 11.41 percentage points and in the case of the revised estimates as approved by the

Corporation it was 12.03 percentage points. In 2005-2006, the actual collections as a percentage of the BE proposed by the Commissioner were 39.92 percent and as a percentage of the BE approved by the Corporation or the RE proposed and approved by the Corporation were 34.44 percent. The percentage points decline in 2005-2006 was 11.96 percent over the BE proposed by the Commissioner and 17.44 percent in the BE approved by the Corporation and RE proposed by the Commissioner. The percentage point decline in the collections in 2005-2006 (one year after implementation of the UAM) were almost one-third the collections in 2003-2004 (one year before the said implementation).

- The simple, transparent, objective, mathematical and scientific characteristics of the system were apparently not enough to ensure improved realizations. Nor did it lead to rationalization of the system, the anomalies, and the inequalities.²⁰ So what decides revenue projections or revenue mobilization efforts? Are these Tables mere figments not intended to provide any rational basis for either planning or action?

**Objective
and
Rationale
of UAM**

12.55 The actual realizations of 2004-2005 which inaugurated the Unit Area Method were just 51.88 percent of the projected BE and RE Tables. It was even lower as a percentage of the approved revised budget estimates, being 51.26 percent. There was an absolute shortfall of Rupees 599.12 crore compared to the proposed and approved BE and the proposed RE and of Rupees 614.12 crore against the approved RE.

- In the report to the First Finance Commission too, the HSMI²¹ had invited attention to a number of administrative shortcomings. 'It appears that the administration of property tax, said the Report, 'in Delhi is highly discretionary, ad hoc, and lacks transparency. In this sense, it also becomes difficult to fix accountability. Right from the identification of properties, assessment and up to collection, the efficiency seems to be fairly low. It is difficult to measure the performance of the property tax administration in the absence of adequate information. Accordingly the actions and targets are not fixed and prioritised. The implications are clearly visible in the low coverage and abnormally low collection efficiency. Almost one-third demand is

²⁰ This in fact led to major interventions of the Municipal Valuation and the Hardship and Anomaly Committees which in turn introduced a number of distortions and dilutions.

²¹Chapter IV-Property tax Base and its Coverage in Delhi and Chapter V-Property Tax Administration in Delhi, pages: 52-65.

locked up under ex-parte assessment. As a result of all these inadequacies only 25 percent of assessed properties at MCD are estimated to be termed as tax-payer properties.'

- Recall that it was believed that, against the inadequacies of the earlier system, the unit area method of assessment was reportedly simple, transparent, objective, mathematical and scientific. It was expected to rationalize the system, widen the tax net and lead to an even flow of revenues, which would reduce the ways and means difficulties of the Corporation. It would not only rationalize the system, but augment the Corporation's revenues especially by bringing more properties under the tax net.

Anticipations of Finance Department: Actual Developments in Implementation of the UAM

12.56 The Finance Department, government of the NCT of Delhi, had expressed reservations on various aspects of the proposed UAM. It was noted, for instance, that the proposed system laid down six multiplicative factors for arriving at the annual value of different properties. But how these values had been arrived at and what was the rationale behind these values made applicable to different categories was not clear. These values of multiplicative factors were the most important part of the scheme and annual value of the property would largely depend upon these values. It was, therefore, important to ensure the reasonability and rationale of all these values.

Impact of Municipal Valuation and Hardships and Anomaly Committees

12.57 The Finance Department also apprehended that the constitution of the Municipal Valuation or the Hardship and Anomaly Committees might lead to dilution of the scheme. Incidentally, the Municipal Valuation Committee did dilute much of the Committee's recommendations by re-classifying colonies. Unit area values are indicated in Table 12.34.

Table: 12.34-Unit Area Values

Category	A	B	C	D	E	F	G	H
Value: (in Rs. Per square metre)	630	500	400	320	270	230	200	100

(Note: The Unit Area Value for **vacant land** in excess of 75% of the total plot area i.e. where the construction on the ground floor is less than 25 % of the plot area would be computed at a factor of 0.3 of the base unit value of the colony. The above Unit Area Values would be valid up to the assessment year 2006 - 07.)

12.58 The Municipal Valuation Committee suggested departures from the categorization of colonies recommended by the Expert Committee. The re-

categorization of colonies to the lower valuation colonies reduced the property tax payable because most of the colonies were now in lower valuation areas. The number of colonies that benefited from the re-categorization is reproduced in Table 12.35. The Corporation does not have an evaluation of the revenue loss resulting from the said re-categorization since it did not have data on the number of properties falling in the re-categorized colonies. Nevertheless, this was surely one of the biggest measures impacting the revenue realizations that could have been expected.

Table: 12.35- Number of Colonies Re-categorized by the MCD

Recommended by the Expert Committee		B	C	D	E	F	G	Total
Category	No. of Colony							
A	1		1					1
B								0
C	3			3				3
D	9				6	2	1	9
E	11					9	2	11
F	4						4	4
Total	28	0	1	3	6	11	7	28

- In addition to the above, one urbanized village (Sultanpur Majra) was re-classified in to category 'H' (rural village) which are exempted from payment of property tax.

Increase in Revenue Yields?

12.59 Finance Department noted that the proposal was silent on whether, after the introduction of the unit area system, the revenue collections will increase or decrease. The extent of increase or decrease had also not been assessed. In case of a fall, the concern was expressed about what would be the tools available to the MCD to increase the revenues on account of property tax. A comparison of revenue collections, under the existing system vis-à-vis the expected collections under the proposed system, too were not available. The factors taken into account in the proposed system which would lead to steady growth of revenue in future, and the rate of such growth in the coming years, was also unclear and therefore it was not possible to compare the effectiveness of the proposed unit area system of property tax. Of course, it was reasonable to expect that a reform measure would result in higher revenue yields.

- In this context, it would be worth noting the decisions of the Corporation in the context of the implementation of the UAM. First, notice the volumetric aspect. For instance, in the proposals for the financial year 2004-2005 the Corporation approved property tax revenues (of Rupees 1245.00 crore) at 3.49 percent less in comparison to the previous year (Rupees 1290.00 crore in 2003-2004).
- This could be interpreted as refreshing realism because it appeared to strike a cautious note in the first year of implementation of the UAM. It could also be interpreted as a vote of no-confidence in the new system. The fact of a steep fall in realizations would appear to support the latter interpretation. Nevertheless, despite a 16 percent fall in revenues in 2004-2005 over the previous year, in 2005-2006 the Corporation chose to increase the target for that year by 15.89 percent.
- The actual collections (provisional) of 2005-2006 were Rupees 489.00 crore against an approved BE of Rupees 1442.89 crore and an approved RE of Rupees 1462.89 crore. This works out to 33.89 of the budget estimates and 33.43 percent of the revised estimates. The actual collections in 2005-2006 over the previous year are poised to decrease by 24.29 percent. Yet in 2006-2007, the Corporation has approved a BE target of Rupees 1474.00 crore, representing an absolute increase of Rupees 31.11 crore and a step up over the previous year of 2.16 percent.

**Widening
of Tax
Base?**

12.60 Now consider the qualitative interventions of the Corporation.

- It was expected that the existing tax net will widen and more and more properties would be brought under the tax net. But there was no indication of the existing number of properties in the tax net and what would be the expected Table of new properties brought within the purview by the new system. The data suggests that there has been no expansion of the tax base. It may be recalled that the HSMI had in its Report submitted to the first Finance Commission recorded that the property tax base was very narrowly tapped. Against a total number of 25.68 lakh properties in 1996 only 7.76 lakh properties were assessed and around 2.14 lakh assesseees were estimated to be "tax payers."²²

12.61 Ten years later in the report furnished by the HSMI to the Third Finance Commission, there has been no material improvement in this situation

²² Mobilization of Property tax in Delhi: Realities and Prospects, A Study Sponsored by the Delhi Finance Commission, Human Settlement Management Institute, HUDCO House, Lodhi Road, New Delhi, May 1997; Chapter IV-Property tax Base and its Coverage in Delhi and Chapter V-Property Tax Administration in Delhi, pages: 47 and 65.

after implementation of the UAM. 'It is striking to note,' says the Report, 'that a vast majority of properties are not under the net of property tax at MCD.' Table 12.36 shows that of the total number of properties under MCD, only 28.6 percent were assessed in 1993-94 and 38 percent in 2003-04.

Table: 12.36- Property Tax Assessment

Serial No.	Item	MCD	
		1993-04	2003-04
1.	No. of Properties	2067409	2536632
2.	No. of Properties Assessed	591368	963119
3.	Properties under computerized details	--	348000
4.	% of Properties Assessed	28.6	37.97
5.	% of Assessed Properties under computerized details	--	36.13

Source: 1. Estimated by HSMI from Census of India 1991 & 2001

- It would be interesting to know what measures the Corporation took to widen the tax base which was expected to yield higher revenues. It is understood that except for a postal survey conducted at a cost of around Rupees 2 crore in 2003-2004 no other steps were taken. It is also learnt that even the results of the postal survey have not been utilized in any meaningful manner. Accordingly, such expenditure and measures are simply wasteful use of resources.

Administrative Structures, Processes, and Computerization

12.62 The Property Tax Department is headed by the Assessor and Collector who is directly reporting to Additional Commissioner (Revenue)/Commissioner.

- The property Tax Department has its units in every zone. Apart from this separate sub units are also present in many zones where the area is sizeable. The zonal property tax office is headed by a Joint Assessor and Collector and the units and sub-units are headed by a Deputy Assessor and Collector.
- Separate units (circles) also exist in the Head Quarter for (a) industrial areas, (b) special commercial areas (such as Nehru Place, Rajendra Place etc.), (c) educational institutes, cinemas, hotels etc, and (d) government and railway properties.
- Separate units also exist exclusively for recovery having Joint Assessor and Collector (Recovery), Tax Recovery Collector (Deputy Assessor and Collector), Assistant Tax Recovery Collectors (Assistant Assessor and Collector), Warrant Officers.

- Every unit has a bill clerk, Zonal Inspectors and Assistant Zonal Inspectors.
- The Assessor and Collector is appointed on Deputation from the Indian Revenue Service. The Joint Assessor and Collectors/ Deputy Assessor and Collectors include officials from the MCD's own cadre as well as from other services (IRS, DANICS etc.).
- The Assistant Assessor and Collectors and Warrant Officers are mostly from the MCD's own cadre (General Administration).
- The Zonal and Assistant Zonal Inspectors are drawn from the General Wing of the MCD (Clerical Cadre) who are designated as HC/ UDC / LDC elsewhere.
- The department also has Notice-servers appointed.
- The staff in this department working at any level other than Assessor and Collector is transferable to other departments. The working of this department differs from other departments. The Assessors are vested with judicial powers and complete knowledge of taxation and related legal matters are necessary to discharge the functions at any level. No training is provided and the staff acquires necessary knowledge on the job. This naturally results in poor quality output.
- The HSMI in the report to the first Finance Commission had observed that the zonal inspectors are exchangeable with clerks within the MCD. These are not from technical cadre. Hence, despite a separate wing, property tax administration in the MCD is done without promoting a strong and stable cadre. Unfortunately, neither in the run-up to the introduction of the UAM nor thereafter has there been any significant step to correct this situation.²³

**Demand
for
Financial
Support**

12.63 It was anticipated that, if the unit area system resulted in lesser tax collections and increased administrative expenditure, the MCD may approach the GNCT of Delhi for financial assistance. There is no greater comment on the inability of the Corporation to undertake meaningful reforms other than to note that this was an accurate and prescient observation.

- As it happens, this anticipation has been fully borne out by subsequent events. In the Memorandum submitted to the Commission the Corporation has informed that they have implemented the recommendation of the Second Finance Commission related to the introduction of the unit area method. However, despite the claim of

²³ Ibid Chapter V-Property Tax Administration in Delhi, page: 53.

successful implementation of the property tax reforms, the Corporation have also posed a demand for Rupees 681 crore as re-imbursement ²⁴on account of shortfall in revenues from property tax and, in addition, Rupees 8.76 crore toward increased administrative expenditure.²⁵

- This demand is not merely that it makes a mockery of the so-called property tax reforms, which of course it does. The more significant aspect is that, as already noted, performance gaps are built to the budgetary procedures and processes of the Corporation. Unrealistically high revenue projections year after year themselves are sufficient to ensure shortfalls in revenue receipts. If, however, they are not backed by any meaningful steps the shortfall is inevitable and cannot be the basis for any demands for financial support howsoever strong or lukewarm the implementation. Accordingly, we have no hesitation in rejecting this demand.

12.64 Table 12.37 reports the position in the years immediately preceding the introduction of the UAM. Is there any visible trend or pattern? Can there be any prediction of a rising or declining trend in revenue realization? The data does not suggest so. This implies that unless there are basic and structural changes in the functioning of the MCD, more particularly of the Property Tax Department, mere changes in the methodologies will not yield appropriate responses and fruitful results-measured as higher revenue yields.

- The basic structural ingredients include vital issues such as the budgetary processes (for instance taking note of the track record of revenue realizations against BE/RE and proposed targets for any given year), long term and annual plans (regarding need assessments in terms of physical infrastructure or services requirements), financial

²⁴ Memorandum submitted by the Corporation to the Third Delhi Finance Commission. Paragraph: 13.2.3: 'The shortfall of Rs. 68100 lakh be reimbursed by the Delhi Government, as the new system has been implemented on recommendation of Second DFC and the Government.' This is an unacceptable logic. The Corporation surely must own the reform and take full responsibility for implementation. It must identify what went wrong and take corrective measures. This cannot be the grounds for any compensatory grant. If concessions and expenditures are given by the Hardships Committee

²⁵ Ibid: Paragraph 13.2: 'If taxpayers understand how they are assessed and charged, there will be more willing to comply with the system. MCD is likely to spend about Rs. 8.76 crore on bringing out property tax reforms for implementing a property tax structure that will be revenue productive and equitable, strengthening revenue administration and enforcement, removing distortions in land and property markets that limit the potential tax base, creating a will to assess property at its current market value. MCD has introduced online filing of returns/computerized checking of returns. This project also qualifies for grant under URIF but no grant has been received for this project.' We would be happy to finance the reform if only it was possible to believe that the Corporation would utilize the amount for genuine reform measures.

management (for instance volume and quality of expenditure on maintenance, creation of assets, growing liabilities etc).

Table: 12.37-Absolute and Percentage variation in Property Tax Revenues-1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
2001-2002	986.00	1029.20	687.45	135.30	15.90	171.70	20.02	10.75	1.59
2002-2003	1124.00	1174.00	704.15	138.00	14.00	144.80	14.07	16.70	2.43
2003-2004	1290.00	1215.00	768.94	166.00	14.77	41.00	3.49	64.79	9.20
2004-2005	1245.00	1260.00	645.88	-45.00	-3.49	45.00	3.70	-123.06	-16.00
2005-2006	1442.89	1462.89	489.00*	197.89	15.89	182.89	15.51	-156.88*	-24.29*
2006-2007	1474.00	-	-	31.11	2.16	-	-	-	-

(Note: Provisional)

- The department should apprise the GNCTD about the Revenue Neutral Rate (RNR) at which the existing revenue along with normal growth would be protected in the first year of the new regime. The projected revenue for first few years should also be reported to the GNCTD.

**Approved
UAM
System**

12.65 On March 03, 2003 the GNCTD accorded approval to the adoption of the UAM for property tax assessment in the MCD areas. The following were the main decisions:

- ✓ Range of tax rates from 6 percent to 20 percent for vacant lands and buildings was approved, while tax rates of 10 percent to 12 percent were considered reasonable in the first year of operation.
- ✓ A flat rate system of tax at the initial stages followed by the straight-line system of up-gradation was approved.
- ✓ The proposed exemptions were approved including exemption from payment of property tax on vacant lands and buildings exclusively occupied and used, with the approval of the corporation, for public charity or medical relief or education of the poor, free of charge.
- ✓ Exemptions were also approved in the case of heritage buildings, which are specifically notified for exemptions from property tax by the Corporation.
- ✓ The existing exemptions given to war widows, gallantry award winners in the defence forces, police, paramilitary forces etc. would continue.

- ✓ The proposal to levy tax on vacant land where the construction on the ground floor is less than 25 percent of the plot area was deferred till the implications were brought out by the Corporation.
- ✓ Proposal for exemption from tax due on area up to 100 square meters of residential property in the village abadi occupied by the owner or his heir was approved.
- ✓ A rebate of 30 percent (25 percent in the first year) on tax payable on area up to 100 square meters in a self-occupied residential property singly owned by a senior citizen, a woman or a physically challenged person or jointly owned by any of these categories on one property was approved.
- ✓ Refund of tax collected from Group Housing Societies, Residents Welfare Associations etc. up to 35 percent towards maintenance of internal services, which they provide was approved.
- ✓ Proposed service charges at rates (not less than 75 percent of the normal tax due) to be levied on properties which are totally exempted from property tax was agreed to.
- ✓ The proposal for constitution of a Municipal Valuation Committee and that, if no revision in the base Unit Area value is done after three years, the value may be indexed with reference to the Consumer price index of the Corporation were approved.
- ✓ Recommendations on property identification code, suo motu revision, collection through banks were approved.
- ✓ The recommendation on the constitution of an Anomalies and Hardship Committee was approved.
- ✓ The appeal mechanism, including establishment of a Municipal Taxation Tribunal by the Government was approved.
- ✓ The advice of the Finance Department that there should be no fall in revenue collection and no new post should be created in the Corporation due to the change over, except through matching savings in the establishment bill was supported.
- ✓ It was also decided that old litigation cases could be given the option of accepting the new Unit Area system to clear past arrears, thereby liquidating the large number of Court cases.

Expected Outcome

12.66 It may be recalled that the Municipal Valuation Committee had furnished property tax data in respect of 33,717 properties (out of the total of about 9 lakh properties in the tax net in Delhi). Taking this as a sample, 19,520 properties (58 percent) were expected to pay less tax and 14,197 properties 42

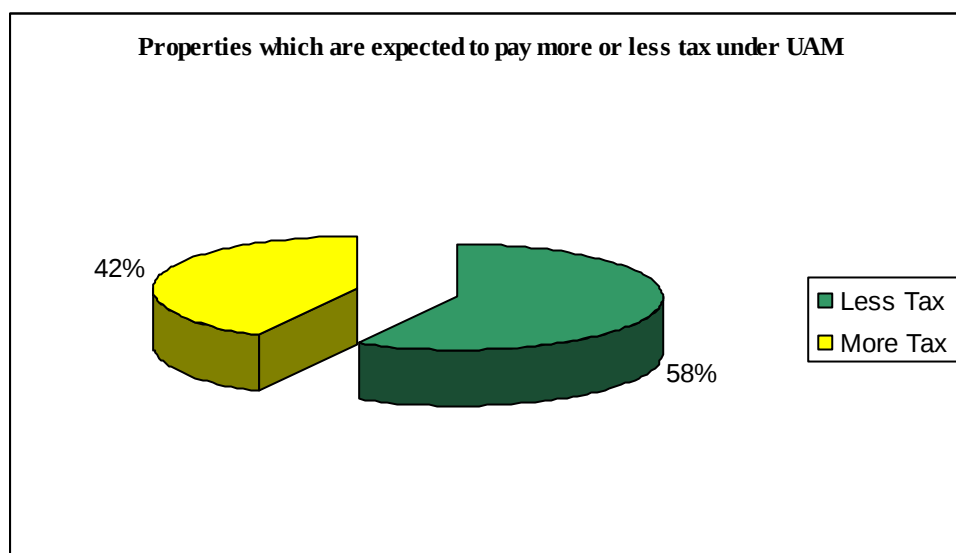
percent more under the new UAM system. The category-wise position of these properties was projected as shown in Table 12.38.

Table: 12.38 Projected Impact of UAM

Category	Sample	Proposed Tax Less Than Present Tax		Proposed Tax More than Present	
		Number	Percent of sample	Number	Percent of sample
A	1712	583	34.1	1129	65.9
B	2970	990	33.1	1980	66.7
C	8005	3506	43.8	4499	56.2
D	9323	6007	64.4	3316	35.6
E	3419	2191	64.1	1228	35.9
F	5477	3896	71.1	1581	28.9
G	2811	2347	83.5	464	16.5
Total	33717	19520	57.9	14197	42.1

- It is notable that about two-thirds of properties in Category 'A' and 'B' and more than half those in category 'C' were expected to pay more tax, while a preponderant percentage of properties in category 'D' and 'G' were expected to pay less tax. This it was believed satisfied the principle of equity.

Figure: 12.5 Projected Impact of UAM



12.67 It is useful to consider the extent of the tax burden which would be borne by properties in various categories. Out of those expected to pay more (14,197 properties or 42 percent of the sample) 43.6 percent were expected to

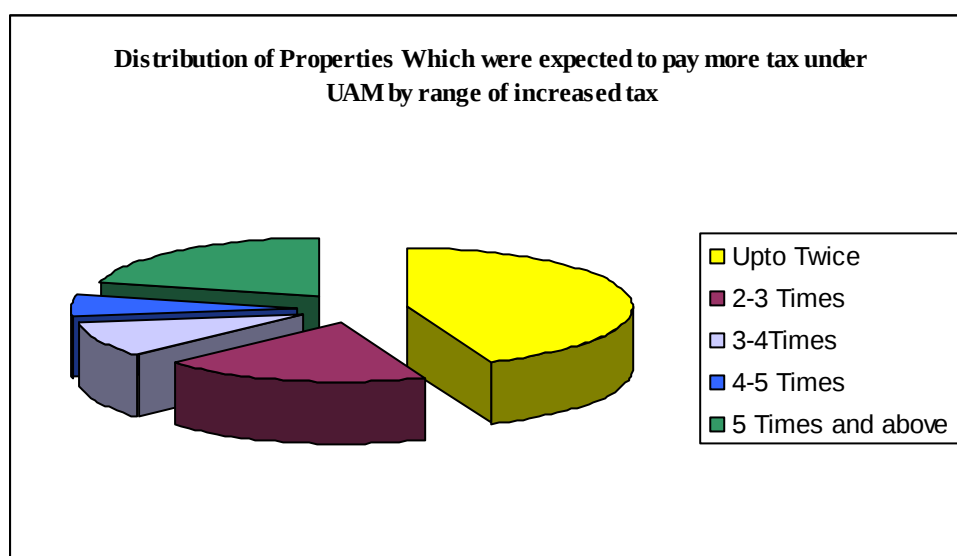
pay twice the amount already being paid, and 19 percent two to three times more, 10 percent three to four times more, and 6 percent four to five times 21 percent more than five times. Table 12.39 summarizes the position

Table 12.39 Tax Burden under UAM

Number of times the present tax burden	Number of properties	Percentage to the Total
Up to twice	6185	43.6
2-3 times	2757	19.4
3-4 times	1394	9.8
4-5 times	863	6.1
More than 5 times	1998	21.1
Total	14197	100

- The analysis which was based merely on a consideration of the category factor and did not take in to account the impact of factors such as various rebates, concessions and other multiplicative factors (like age, tenancy, use) built in to the UAM system still strove to show that the proposed system satisfied the criterion of equity.

Figure: 12 .6 The Tax Burden



What Went Wrong? Tax administration

12.68 There is much to say in the argument that low revenue yields in the aftermath of introducing the UAM represents no more than the teething

problems that inevitably plague new initiatives. This however is an oversimplification absolving the agency concerned of the need to examine the effectiveness of the preparatory or follow up actions needed.

- Data suggest that things have gone seriously wrong. The decline in property tax revenues was Rupees 123.06 crore compared to the previous year in 2004-2005. In 2005-2006, there was a decline of approximately Rupees 152.00 crore. This is also despite the strenuous efforts to make the system equitable.
- So, what went wrong? Box 12.3 summarizes the reasoning of the MCD. One view was that the tax administration was lax and inadequate. The other was that there were too many concessions, rebates and exemptions. The truth is that perhaps both sets of factors have contributed to the decline in property tax revenues.

Box: 12.3-Reasons for Revenue Shortfall- Case of the MCD

The shortfall in revenue is mainly due to the teething problems associated with the early years of introduction of new taxation system. Before the Unit Area Method is introduced the assessment was done on the basis of the cost of the property and rental value. Approximately 9.00 lakh properties were assessed under this system and their accounts were kept in the Demand and Collection Registers.

The new taxation system (UAM) was meant to release the extra tax burden on the newly constructed properties and to bring parity. The unit tax is based on the rental value of the locality assessed from time to time. The new system was assumed to widen the tax base, thereby increasing the revenue. The system of filing tax return was intended to encourage the taxpayer to make a self- assessment and pay the tax.

The UAM has not picked up yet, probably due to the following reasons:

- 1) No system of recording and accounting the taxes was made.
- 2) The staff was required to acquire knowledge of the UAM taxation as their own, which is taking time.
- 3) The lack of awareness among the public.
- 4) No database was present to check non-payers.
- 5) No survey was done to fruitfully widen the tax base.

- One important aspect of property tax administration would be the measures the Corporation ought to have taken for the success of the UAM system both before and after implementation was announced. The successful implementation of the UAM system has many components. In the first place is the data/information requirement. This includes information about the properties in a notified colony, their usage, names of owners and occupiers. This constitutes the elemental data about the tax base. This information would determine the ability to levy the

property tax, collect service charges, or identify properties for allocating property identification numbers. In other words, determine the size of the tax base.

- For instance, section 115 (1) of the DMV Act, 1957 provides for the mandatory levy of property tax on all vacant lands and buildings except those specifically exempted. Section 115 (2) imposes on the Corporation the responsibility of determining the exempted properties. Section 125 (1) requires the Corporation to maintain a record of property code numbers by which a property shall be known. If property tax is to be levied on all eligible properties and the Corporation has to identify the exempted properties even for the recovery of the service charges [in terms of Section 115 (3)] it can only be through a comprehensive data/information base.
- Several options are available to the Corporation for the creation of this data/information base. For example, the data already available under the earlier system about taxpayers could have provided a starting point. Under the old system, the Corporation recorded details about the tax collections in the Demand and Collection Register. This included all relevant information related to the dues from a specific property (such as: demand notices or bills issued, concessions or rebates, payments received, penalties imposed, change in use or ownership etc). While no system to record such data/information was put into position in anticipation of the new UAM system, the earlier one has now been rendered irrelevant.
- The knowledge and experience of notice servers or field inspectors (the Zonal and assistant Zonal Inspectors) could also have been used for feedback. However, perhaps in the anxiety to demonstrably end the Inspector Raj this option too has been abandoned.
- As already noted the postal survey did not serve any purpose. The information available through the Citizen Service Bureaus would also inevitably be incomplete since not all taxpayers pay the property tax through the CSB and, in any case, Citizen Service Bureaus have not been set up in all the wards. The corporation could also have cross-checked information and data available in its own various departments such as the licensing department or building plans department. It has chosen not to do so.
- The other option is post assessment year action. This would provide information about the size of the tax base as well as the list of defaulters. It is spelt out in Section 123A (2) (b), Section 123A (3), and 123D. Section

123A (2) (b) provides for penalties arising from failure to furnish the returns as well as ex parte assessment. Section 123A (3) empowers the Commissioner or any officer authorized by him to inspect or survey any property with a view to verifying the statement made in the return filed. Section 123D enables the Commissioner to make an assessment in the event of returns not being filed and re-open any assessment even after a period of one year.

- It is not merely that post-assessment year action could have helped to fill gaps in the database. The additional consequence is that potential defaulters are not identified. Improper disclosure of relevant information by the taxpayer also escapes necessary action. Indeed, such cases arising in 2004-2005 are already time-barred.

**What Went Wrong?
Concessions,
Rebates,
Exemptions**

12.69 Though lapses in tax administration may cost the MCD dearly, this was not all. In this context, we cannot overlook the huge amount of revenue loss arising from rebates, concessions and exemptions. The ease with which a cash-strapped organization goes about abandoning tax revenue is quite dismaying to say the least.

- On the recommendations of the Hardship and Anomaly Committee, the Corporation chose to extend other concessions also in the implementation of the Unit Area Method. These included the following:
 - ✓ The age limit of the senior citizens entitled for a 30 percent rebate was lowered from the recommended 65 years to 60 years.
 - ✓ The minimum plot size exempted from the property tax was raised from 100 square meters to 200 square meters.
 - ✓ DDA Janata Flats were given an additional concession of 10 percent.
 - ✓ Properties owned by ex-servicemen up to 100square meters were exempted from the payment of property tax
 - ✓ Certification of an empanelled Architect in respect of the covered areas was dispensed with and certification of the assesses themselves was substituted.
 - ✓ Rural villages were exempted from the payment of property tax.
 - ✓ 100 percent tax exemption to the widows of the 1984 riot victims.
 - ✓ The timely payment rebate was enhanced from 10 to 15 percent in 2004-2005. This cost the MCD Rupees 53 crore in 2004-2005.

Therefore, the demand of the Corporation to be reimbursed for alleged shortfalls in revenue, without any real effort to implement the UAM is on merits unacceptable.

Transfer Duty 12.70 Table 12.40 summarizes the position in respect of Transfer Duty in the years 1994-1995 to 2004-2005. The amounts approved by the Corporation in respect of the transfer duty have not varied from the amount proposed by the Commissioner except in two years (2002-2003 and 2003-2004). The revised estimates have also been approved as proposed by the Commissioner in all years other than 2001-2002. This is perhaps because the transfer duty is determined independently of actions taken or not taken by the Corporation.

Table 12.40- Transfer Duty-1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate			Revised Estimate			Actual
	Proposed by Commissioner	Approved by Corporation	Variation (Col. 3-2)	Proposed by Commissioner	Approved by Corporation	Variation (Col. 6-5)	
1	2	3	4	5	6	7	8
1994-1995	24.00	24.00	0.00	29.55	29.55	0.00	38.09
1995-1996	29.55	29.55	0.00	41.00	41.00	0.00	58.89
1996-1997	45.00	45.00	0.00	60.00	60.00	0.00	65.20
1997-1998	78.00	78.00	0.00	78.00	78.00	0.00	55.59
1998-1999	93.00	93.00	0.00	61.50	61.50	0.00	62.55
1999-2000	68.00	68.00	0.00	68.00	68.00	0.00	78.85
2000-2001	74.00	74.00	0.00	90.00	90.00	0.00	92.28
2001-2002	90.00	90.00	0.00	90.00	101.10	11.10	79.01
2002-2003	90.00	102.50	12.50	102.50	102.50	0.00	112.98
2003-2004	100.00	111.50	11.50	120.00	120.00	0.00	143.37
2004-2005	120.00	120.00	0.00	200.00	200.00	0.00	167.94

12.71 Table 12.41 reports the position of actual realization over the BE and RE. The actual realizations were less than the budget estimates in three years (1997-1998, 1998-1999, and 20001-2002). Compared to the revised estimates, the actual realizations were also less in three years; 1997-1998, 2001-2002, and 2004-2005.

Table: 12.41-Variation in Actual Realization over budget and Revised Estimates-Transfer Duty

Year	Variation in Actual over Budget Estimate		Variation in Actual over Revised Estimates	
	Proposed by Commissioner	Approved by Corporation	Proposed by Commissioner	Approved by Corporation
1994-1995	14.09	14.09	8.54	8.54
1995-1996	29.34	29.34	17.89	17.89
1996-1997	20.20	20.20	5.20	5.20
1997-1998	-22.41	-22.41	-22.41	-22.41
1998-1999	-30.45	-30.45	1.05	1.05
1999-2000	10.85	10.85	10.85	10.85
2000-2001	18.28	18.28	2.28	2.28
2001-2002	-10.99	-10.99	-10.99	-22.09
2002-2003	22.98	10.48	10.48	10.48
2003-2004	43.37	31.87	23.37	23.37
2004-2005	47.94	47.94	-32.06	-32.06

12.72 Table 12.42 depicts the absolute and percentage variations in BE/RE and actual within a year. The variation in approved RE over approved BE has been from minus Rupees 31.50 crore (1998-1999) to Rupees 80 crore (2004-2005). There was no variation in the RE over the BE in three years (1997-1998, 1999-2000, and 2002-2003).

Table: 12.42-Absolute and percentage Variation in BE/RE, Actual within the Year -1994-1995 to 2004-2005 (Rupees in crore) Transfer Duty

Year	Budget Estimate				Revised Estimate		
	Proposed by Commissioner	Approved by Corporation	Absolute Variation in receipts proposed & Approved BE	Percentage Variation in receipts proposed & Approved BE	RE as Approved by Corporation	Absolute Variation in RE over BE	Percentage Variation in RE over BE
1	2	3	4	5	6	7	8
1994-19	24.00	24.00	0.00	0.00	29.55	5.55	23.13
1995-19	29.55	29.55	0.00	0.00	41.00	11.45	38.75
1996-1997	45.00	45.00	0.00	0.00	60.00	15.00	33.33
1997-1998	78.00	78.00	0.00	0.00	78.00	0.00	0.00
1998-1999	93.00	93.00	0.00	0.00	61.50	-31.50	-33.87
1999-2000	68.00	68.00	0.00	0.00	68.00	0.00	0.00
2000-2001	74.00	74.00	0.00	0.00	90.00	16.00	21.62
2001-2002	90.00	90.00	0.00	0.00	101.10	11.10	12.33
2002-2003	90.00	102.50	12.50	13.89	102.50	0.00	0.00
2003-2004	100.00	111.50	11.50	11.50	120.00	8.50	7.62
2004-2005	120.00	120.00	0.00	0.00	200.00	80.00	66.67

Actual	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
9	10	11	12	13
38.09	14.09	58.71	8.54	28.90
58.89	29.34	99.29	17.89	43.63
65.20	20.20	44.89	5.20	8.67
55.59	-22.41	-28.73	-22.41	-28.73
62.55	-30.45	-32.74	1.05	1.71
78.85	10.85	15.96	10.85	15.96
92.28	18.28	24.70	2.28	2.53
79.01	-10.99	-12.21	-22.09	-21.85
112.98	10.48	10.22	10.48	10.22
143.37	31.87	28.58	23.37	19.48
167.94	47.94	39.95	-32.06	-16.03

- The percentage variation in the RE over the BE has ranged from minus 33.87 percent (1998-1999) to 66.67 percent. In four out of eleven years, the variation has been in the range of 20 percent to 39 percent.
- The annual absolute change in the actual over the BE has been within the range of minus Rupees 30.45 crore (1998-1999) to Rupees 47.94 crore (2004-2005). The percentage variation over BE has been from minus 32.74 percent (1998-1999) to 99.29 percent (1995-1996). The annual absolute change in the actual realizations over RE has ranged from minus Rupees 32.06 crore (2004-2005) to Rupees 23.37 crore (2003-2004). The percentage variation over RE has been from minus 28.73 percent (1997-1998) to 43.63 percent (1995-1996).

12.73 Table 12.43 records the absolute and percentage variation over the previous year. The absolute variation in BE over the previous year has ranged from minus 25.00 crore (1999-2000) to Rupees 33.00 crore (1997-1998). There is no pattern to the annual variations. Between the extremes the variation has been less in the first two and last two years as also in between. However, there have been years when the annual change was as much as Rupees 33.00 crore (1997-1998) also. The percentage changes have been from minus 26.88 percent (1999-2000) to 73.33 percent (1997-1998). The percentage variations also show no specific pattern or growth trend.

**Table: 12.43-Absolute and Percentage Variation over Previous Year-Transfer Duty
(Rupees in crore)**

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1	2	3	4	5	6	7	8	9	10
1994-1995	24.00	29.55	38.09						
1995-1996	29.55	41.00	58.89	5.55	23.13	11.45	38.75	20.80	54.61
1996-1997	45.00	60.00	65.20	15.45	52.28	19.00	46.34	6.31	10.71
1997-1998	78.00	78.00	55.59	33.00	73.33	18.00	30.00	-9.61	-14.74
1998-1999	93.00	61.50	62.55	15.00	19.23	-16.50	-21.15	6.96	12.52
1999-2000	68.00	68.00	78.85	-25.00	-26.88	6.50	10.57	16.30	26.06
2000-2001	74.00	90.00	92.28	6.00	8.82	22.00	32.35	13.43	17.03
2001-2002	90.00	101.10	79.01	16.00	21.62	11.10	12.33	-13.27	-14.38
2002-2003	102.50	102.50	112.98	12.50	13.89	1.40	1.38	33.97	42.99
2003-2004	111.50	120.00	143.37	9.00	8.78	17.50	17.07	30.39	26.90
2004-2005	120.00	200.00	167.94	8.50	7.62	80.00	66.67	24.57	17.14

- The annual changes in the RE have been from minus Rupees 16.50 crore (1998-1999) to Rupees 80.00 crore (2004-2005). Most of the absolute variation has been between Rupees 11 crore to Rupees 22 crore- in six out of ten years. Nonetheless, here also there is no real identifiable trend or pattern. The percentage variation which has been from minus 21.15 percent (1998-1999) to 66.67 percent (2004-2005) confirms this.
- The actual realizations over the previous year have varied from minus Rupees 13.27 crore (2001-2002) to Rupees 33.97 crore (2002-2003). The percentage has ranged from minus 14.74 percent (1997-1998) to 54.61 percent (1995-1996). There is no clear pattern, though the fact is that after rising or declining over the years, the annual percentage variation has climbed down from 54.61 percent (1995-1996) to 17.14 percent (2004-2005).

12.74 Table 12.44 reports the position of transfer duty as a percentage of various parameters. Transfer duty as a percentage of total tax revenues has been within the range of 8.77 percent (2001-2002) to 15.66 percent (2004-2005). In most of the years, transfer duty has been from 10 percent to 14 percent of total tax revenue- the exception being 2001-2002 and 2004-2005. As a percentage of total revenue receipts, transfer duty has ranged between 3.18 percent (2001-2002) to 5.37 percent (1995-1996). It has been a steady 3 to 4 percent in most of the years. The percentage share in total receipts has been from 3.02 percent (2001-2002) to 5.17 percent (1995-1996). Here to the percentage share has been 3 to 4 percent in most of the years.

Table: 12.44-Transfer Duty as a percentage-1994-1995 to 2004-2005

Year	Actual	Percentage Variation in Actual over Previous Year	Percentage of Total Tax Revenue	Absolute Variation over Previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	38.09		10.59		4.24	4.07
1995-1996	58.88	54.58	13.98	20.79	5.37	5.17
1996-1997	65.20	10.73	12.90	6.32	5.19	5.00
1997-1998	55.59	-14.74	10.16	-9.61	4.26	3.82
1998-1999	62.55	12.52	10.07	6.96	3.39	3.15
1999-2000	78.85	26.06	10.68	16.30	3.82	3.46
2000-2001	92.28	17.03	10.67	13.43	4.21	3.95
2001-2002	79.01	-14.38	8.77	-13.27	3.18	3.02
2002-2003	112.98	42.99	11.79	33.97	4.14	3.91
2003-2004	143.37	26.90	13.27	30.39	5.21	4.95
2004-2005	167.94	17.14	15.66	24.57	5.01	4.35

12.75 Table 12.45 depicts the variation in actual collections over the annual average realizations. The average annual collections of transfer duty in the years 1994-1995 to 2004-2005 were Rupees 86.79 crore. In absolute terms the variation over the average collection has been within the range of minus Rupees 48.70 crore (1994-1995) to Rupees 81.15 crore (2004-2005). It has been below the annual average in eight out of eleven years and above the average in three years only since 2002-2003. This is perhaps due to changes in the stamp duty and registration fees, the need to register even transfers on power of

attorney basis, and reduced rates for women registrants. These have reportedly secured better and greater compliance leading to larger revenue realizations.

- The reduction of rates has clearly led to greater revenues. However, the Corporation has been unhappy at the reduction of its share from 5 percent to 3 percent. The BE/RE projections of revenue on account of transfer duty is shown in the Corporation budgets taking into account a rate of 5 percent.

Table: 12.45- Variation in Transfer Duty Collections from Average Collection-1994-1995 to 2004-2005 (Rupees in Crore)

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	38.09	86.79	-48.70	-56.11
1995-1996	58.89	86.79	-27.90	-32.15
1996-1997	65.20	86.79	-21.59	-24.88
1997-1998	55.59	86.79	-31.20	-35.95
1998-1999	62.55	86.79	-24.24	-27.93
1999-2000	78.85	86.79	-7.94	-9.15
2000-2001	92.28	86.79	5.49	6.33
2001-2002	79.01	86.79	-7.78	-8.96
2002-2003	112.98	86.79	26.19	30.18
2003-2004	143.37	86.79	56.58	65.19
2004-2005	167.94	86.79	81.15	93.50

Advertisement Tax

12.76 As per the DMC Act the advertisement tax, which is one of the obligatory taxes is to be levied upon every advertisement. This also means that at the time of each and every change of advertisement at a particular place, fresh/new advertisement tax needs to be levied. In such circumstances, says the Corporation, it is practically impossible to keep track of each and every change in display of advertisements on electric kiosks as the advertisement tax is collected yearly in advance. By switching over to a monthly system of collection of advertisement tax, it would be easier and practicable for the advertisement inspector to keep track of the change in display of advertisement thereby efficiently and effectively monitoring and managing of collection of tax. Thus at least a minimum increase of 12 times over and above the present collection of advertisement tax is expected. A detail of the revenue collected during the last three years and expected increase, after switching over to

monthly collection of advertisement tax is given in the annexure-A enclosed. The same is the case of tax on theatres where slides or other modes of advertisement keep on changing

- The relevant advertisement tax rates (see the Fifth Schedule) were framed sometime in 1957 when the DMC Act came in to force. There has been no change in the rates thereafter, never mind the vast changes in the society and economy since then. As such, the structure is clearly outdated.
- In some cases, such as hoardings, stipulations in orders of the Supreme Court apply. However, in accordance with the orders and directions of the Court and where there are no restrictions on the safe movement of traffic, possibilities of hoardings, are being considered by the department.
- Changes have been proposed in all descriptions of advertisements to accommodate any and every circumstance arising out of display of advertisement. This proposal awaits the approval of the state government since July 2003.²⁶ Expeditious approval of the state government for modifying the rates of various taxes is desirable. Indeed, there should be a specific time frame for according approval. Therefore, if no formal communication is received from the state government, within six months the proposal may be deemed to have been approved.

12.77 Table 12.46 records the position of proposed and approved BE and RE. There has been no variation in BE as proposed by the Commissioner and as approved by the Corporation except in the years 2000-2001, 2003-2004 and 2004-2005. There has been a variation of Rupee 5.00 crore in BE as approved by the Corporation over the BE as proposed by the Commissioner in the year 2000-2001, Rupees 6.70 crore in 2003-2004 and Rupees 23.30 crore in the year 2004-2005.

²⁶ Annexe: Proposed Changes in the Advertisement tax Rates, see Vol-III, Section-II.

Table: 12.46-Receipt of Advertisement Tax of MCD from the year 1994-95 to 2004-05 (Rupees in crore)

Year	Budget Estimate			Revised Estimate			Actual
	Proposed by Commissioner	Approved by Corporation	Variation (Col. 3-2)	Proposed by Commissioner	Approved by Corporation	Variation (Col. 6-5)	
1	2	3	4	5	6	7	8
1994-95	8.75	8.75	0.00	9.00	9.00	0.00	11.10
1995-96	9.00	9.00	0.00	11.25	11.25	0.00	11.72
1996-97	11.25	11.25	0.00	5.75	5.75	0.00	4.50
1997-98	8.65	8.65	0.00	7.75	7.75	0.00	4.89
1998-99	8.65	8.65	0.00	5.00	5.00	0.00	4.37
1999-00	5.00	5.00	0.00	5.00	5.00	0.00	7.81
2000-01	5.00	10.00	5.00	10.00	10.00	0.00	8.27
2001-02	11.00	11.00	0.00	11.00	11.00	0.00	8.51
2002-03	11.00	11.00	0.00	14.00	14.00	0.00	10.38
2003-04	10.00	16.70	6.70	16.70	16.70	0.00	11.59
2004-05	16.70	40.00	23.30	20.00	21.50	1.50	17.51

- There has been a variation of Rupees 1.50 crore in RE as proposed by the Commissioner and as approved by the Corporation only in the year 2004-2005 and there was no variation in other years.
- The BE as proposed by the Commissioner has been in the range of Rupees 5.00 crore in 1999-2000 and 2000-2001 to Rs.16.70 crore in 2004-2005 and in the range of Rupees 5.00 crore 1999-2000 to Rupees 40.00 crore in 2004-2005.
- The range of RE as proposed by the Commissioner has been between Rupees 5.00 crore in 1998-1999, 1999-2000 and Rupees 20.00 crore in 2004-2005 and the same has been the position with RE as approved by Corporation except that it was enhanced from Rupees 20.00 crore as proposed by the Commissioner to Rupees 21.50 crore as approved by the Corporation in 2004-2005.
- The actual have been within the range of Rupees 4.37 crore in the year 1998-1999 to Rs.17.51 crore in 2004-2005
- As against the BE of Rupees 5.00 crore as proposed by the Commissioner in the year 2000-2001, the Corporation enhanced the provision to Rupees 10.00 crore against which a collection of Rupees 8.27 crore was realized by the MCD.
- In the year 2003-2004 when the Commissioner proposed BE of Rupees 10.00 crore the Corporation approved the same at Rupees 16.70 crore and the provision as enhanced by the Corporation in BE was proposed

by the Commissioner in RE and approved by the Corporation as against which a collection of Rupees 11.59 crore was realized.

- The Corporation enhanced the provision from Rupees 16.70 crore as proposed by the Commissioner to Rupees 40.00 crore in BE 2004-2005 which was revised to Rupees 20.00 crore in RE as proposed by the Commissioner and Rupees 21.50 crore as approved by the Corporation, against which the MCD could collect only Rupees 17.51 crore.
- It would be seen that the provisions proposed by the Commissioner which were approved by the Corporation without any variation were more or less closer to the actual collections whereas the provisions as enhanced by the Corporation appear to have no basis.
- The actual collections of advertisement tax increased from Rupees 11.10 crore in 1994-95 to Rupees 11.72 crore in 1995-96 and in the year 1996-97, it suddenly fell to Rupees 4.50 crore which again rose to Rupees 4.89 crore in 1997-98.
- The advertisement tax collection started increasing from the year 1999-2000: from Rupees 4.37 crore (in 1998-1999) to Rupees 7.81 crore (in 1999-2000) and showed a rising trend thereafter. The actual collections in the year 2004-05 were to the tune of Rupees 17.51 crore.
- During the period of 11 years from 1994-1995 to 2004-2005 the advertisement tax collections rose by only 60 percent from Rupees 11.10 crore to Rupees 17.51 crore, giving an annual average rate of 5.4 percent.

12.78 Table 12.47 records the position of actual over the proposed and approved BE and the proposed and approved RE.

Table: 12.47 - Variation in Actual Realization over Budget & Revised Estimates - Advertisement Tax (Rupees in crore)

Year	Variation in Actual over Budget estimate		Variation in Actual over Revised Estimates	
	Proposed by Commissioner	Approved by Corporation	Proposed by Commissioner	Approved by Corporation
1994-1995	2.35	2.35	2.10	2.10
1995-1996	2.72	2.72	0.47	0.47
1996-1997	-6.75	-6.75	-1.25	-1.25
1997-1998	-3.76	-3.76	-2.86	-2.86
1998-1999	-4.28	-4.28	-0.63	-0.63
1999-2000	2.81	2.81	2.81	2.81
2000-2001	3.27	-1.73	-1.73	-1.73
2001-2002	-2.49	-2.49	-2.49	-2.49
2002-2003	-0.62	-0.62	-3.62	-3.62
2003-2004	1.59	-5.11	-5.11	-5.11
2004-2005	0.81	-22.49	-2.49	-3.99

- The variation in actual over BE as proposed by the Commissioner has been from minus Rupees 6.75 crore (1996-1997) to Rupees 3.27 crore (2000-2001) whereas the same in comparison to the BE as approved by the Corporation was in the range of minus Rupees 22.49 crore in 2004-2005 to Rupees 2.81 crore in 1999-2000. The variation in BE as approved by the Corporation has been negative in absolute terms as compared to the BE as proposed by the Commissioner in the years 2000-2001(minus Rupees 1.73 crore), 2003-2004 (minus Rupees 5.11 crore) and 2004-2005 (minus Rupees 22.49 crore) whereas the variations in BE as proposed by the Commissioner for all these three years had been positive (namely, higher collections) in 2000-2001 (Rupees 3.27 crore), 2003-2004 (Rupees 1.59 crores), 2004-2005 (Rupees 0.81 crore).
- The variation in actual over revised estimates as proposed by the Commissioner and as approved by the Corporation had been in the range of minus Rupees 5.11 crore (2003-2004) to Rupees 2.81 Crore (1999-2000).
- The variation has been in negative all the years except in the years 1994-1995 (Rupees 2.10 crore), 1995-1996 (Rupees 0.47 Crore) and 1999-2000 (Rupees 2.81 Crore).

12.79 Table 12.48 details the absolute and percentage change in BE/RE and actual within the previous year. The absolute variation in RE over BE has been in the range of minus Rupees 18.50 crore (2004-2005) to Rupees 3.00 crore (2002-2003) and in percentage terms the variation has been minus 48.89 percent (1996-1997) to 27.27 percent (2002-2003).

- Percentage variation in actual over BE has been in the range of minus 60 percent (1996-1997) to 56.20 percent (1999-2000). The actual variation over BE has always been in negative except in the year 1994-1995 (26.86 percent), 1995-1996 (30.22 percent) and 1999-2000 (56.20 percent).
- Percentage variation in actual over RE has been in negative except for the years 1994-1995 (23.33 percent) and 1995-1996 (4.18 percent).

Table: 12.48- Absolute & Percentage Variation in BE/RE, Actual within the year 1994-1995 to 2004-2005 - Advertisement Tax (Rupees in crore)

Year	Budget Estimate			
	Proposed by Commissioner	Approved by Corporation	Absolute Variation in receipts proposed & Approved BE	Percentage Variation in receipts proposed & Approved BE
1	2	3	4	5
1994-1995	8.75	8.75	0.00	0.00
1995-1996	9.00	9.00	0.00	0.00
1996-1997	11.25	11.25	0.00	0.00
1997-1998	8.65	8.65	0.00	0.00
1998-1999	8.65	8.65	0.00	0.00
1999-2000	5.00	5.00	0.00	0.00
2000-2001	5.00	10.00	5.00	100.00
2001-2002	11.00	11.00	0.00	0.00
2002-2003	11.00	11.00	0.00	0.00
2003-2004	10.00	16.70	6.70	67.00
2004-2005	16.70	40.00	23.30	139.52

Revised Estimate			Actual	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
RE as Approved by Corporation	Absolute Variation in RE over BE	Percentage Variation in RE over BE					
6	7	8	9	10	11	12	13
9.00	0.25	2.86	11.10	2.35	26.86	2.10	23.33
11.25	2.25	25.00	11.72	2.72	30.22	0.47	4.18
5.75	-5.50	-48.89	4.50	-6.75	-60.00	-1.25	-21.74
7.75	-0.90	-10.40	4.89	-3.76	-43.47	-2.86	-36.90
5.00	-3.65	-42.20	4.37	-4.28	-49.48	-0.63	-12.60
5.00	0.00	0.00	7.81	2.81	56.20	2.81	56.20
10.00	0.00	0.00	8.27	-1.73	-17.30	-1.73	-17.30
11.00	0.00	0.00	8.51	-2.49	-22.64	-2.49	-22.64
14.00	3.00	27.27	10.38	-0.62	-5.64	-3.62	-25.86
16.70	0.00	0.00	11.59	-5.11	-30.60	-5.11	-30.60
21.50	-18.50	-46.25	17.51	-22.49	-56.23	-3.99	-18.56

12.80 Table 12.49 records the changes over the previous year. The absolute variation in BE over previous year has been from minus Rupees 3.65 crore (1999-2000) to Rupees 23.30 crore (2004-2005).

Table: 12.49 Absolute & Percentage Variation in BE/RE/ Actual over the previous year 1994-1995 to 2004-2005 Advertisement Tax (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year
1	2	3	4	5
1994-1995	8.75	9.00	11.10	
1995-1996	9.00	11.25	11.72	0.25
1996-1997	11.25	5.75	4.50	2.25
1997-1998	8.65	7.75	4.89	-2.60
1998-1999	8.65	5.00	4.37	0.00
1999-2000	5.00	5.00	7.81	-3.65
2000-2001	10.00	10.00	8.27	5.00
2001-2002	11.00	11.00	8.51	1.00
2002-2003	11.00	14.00	10.38	0.00
2003-2004	16.70	16.70	11.59	5.70
2004-2005	40.00	21.50	17.51	23.30

Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
6	7	8	9	10
2.86	2.25	25.00	0.62	5.59
25.00	-5.50	-48.89	-7.22	-61.60
-23.11	2.00	34.78	0.39	8.67
0.00	-2.75	-35.48	-0.52	-10.63
-42.20	0.00	0.00	3.44	78.72
100.00	5.00	100.00	0.46	5.89
10.00	1.00	10.00	0.24	2.90
0.00	3.00	27.27	1.87	21.97
51.82	2.70	19.29	1.21	11.66
139.52	4.80	28.74	5.92	51.08

- Percentage variation in BE over previous year has been within the range of minus 42.20 percent (1999-2000) to 139.52 percent (2004-2005).
- Absolute variation in RE over previous year has been within the range of minus Rupees 5.50 crore (1996-1997) to Rupees 5.00 crore (2000-2001).
- Percentage variation in RE over previous year has been from minus 48.89 percent (1996-1997) to 100% (2000-2001).

- Absolute variation in actual over the previous year have been in the range of minus Rupees 7.22 crore (1996-1997) to Rupees 5.92 crore (2004-2005)
- Percentage variation in actual over previous year were from minus 61.60 percent (1996-1997) to 78.72 percent (1999-2000).

12.81 Table 12.50 reports the percentage share of advertisement tax against various parameters. The most obvious fact is that as a percentage of total tax revenue, the share of advertisement tax has declined from 3.09 percent (1994-1995) to 1.63 percent (2004-2005). This is despite the fact that the advertisement tax collections in 2004-2005 were the highest of any year in the last eleven years and represented the highest absolute and percentage increase over the previous years in the same period.

- While as a percentage of tax revenues it has been over 1 percent in the last three years, in other years it has been even below 1 percent the exceptions being 1995-1996 (2.78 percent and 1999-2000 (1.06 percent).
- As a percentage of total revenue receipts it has come down from 1.24 percent in 1994-1995 to 0.52 percent in 2004-2005. The downward trend is confirmed by the percentage share in total receipts that have declined from 1.18 (1994-1995) to 0.45 percent (2004-2005). It has been less than even 0.45 percent during the period from 1996-1997 to 2003-2004.
- Clearly, the Corporation needs to evolve a rational advertisement tax policy.

Table 12.50: Advertisement Tax as a percentage- 1994-1995 to 2004-2005
(Rupees in crore)

Year	Actual	Percentage Variation in Actual over Previous Year	Percentage of Total Tax Revenue	Absolute Variation over Previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	11.10		3.09		1.24	1.18
1995-1996	11.72	5.59	2.78	0.62	1.07	1.03
1996-1997	4.50	-61.60	0.89	-7.22	0.36	0.34
1997-1998	4.89	8.67	0.89	0.39	0.37	0.34
1998-1999	4.37	-10.63	0.70	-0.52	0.24	0.22
1999-2000	7.81	78.72	1.06	3.44	0.38	0.34
2000-2001	8.27	5.89	0.96	0.46	0.38	0.35
2001-2002	8.51	2.90	0.94	0.24	0.34	0.33
2002-2003	10.38	21.97	1.08	1.87	0.38	0.36
2003-2004	11.59	11.66	1.07	1.21	0.42	0.40
2004-2005	17.51	51.08	1.63	5.92	0.52	0.45

12.82 Table 12.51 depicts the actual over the annual average collections. The average annual collection of the advertisement tax in the period 1994-1995 to 2004-2005 has been Rupees 9.15 crore.

Table 12.51: Actual over Average Collections- Advertisement Tax (Rupees in crore)

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	11.10	9.15	1.95	21.31
1995-1996	11.72	9.15	2.57	28.09
1996-1997	4.50	9.15	-4.65	-50.82
1997-1998	4.89	9.15	-4.26	-46.56
1998-1999	4.37	9.15	-4.78	-52.24
1999-2000	7.81	9.15	-1.34	-14.64
2000-2001	8.27	9.15	-0.88	-9.62
2001-2002	8.51	9.15	-0.64	-6.99
2002-2003	10.38	9.15	1.23	13.44
2003-2004	11.59	9.15	2.44	26.67
2004-2005	17.51	9.15	8.36	91.37

- It has been over the average in five years (1994-1995, 1995-1996, and from 2002-2003 to 2004-2005). In the balance six years it was below the average collection.
- When the actual collections were below the annual average they were less than half of the annual average in two years (1996-1997 and 1998-1999). When they were above the same, the actual in four of the five years were marginally higher (Rupees 1.23 crore in 2002-2003 to Rupees 2.57 crore in 1995-1996).
- The percentage variation in actual over average collections has varied from minus 52.24 percent (1998-1999) to 91.37 percent (2004-2005)

Discretionary Taxes

12.83 The Corporation is levying only two of the discretionary taxes. These are the electricity tax and the toll tax. We consider both.

Electricity Tax

12.84 The Corporation taxes the consumption, sale or supply of electricity as per rates in Table 12.52.

Table: 12.52- Tax on consumption, sale or supply of Electricity

Tax payable by consumers of electricity except MCD on energy obtained from a licensee within the area of the corporation	Not prescribed	5% of the charge for supply of electricity as fixed from time to time.	5% of the charge for supply of electricity as fixed from time to time.	MCD
Tax payable by NDMC and the Cantonment Board, Delhi on electricity sold/supplied to them by the licensee i.e. DVB within the area of Corporation	Not prescribed	5% of the charge for supply of electricity as fixed from time to time.	5% of the charge for supply of electricity as fixed from time to time.	
Tax payable by a consumer of electricity on energy generated by themselves within the area of Corporation for their consumption and sale	Not prescribed	10 paise per KW.H.R.	10 paise per KW.H.R.	
Tax payable by licensee operating outside the area of the Corporation on electricity sold to them within the area of the Corporation except in the case of supplies to the NDMC and the Cantonment Board, Delhi	Not prescribed	10 paise per KW.H.R.	10 paise per KW.H.R.	

12.85 Table 12.53 provides the details of the revenue projections proposed by the Commissioner and approved by the Corporation. The Corporation has by and large approved the proposals of the Commissioner. Differences are an exception.

Table: 12.53- Receipt of Electricity Tax of MCD from the year 1994-95 to 2004-05

Year	Budget Estimate			Revised Estimate			Actual
	Proposed by Commissioner	Approved by Corporation	Variation (Col. 3-2)	Proposed by Commissioner	Approved by Corporation	Variation (Col. 6-5)	
1	2	3	4	5	6	7	8
1994-1995	40.00	40.00	0.00	30.00	30.00	0.00	30.00
1995-1996	40.00	40.00	0.00	31.00	31.00	0.00	32.45
1996-1997	31.00	31.00	0.00	36.00	36.00	0.00	47.50
1997-1998	36.00	36.00	0.00	40.00	40.00	0.00	46.30
1998-1999	40.00	40.00	0.00	60.00	60.00	0.00	45.28
1999-2000	45.00	45.00	0.00	45.00	45.00	0.00	41.47
2000-2001	45.00	45.00	0.00	50.00	50.00	0.00	29.73
2001-2002	55.00	55.00	0.00	140.00	140.00	0.00	67.15
2002-2003	60.00	60.00	0.00	60.00	70.00	10.00	75.93
2003-2004	60.00	100.00	40.00	100.00	100.00	0.00	84.44
2004-2005	100.00	100.00	0.00	120.00	120.00	0.00	162.46

12.86 Table 12.54 examines the variation of actual collections over the BE and the RE figures. Since the variation between the proposed and approved budget estimates and revised estimates has been an exception, the actual realizations are comparable to both. The absolute variation over the BE has ranged from minus Rupees 15.56 crore (2003-2004) to Rupees 62.46 (2004-2005). Similarly the range of variation in actual over the RE has been from minus Rupees 72.85 crore (2001-2002) to Rupees 42.46 crore (2004-2005).

Table: 12.54- Variation in Actual Realization over budget & Revised Estimates - Electricity Tax (Rupees in crore)

Year	Variation in Actual over Budget estimate		Variation in Actual over Revised Estimates	
	Proposed by Commissioner	Approved by Corporation	Proposed by Commissioner	Approved by Corporation
1994-1995	-10.00	-10.00	0.00	0.00
1995-1996	-7.55	-7.55	1.45	1.45
1996-1997	16.50	16.50	11.50	11.50
1997-1998	10.30	10.30	6.30	6.30
1998-1999	5.28	5.28	-14.72	-14.72
1999-2000	-3.53	-3.53	-3.53	-3.53
2000-2001	-15.27	-15.27	-20.27	-20.27
2001-2002	12.15	12.15	-72.85	-72.85
2002-2003	15.93	15.93	15.93	5.93
2003-2004	24.44	-15.56	-15.56	-15.56
2004-2005	62.46	62.46	42.46	42.46

- The actual revenues have increased from 2001-2002. This could be attributable to the privatisation of power distribution. In the earlier years the revenues were mostly between Rupees 29 to 48 crore (1994-1995 to 2000-2001). The step up came thereafter.

- In fact, revenue dues from the private distribution companies are more easily verified since they publish their balance sheets regularly. For instance, against the Rupees 162.46 crore already received in 2004-2005, the MCD has been able to identify an additional amount of Rupees 101.16 crore as due from the private companies as on March 31, 2005.²⁷ The difficulty is that despite the ability to identify dues regularly, the Corporation is unable to confirm whether it is in receipt of the outstanding amounts. Thus, even additional knowledge is not used effectively to keep track of receipts even though the said amounts may well have been received.
- The difference in the amounts approved at the BE and RR stage has been from minus Rupees 10 crore (1994-1995) to Rupees 85.00 crore (2001-2002). Most of the variation has ranged between Rupees 4 crore to Rupees 20 crore. The percentage variation has been from minus 25 percent (1994-1995) to 154.55 percent (2001-2002). Mostly the range of variation has been from 11 percent to 20 percent. The percentage variation in actual over the BE has ranged from minus 33.93 percent (2000-2001) to 62.46 percent (2004-2005), while the variation over RE has been from minus 52.04 percent (2001-2002) to 35.38 percent (2004-2005).

12.87 Table 12.55 details the actual realizations over the budget and revised estimates.

Table: 12.55 Absolute & Percentage Variation in BE/RE, Actual within the year 1994-1995 to 2004-2005 - Electricity Tax (Rupees in crore)

Year	Budget Estimate				Revised Estimate		
	Proposed by Commissioner	Approved by Corporation	Absolute Variation proposed / Approved receipts BE	Percentage Variation proposed/A approved receipts BE	RE as Approved by Corporation	Absolute Variation in RE over BE	Percentage Variation in RE over BE
1	2	3	4	5	6	7	8
1994-1995	40.00	40.00	0.00	0.00	30.00	-10.00	-25.00
1995-1996	40.00	40.00	0.00	0.00	31.00	-9.00	-22.50
1996-1997	31.00	31.00	0.00	0.00	36.00	5.00	16.13
1997-1998	36.00	36.00	0.00	0.00	40.00	4.00	11.11
1998-1999	40.00	40.00	0.00	0.00	60.00	20.00	50.00
1999-2000	45.00	45.00	0.00	0.00	45.00	0.00	0.00
2000-2001	45.00	45.00	0.00	0.00	50.00	5.00	11.11

²⁷ Comprehensive Annual Financial report Volume I of the MCD for the year 2004-2005, Management Discussions and Analysis.

2001-2002	55.00	55.00	0.00	0.00	140.00	85.00	154.55
2002-2003	60.00	60.00	0.00	0.00	70.00	10.00	16.67
2003-2004	60.00	100.00	40.00	66.67	100.00	0.00	0.00
2004-2005	100.00	100.00	0.00	0.00	120.00	20.00	20.00

Actual	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
9	10	11	12	13
30.00	-10.00	-25.00	0.00	0.00
32.45	-7.55	-18.88	1.45	4.68
47.50	16.50	53.23	11.50	31.94
46.30	10.30	28.61	6.30	15.75
45.28	5.28	13.20	-14.72	-24.53
41.47	-3.53	-7.84	-3.53	-7.84
29.73	-15.27	-33.93	-20.27	-40.54
67.15	12.15	22.09	-72.85	-52.04
75.93	15.93	26.55	5.93	8.47
84.44	-15.56	-15.56	-15.56	-15.56
162.46	62.46	62.46	42.46	35.38

12.88 Table 12.56 reports the variations over the previous year. The variation in the budget estimates over the previous year have not been very significant, the exceptions are 1996-1997 and 2003-2004. In the other years, the change is from Rupees 4 crore to Rupees 10 crore. The percentage change ranged from minus 22.50 percent (1996-1997) to 66.67 percent (2003-2004). 1996-1997 is the year in which the DESU was converted into the DVB and the impact of the privatisation was presumably from 2003-2004.

- The absolute change in the RE over the previous year has been from minus Rupees 70.00 crore (2002-2003) to Rupees 90.00 crore (2001-2002). The percentage changes in RE were from minus 50.00 percent (2002-2003) to 180 percent (2001-2002). These wide changes are approximately reflective of the privatisation of the power distribution system in the 2001-2002.
- The absolute variation in the actual collections has been from minus Rupees 11.74 crore (2000-2001) to Rupees 78.02 crore (2004-2005). The percentage variation has ranged from minus 28.31 percent (2000-2001) to 125.87 percent (2001-2002). The absolute and percentage variation in the actual over the previous year were negative in the years 1997-1998 to 2000-2001. There was a sudden step up thereafter in both absolute and percentage terms.

Table: 12.56-Absolute & Percentage Variation in BE/RE/ Actual over the previous year 1994-1995 to 2004-2005 (Electricity Tax) [Rupees in crore]

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year
1	2	3	4	5
1994-1995	40.00	30.00	30.00	
1995-1996	40.00	31.00	32.45	0.00
1996-1997	31.00	36.00	47.50	-9.00
1997-1998	36.00	40.00	46.30	5.00
1998-1999	40.00	60.00	45.28	4.00
1999-2000	45.00	45.00	41.47	5.00
2000-2001	45.00	50.00	29.73	0.00
2001-2002	55.00	140.00	67.15	10.00
2002-2003	60.00	70.00	75.93	5.00
2003-2004	100.00	100.00	84.44	40.00
2004-2005	100.00	120.00	162.46	0.00

Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
6	7	8	9	10
0.00	1.00	3.33	2.45	8.17
-22.50	5.00	16.13	15.05	46.38
16.13	4.00	11.11	-1.20	-2.53
11.11	20.00	50.00	-1.02	-2.20
12.50	-15.00	-25.00	-3.81	-8.41
0.00	5.00	11.11	-11.74	-28.31
22.22	90.00	180.00	37.42	125.87
9.09	-70.00	-50.00	8.78	13.08
66.67	30.00	42.86	8.51	11.21
0.00	20.00	20.00	78.02	92.40

12.89 Table 12.57 reviews the actual collections over the average annual collections. The average collections in the last eleven years have been Rupees 60.25 crore. The absolute and percentage variation over the average collections have been negative in the period 1994-1995 to 2000-2001. The range in absolute variation has been from minus Rupees 30.52 crore (2000-2001) to minus Rupees 12.75 crore (1996-1997), while the percentage variation has ranged from minus 50.66 percent (2000-2001) to minus 21.16 percent (1996-1997). It has been above

the average in four years, the absolute variation having been from Rupees 6.90 crore (2001-2002) to Rupees 102.21 crore (2004-2005). The percentage change in this period was from 11.45 percent (2001-2002) to 169.64 percent (2004-2005). The above average performance has coincided with the privatisation of the power distribution.

Table: 12.57 Electricity Tax (Rupees in crore)

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	30.00	60.25	-30.25	-50.21
1995-1996	32.45	60.25	-27.80	-46.14
1996-1997	47.50	60.25	-12.75	-21.16
1997-1998	46.30	60.25	-13.95	-23.15
1998-1999	45.28	60.25	-14.97	-24.85
1999-2000	41.47	60.25	-18.78	-31.17
2000-2001	29.73	60.25	-30.52	-50.66
2001-2002	67.15	60.25	6.90	11.45
2002-2003	75.93	60.25	15.68	26.02
2003-2004	84.44	60.25	24.19	40.15
2004-2005	162.46	60.25	102.21	169.64

12.90 Table 12.58 depicts the position of electricity tax as a percentage of various parameters. Electricity tax as a percentage of total tax revenue has been from 3.44 percent (2000-2001) to 15.14 percent (2004-2005). As a percentage of total revenue receipts it has been within the range of 1.36 percent (2000-2001) to 4.85 percent (2004-2005) and as a percentage of total receipts the range has been from 1.27 percent (2000-2001) to 4.21 percent (2004-2005).

Table: 12.58 Electricity Tax (Rupees in crore)

Year	Actual	Percentage Variation in Actual over Previous Year	Percentage of Total Tax Revenue	Absolute Variation over Previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	30.00		8.34		3.34	3.20
1995-1996	32.45	8.17	7.70	2.45	2.96	2.85
1996-1997	47.50	46.38	9.40	15.05	3.78	3.64
1997-1998	46.30	-2.53	8.46	-1.20	3.55	3.18
1998-1999	45.28	-2.20	7.29	-1.02	2.46	2.28
1999-2000	41.47	-8.41	5.62	-3.81	2.01	1.82
2000-2001	29.73	-28.31	3.44	-11.74	1.36	1.27
2001-2002	67.15	125.87	7.45	37.42	2.70	2.57
2002-2003	75.92	13.06	7.92	8.77	2.78	2.63
2003-2004	84.44	11.22	7.82	8.52	3.07	2.92
2004-2005	162.46	92.40	15.14	78.02	4.85	4.21

- Now notice that tellingly, revenues from all sources that did not impose the responsibility of any action to be taken by the Corporation have grown over the years. These include the assigned taxes, plan and non-plan grants, plan and non-plan loans, transfer duty or even the electricity tax. The Corporation has benefited in each of these instances from the actions of others: rising revenues of the state government, rationalization of stamp duty rates, or privatisation of power distribution. Now also notice that wherever the Corporation was required to pursue measures, including reforms, there has been a slide in the revenues or the measure has not seen the light of day. This includes the UAM for levy and collection of property tax, the introduction of the professions tax etc.
- Thus, the following conclusion appears to be inevitable: wherever the Corporation was required to take any initiative whatsoever, the resulting revenues have shown a downward trend. This includes the much proclaimed reforms in the property tax system. Wherever, revenues have shown an increase the Corporation is actually riding the wave of success of other agencies.

**Terminal
and Toll
Tax**

12.91 Table 12.59 reflects the position regarding the terminal tax compensatory grant. The terminal tax was applicable in the period 1994-1995 to 1998-1999. Thereafter the toll tax was introduced. There is no difference between the proposals of the Commissioner and the approvals of the Corporation in so far as the terminal tax is concerned. This is because it reflects the revenues earmarked in the budget of the state government as compensation for the abolition of the terminal tax with effect from January 30, 1993. This compensation was to increase annually by 10 percent and it did so.

**Table 12.59 - Receipt of Terminal Tax of MCD from the year 1994-95 to 1998-99
(Rupees in crore)**

Year	Budget Estimate			Revised Estimate			Actual
	Proposed by Commissioner	Approved by Corporation	Variation (Col. 3-2)	Proposed by Commissioner	Approved by Corporation	Variation (Col. 6-5)	
1	2	3	4	5	6	7	8
1994-1995	45.93	45.93	0.00	45.93	45.93	0.00	45.93
1995-1996	50.52	50.52	0.00	50.52	50.52	0.00	50.52
1996-1997	55.57	55.57	0.00	55.57	55.57	0.00	55.57
1997-1998	61.13	61.13	0.00	61.13	61.13	0.00	15.28
1998-1999	67.24	67.24	0.00	67.24	67.24	0.00	0.00

12.92 The toll tax was introduced in 1999-2000, with the introduction of which compensatory grants against the abolition of the terminal tax also ceased. Table 12.60 depicts the position regarding the toll tax collections. There has been no variation between the proposals of the Commissioner and the approvals of the Corporation at the BE or the RE stage-exceptions being 1999-2000 (RE) and 2000-2001 (BE). The actual realizations have varied from Rupees 12.77 crore (1999-2000) to Rupees 78.06 crore (2004-2005). (Table 12.60A)

**Table 12.60- Receipt of Toll Tax of MCD from the year
1999-2000 to 2004-05 (Rupees in crore)**

Year	Budget Estimate			Revised Estimate			Actual
	Proposed by Commissioner	Approved by Corporation	Variation (Col. 3-2)	Proposed by Commissioner	Approved by Corporation	Variation (Col. 6-5)	
1	2	3	4	5	6	7	8
1999-2000	0.00	0.00	0.00	0.00	15.00	15.00	12.77
2000-2001	50.00	65.00	15.00	70.00	70.00	0.00	57.14
2001-2002	75.00	75.00	0.00	75.00	75.00	0.00	56.85

2002-2003	75.00	75.00	0.00	75.00	75.00	0.00	53.98
2003-2004	75.00	75.00	0.00	75.00	75.00	0.00	68.03
2004-2005	100.00	100.00	0.00	79.00	79.00	0.00	78.06

Tables: 12.60A- Variation in Actual Realization over Budget & Revised Estimates - Terminal Tax (Rupees in crore)

Year	Variation in Actual over Budget estimate		Variation in Actual over Revised Estimates	
	Proposed by Commissioner	Approved by Corporation	Proposed by Commissioner	Approved by Corporation
1994-1995	0.00	0.00	0.00	0.00
1995-1996	0.00	0.00	0.00	0.00
1996-1997	0.00	0.00	0.00	0.00
1997-1998	-45.85	-45.85	-45.85	-45.85
1998-1999	-67.24	-67.24	-67.24	-67.24

12.93 Table 12.61 reports the variations in actual realizations over BE and RE. The actual revenues from the toll tax over the BE projections have ranged from minus Rupees 21.94 crore (2004-2005) to Rupees 12.77 crore (1999-2000). The actual collections were less than the proposed and approved revenues at the BE stage in five out of six years. It was less than the proposed RE of the Commissioner in five years and less than the approved RE in all the six years.

Table 12.61 - Variation in Actual Realization over budget & Revised Estimates - Toll Tax (Rupees in crore)

				(Rs. in Crore)
Year	Variation in Actual over Budget estimate		Variation in Actual over Revised Estimates	
	Proposed by Commissioner	Approved by Corporation	Proposed by Commissioner	Approved by Corporation
1999-2000	12.77	12.77	12.77	-2.23
2000-2001	7.14	-7.86	-12.86	-12.86
2001-2002	-18.15	-18.15	-18.15	-18.15
2002-2003	-21.02	-21.02	-21.02	-21.02
2003-2004	-6.97	-6.97	-6.97	-6.97
2004-2005	-21.94	-21.94	-0.94	-0.94

- The variation in actual over BE as proposed by the Commissioner was from minus Rupees 21.94 crore (2004-2005) to Rupees 12.77 crore (1999-2000). The variation over the BE as approved by the Corporation was from minus Rupees 21.94 crore (2004-2005) to Rupees 12.77 crore (1999-2000). The difference in the actual over the RE proposed by the

Commissioner and by the Corporation was from minus Rupees 21.02 crore (2002-2003) to minus Rupees 0.94 crore (2004-2005). These were the years in which there was convergence between the proposed and approved RE. The exception was the year 1999-2000 when the Corporation approved RE of Rupees 15 crore against no proposal of the Commissioner. In this year the actual was Rupees 12.77 crore.

- The actual collections have been negative compared to the BE and RE whether proposed (by the Commissioner) or approved (by the Corporation).
- There is another aspect also. The variations between the targets assigned to the private collection agency and the BE and RE or even between the BE and the RE, in any given year, are difficult to understand particularly in the period after May 1, 2003.
- The collection of toll tax was privatized and this required the private collection agency to deliver a fixed amount of revenue which was already determined at the beginning of the year. Accordingly, the basis for different budget estimates and their revision is not clear.

12.94 Table 12.62 reflects the annual targets and actual collections in the years 2003-2004 to 2006-2007.

Table: 12.62: The target Amount Assigned to Private Collection Agency and Actual Collections (2003-2004 to 2006-2007) (Rupees in crore)

Year	Approved BE	Approved RE	Target Assigned to the Private Collection Agency	Actual Realization against the Target
2003-2004	75.00	75.00	70.02	68.03
2004-2005	100.00	79.00	78.89	78.06
2005-2006	79.00	79.00	81.19	
2006-2007	79.00	-	83.59	NA

- Since the private collection agency is only to deliver a fixed amount of revenue it also has to absorb the costs of collections and there are no collection costs for the Corporation. Thus the gross and net Tables are the same for the Corporation. Therefore, the difference in the actual compared to the target fixed for the collection agency cannot be explained by cost of collection. Performance has to be adjudged against the fixed revenue targets and not budgetary tables of projections or approvals. In 2003-2004 the target was Rupees 70.02 crore for one year while collections were Rupees 68.03 crore. From May 1, 2004, the target

was Rupees 78.89 crore for three years with 2.5 percent increase every year. Thus the target for 2005-2006 would be Rupees 81.19 crore and in 2006-2007 would be Rupees 83.59 crore.

12.95 Table 12.62 records the position of actual terminal tax realizations as a percentage of BE and RE. The actual collections of terminal tax as a percentage of the BE and RE was 100 percent in the years 1994-1995 to 1996-1997 and 25 percent in the year 1997-1998. The actual collections as a percentage.

Table: 12.62- Terminal Tax as a percentage of BE and RE (1994-95) to (2004-2005)

Year	BE Approved by Corporation	RE as Approved by Corporation	Actual	Actual as a percentage of BE	Actual as a percentage of BE
1	2	3	4	5	6
1994-1995	45.93	45.93	45.93	100.00	100.00
1995-1996	50.52	50.52	50.52	100.00	100.00
1996-1997	55.57	55.57	55.57	100.00	100.00
1997-1998	61.13	61.13	15.28	25.00	25.00
1998-1999	67.24	67.24	0.00	0.00	0.00

12.96 Table 12.63 records the actual toll tax collections as a percentage of BE and RE. The actual collection of toll tax as a percentage of BE during the period from 2000-2001 to 2004-2005 was within the range of 71.97 percent (2002-2003 and 90.71 percent (2003-2004). The actual as a percentage of RE during the period from 1999-2000 to 2004-2005 was in the range of 71.97 percent (2002-2003) to 98.81 percent (2004-2005). Table 12.63 summarizes the position in this regard.

**Table: 12.63-Toll Tax as a percentage of BE and RE
(1994-95) to (2004-2005)**

Year	Approved by Corporation	RE as Approved by Corporation	Actual	Actual as a percentage of BE	Actual as a percentage of RE
1	2	3	4	5	6
1999-2000	0.00	15.00	12.77		85.13
2000-2001	65.00	70.00	57.14	87.91	81.63
2001-2002	75.00	75.00	56.85	75.80	75.80
2002-2003	75.00	75.00	53.98	71.97	71.97
2003-2004	75.00	75.00	68.03	90.71	90.71
2004-2005	100.00	79.00	78.06	78.06	98.81

12.97 Table 12.64 records the Variations in BE/RE and actual in r/o the toll tax within the year. Variation in actual over BE as proposed by the Commissioner and as approved by the Corporation was in the range of Rupees 21.94 crore (2004-2005) to Rupees 12.77 crore (1999-2000). Except that in the year 2000-2001 the variation in actual over BE as proposed by the Commissioner was Rupees 7.14 crore and that between actual and as approved by the Corporation was minus Rupees 7.86 crore.

Table 12.64 - Absolute and Percentage Variation in BE/RE, Actual within the year 1994-1995 to 2004-2005 - Toll Tax (Rupees in crore)

Year	Budget Estimate				Revised Estimate		
	Proposed by Commissioner	Approved by Corporation	Absolute Variation in receipts proposed & Approved BE	Percentage Variation in receipts proposed & Approved BE	RE as Approved by Corporation	Absolute Variation in RE over BE	Percentage Variation in RE over BE
1	2	3	4	5	6	7	8
1999-2000	0.00	0.00	0.00		15.00	15.00	
2000-2001	50.00	0.00	65.00	-100.00	70.00	70.00	
2001-2002	75.00	75.00	0.00	0.00	75.00	0.00	0.00
2002-2003	75.00	75.00	0.00	0.00	75.00	0.00	0.00
2003-2004	75.00	75.00	0.00	0.00	75.00	0.00	0.00
2004-2005	100.00	100.00	0.00	0.00	79.00	-21.00	-21.00

Actual	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
9	10	11	12	13
12.77	12.77		-2.23	-14.87
57.14	-7.86		-12.86	-18.37
56.85	-18.15	-24.20	-18.15	-24.20
53.98	-21.02	-28.03	-21.02	-28.03
68.03	-6.97	-9.29	-6.97	-9.29
78.06	-21.94	-21.94	-0.94	-1.19

12.98 Table 12.65 records the variation in actual over RE as proposed by the Commissioner and as approved by the Corporation was in the range of

minus Rs.21.02 crore (2002-2003) to Rs.12.77 crore (RE as proposed by Commissioner 1999-2000).

- There has been no variation in BE as proposed and approved except in the year 2000-2001 when there was a 30 percent variation in BE as proposed by the Commissioner and as approved by the Corporation.
- There was no variation in RE over BE in the years 2001-2002 to 2003-2004. Percentage variation in RE over BE was 7.69 percent (2000-2001) and minus 21.00 percent (2004-2005).
- Absolute variation in actual over BE has been in the range of minus Rupees 21.94 crore (2004-2005) to Rupees 12.77 crore (1999-2000).
- Percentage variation in actual over BE during the years from 2000-2001 to 2004-2005 was in the range of minus 28.03 percent (2002-2003) to minus 9.29 percent (2003-2004).
- Absolute variation in actual over RE was in the range of minus Rupees 21.02 crore (2002-2003) to minus Rupees 0.94 crore (2004-05).
- Percentage variation in actual over RE was in the range of minus 28.03 percent (2002-2003) to minus 1.19 percent (2004-2005).
- The absolute variation and percentage variation in actual over BE and in Actual over RE has always been negative except the absolute variation in actual over BE during the year 1999-2000.

Table: 12.65- Absolute and Percentage Variation in BE/RE, Actual within the year 1994-1995 to 2004-2005 - Terminal Tax (Rupees in crore)

Year	Budget Estimate				Revised Estimate		
	Proposed by Commissioner	Approved by Corporation	Absolute Variation in receipts proposed & Approved BE	Percentage Variation in receipts proposed & Approved BE	RE as Approved by Corporation	Absolute Variation in RE over BE	Percentage Variation in RE over BE

Actual	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
9	10	11	12	13
45.93	0.00	0.00	0.00	0.00
50.52	0.00	0.00	0.00	0.00
55.57	0.00	0.00	0.00	0.00
15.28	-45.85	-75.00	-45.85	-75.00
0.00	-67.24	-100.00	-67.24	-100.00

12.99 Table 12.66 discusses the absolute and percentage variation in BE/RE and actual over the pervious year. There has been no variation in BE over previous year during the years 2002-2003 and 2003-2004. The variation in other years has been between Rupees 10.00 crore (2001-2002) to Rupees 65.00 crore (2000-2001).

Table: 12.66- Absolute & Percentage Variation in BE/RE/ Actual over the previous year 1999-2000 to 2004-2005 Toll Tax

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1	2	3	4	5	6	7	8	9	10
1999-2000	0.00	15.00	12.77						
2000-2001	0.00	70.00	57.14	0.00		55.00	366.67	44.37	347.45
2001-2002	75.00	75.00	56.85	75.00		5.00	7.14	-0.29	-0.51
2002-2003	75.00	75.00	53.98	0.00	0.00	0.00	0.00	-2.87	-5.05
2003-2004	75.00	75.00	68.03	0.00	0.00	0.00	0.00	14.05	26.03
2004-2005	100.00	79.00	78.06	25.00	33.33	4.00	5.33	10.03	14.74

- Percentage variation in BE over the previous year was 15.38 percent in 2001-2002 and 33.33 percent in 2004-2005.
- There was no variation in RE over the previous year in the years 2002-2003 and 2003-2004.
- The absolute variation in RE over the previous year was from Rupees 4.00 crore (2004-2005) to Rupees 55.00 crore (2000-2001).
- The percentage variation in RE was from 5.33 percent (2004-2005) to 366.67 percent (2000-2001).

- Absolute variation in actual over previous year was from minus Rupees 2.87 crore (2002-2003) to Rupees 44.37 crore. (2000-2001)
- Percentage variation in actual over the previous year was from minus 5.05 percent (2002-2003) to 347.45 percent (2000-2001).

12.100 Table: 12.67 reports the position of the toll tax vis-à-vis various parameters. Toll tax as a percentage of tax revenue was within the range of 1.73 percent (1999-2000) to 7.27 percent (2004-2005).

Table: 12.67 - Toll Tax as a percentage (Rupees in crore)- 1994-1995 to 1998-1999

Year	Actual	Percentage Variation in Actual over Previous Year	Percentage of Total Tax Revenue	Absolute Variation over Previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1999-2000	12.77		1.73		0.62	0.56
2000-2001	57.14	347.45	6.60	44.37	2.61	2.45
2001-2002	56.85	-0.51	6.31	-0.29	2.29	2.18
2002-2003	53.98	-5.05	5.63	-2.87	1.98	1.87
2003-2004	68.03	26.03	6.30	14.05	2.47	2.35
2004-2005	78.06	14.74	7.28	10.03	2.33	2.02

- Toll tax as a percentage of total revenue receipts was within the range of 0.76 percent (1999-2000) to 3.23 percent (2000-2001).
- Toll tax as a percentage of total receipts was 0.56 percent (1999-2000) to 2.45 percent (2000-2001).
- Toll tax has risen against all parameters: as a percentage of tax revenues. Total revenue receipts and total receipts. Here again the privatisation of toll tax collections appears to have led to increased revenues.

Table: 12.68 -Terminal Tax as a percentage (Rupees in crore)- 1994-1995 to 1998-1999

Year	Actual	Percentage Variation in Actual over Previous Year	Percentage of Total Tax Revenue	Absolute Variation over Previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	45.93		12.77		5.12	4.90

1995-1996	50.52	9.99	11.99	4.59	4.61	4.43
1996-1997	55.57	10.00	11.00	5.05	4.42	4.26
1997-1998	15.28	-72.50	2.79	-40.29	1.17	1.05
1998-1999	0.00	-100.00	0.00	-15.28	0.00	0.00

12.101 Table 12.69 details the actual collection over the annual average collections. The annual average collections of the toll tax in the period 1999-2000 have been Rupees 54.47 crore. The actual collections have been in the range of Rupees 12.77 crore (1999-2000) to Rupees 78.06 crore (2004-2005). The absolute variation over the average collections were in the range of minus Rupees 41.70 crore (1999-2000) to Rupees 23.59 crore (2004-2005). The percentage variation over the average collection was between the range of minus 76.56 percent (1999-2000) to 43.31 percent (2004-2005). The collections have been below the annual average collections in two years and above in four years.

Table: 12.69 - Toll Tax (Rs. in Crore)

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1999-2000	12.77	54.47	-41.70	-76.56
2000-2001	57.14	54.47	2.67	4.90
2001-2002	56.85	54.47	2.38	4.37
2002-2003	53.98	54.47	-0.49	-0.90
2003-2004	68.03	54.47	13.56	24.89
2004-2005	78.06	54.47	23.59	43.31

Other Taxes 12.102 'Other taxes' include the tax on animals and vehicles, the theatre tax, tax on building applications and the milch tax. Incidentally these are all obligatory taxes. The rates of these taxes have not been revised since 1957.

12.103 Table 12.70 reports the actual realizations from 'other taxes'. The combined contribution to the income of the MCD from these taxes is negligible. As a percentage of total tax revenues they have ranged from 0.08 percent (1997-1998) to 0.35 percent (2003-2004). The percentage share of 'other taxes' in total revenue receipts has varied from 0.04 percent (1997-1998 and 1999-2000) to 0.17 percent (2003-2004). As a percentage of total receipts the range has been from 0.03 percent (1997-1998) to 0.16 percent (2003-2004).

Table: 12.70-Other Taxes-MCD (Rupees in crore)

Year	Actual	Percentage Variation in Actual over Previous Year	Percentage of Total Tax Revenue	Absolute Variation over Previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	0.41		0.11		0.05	0.04
1995-1996	0.51	24.39	0.12	0.10	0.05	0.04
1996-1997	0.61	19.61	0.12	0.10	0.05	0.05
1997-1998	0.42	-31.15	0.08	-0.19	0.03	0.03
1998-1999	0.68	61.90	0.11	0.26	0.04	0.03
1999-2000	0.71	4.41	0.10	0.03	0.03	0.03
2000-2001	1.08	52.11	0.12	0.37	0.05	0.05
2001-2002	1.88	74.07	0.21	0.80	0.08	0.07
2002-2003	1.10	-41.49	0.11	-0.78	0.04	0.04
2003-2004	3.88	252.73	0.36	2.78	0.14	0.13
2004-2005	0.87	-77.58	0.08	-3.01	0.03	0.02

- The Corporation has proposed changes in the theatre tax and the tax rates applicable to animals and vehicles. All these are reportedly awaiting the approval of the state government since July 2003.²⁸
- Though, admittedly, there has been no revision for years, the impact of these revisions is of debatable value. The reasons for low revenue yields are likely to go beyond the issue of rate revisions. The more important point is that the Corporation is unlikely to have any reliable data on the existing and potential size of the tax base in respect of the animals and vehicles it intends to recover tax from. In the absence of any credible census in respect of the tax base size, the cost of generating a database and implementing the revised rates can be expected to be quite substantial.
- As far as theatre tax is concerned, there is likely to be some additional yield because the tax base is well defined, the recovery costs are unlikely to go up, and the demand of cinemagoers can be expected to be tax inelastic.

Non-Tax Revenues

12.104 Non-tax revenues include the revenues from rent, fee and fines, and other miscellaneous receipts. The non-tax revenues are also insignificant.

²⁸ Annexe: other taxes, see Vol-III, Section-II.

- The break up of the non tax revenues as per source is indicated in table 12.71 which provides details of the actual collections source wise.

**Table: 12.71-Non-tax Revenues Source wise
1994-1995 to 2004-2005 (Rupees in crore)**

Year	Rent, Fee and Fines	Other Miscellaneous receipts	Total Non Tax revenue
1994-1995	16.60	36.05	52.65
1995-1996	13.75	40.99	54.74
1996-1997	15.55	28.71	44.26
1997-1998	15.32	30.21	45.53
1998-1999	15.52	38.60	54.12
1999-2000	22.61	124.92	147.53
2000-2001	25.88	79.25	105.13
2001-2002	24.43	108.52	132.95
2002-2003	23.48	99.59	123.07
2003-2004	26.84	127.10	153.94
2004-2005	55.50	113.42	168.92

12.105 In table 12.72 the position of non tax revenues as a percentage of variation parameters has been reproduced. Non tax revenues as a percentage of total own revenue receipts have ranged from 7.88 percent (1997-1998) to 16.66 (1999-2000). They have been from 11.14 percent of the total own revenue receipts in the period from 2000-2001. As a percentage of total revenue receipt, the variation has been from 3.90 percent (1998-1999) to 8.77 percent (1999-2000). Since 2000-2001, the range has been six to seven percent of total revenue receipt. The percentage share in total receipts has been from 3.53 percent (1998-1999) to 7.77 percent (1999-2000), and from (200-2001) it has been around 6 percent.

- The recommendations of the second finance commission to revise the rates of fines, fees and rents etc dose not appear to have been acted upon. Quite clearly the non tax revenues have fluctuated with in a very narrow range in the bulk of period covered by the second finance commission. (2001-2002 to 2005-2006)

Table: 12.72-Non-Tax Revenue (Rupees in crore)

Year	Actual	Percentage Variation in Actual over Previous Year	Percentage of Own Revenue Receipt	Absolute Variation over Previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	142.27		28.34		15.85	15.19
1995-1996	159.94	12.42	27.52	17.67	14.59	14.03
1996-1997	160.68	0.46	24.13	0.74	12.79	12.32
1997-1998	179.20	11.53	24.67	18.52	13.74	12.33
1998-1999	390.40	117.86	38.60	211.20	21.18	19.63
1999-2000	440.88	12.93	37.40	50.48	21.35	19.33
2000-2001	427.64	-3.00	33.08	-13.24	19.50	18.31
2001-2002	609.81	42.60	40.37	182.17	24.56	23.34
2002-2003	640.98	5.11	40.07	31.17	23.51	22.17
2003-2004	571.86	-10.78	34.61	-69.12	20.77	19.74
2004-2005	824.35	44.15	43.45	252.49	24.60	21.34

Introduction of Professions Tax and Revision of Fees, Fines etc

12.106 The Second Finance Commission expressed concern about the inadequacy of resource mobilization efforts of the MCD (and the NDMC) and the fact that in spite of the First Commission's recommendations in respect of raising additional revenues through rationalization of the property tax, levy of professional tax, entry tax, increases in various cess, charges etc and levy of night parking charges, almost none of the measures were adopted by the Corporation. The Commission therefore recommended additional mobilization measures which included a tax on professions, trades, callings and employment, a tax on increase in urban land values, and a review of the fines, fess and rents.²⁹

12.107 The MCD has informed that proposal for introduction of a tax on professions has not been approved by the Corporation. The budgets of 2004-2005, 2005-2006 show that the Corporation itself has not approved the

²⁹ Report of the Second Delhi Finance Commission; section entitled 'Measures to Improve the Financial Position of municipalities', p.29 pages: 125-126.

proposed introduction of the profession tax.³⁰ Indeed, the proposal has been dropped in the budget of 2006-2007. Nevertheless, the Corporation has sought a grant of Rupees 50.00 crore on account of the revenue loss incurred for want of approval for the levy of the professions tax. Since the Corporation itself has not accorded approval to the levy of the profession tax any alleged loss of revenue on this account will have to be absorbed by the Corporation itself.

**State
Government
Transfers**

12.108 Table 12.73 provides details of the assigned taxes. Assigned tax have increased from Rupees 131.98 crore (1994-1995) to Rupees 347.01 crore in (2004-2005), which represents a two and a half fold increase.

Table: 12.73-Assigned Taxes-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Realization of Assigned Taxes	Absolute Increase/Decrease over Previous year	Percentage Increase/Decrease over previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	131.98	-	-	16.33	15.58
1995-1996	152.24	20.26	15.35	15.36	14.72
1996-1997	169.57	17.33	11.38	15.91	15.22
1997-1998	95.25	-74.32	-43.83	8.66	7.62
1998-1999	260.35	165.10	173.33	18.74	16.96
1999-2000	190.04	-70.31	-27.01	11.30	10.00
2000-2001	227.55	37.51	19.74	12.86	11.87
2001-2002	247.94	20.39	8.96	13.18	12.30
2002-2003	296.80	48.86	19.71	14.33	13.28
2003-2004	295.29	-1.51	-0.51	13.47	12.66
2004-2005	347.01	51.72	17.51	13.60	11.35

- The absolute variation in assigned taxes has ranged from minus Rupees 70.31 (1999-2000) to Rupees 165.10 crore (1998-1999). The percentage variation has been from minus 43.83 percent (1997-1998) to 173.33 percent (1998-1999). Incidentally the sharp increase in 1998-1999 reflects the arrears arising out of the recommendations of the first finance commission.

³⁰ Annexe: Extracts from the Budget documents of the MCD for the years 2005-2006; see Vol-III, Section-II

- The trend growth rate of assigned taxes has been 10.50 percent. The assigned taxes have been above the trend growth rate in six years (1995-1996, 1996-1997, 1998-1999, 2001-2002, 2002-2003 and 2004-2005). It has been below in the balance years.
- As a percentage of total revenue receipts, the assigned taxes have ranged from 8.66 percent (1997-1998) to 18.74 percent (1998-1999). As a percentage of total receipts the range has been from 7.62 percent (1997-1998) to 16.96 percent (1998-1999). In most of the years however, the percentage share in total revenue receipts has been over 10 percent (exceptions being 1997-1998 when it was below). This is more or less confirmed by the position in respect of the percentage share in total receipts.
- The MCD has benefited from the rising revenues of the Delhi government. This is established by the data. It may be noted that from 1998-1999, the assigned taxes have always been above Rupees 200 crore, except 1999-2000 (when it was slightly below being Rupees 190.04 crore). In fact in 2004-2005, the assigned taxes had risen to Rupees 347.01 crore. This marked an absolute increase of Rupees 51.72 crore over the previous year.

Non-Plan Grants 12.109 Table 12.74 is regarding the non plan grants from Delhi Government from 1994-1995 to 2004-2005. Non-plan grants have increased from Rupees 72.05 crore (1994-1995) to Rupees 455.25 crore (2004-2005). This represents a more than five times increase.

- The absolute variation in non-plan grants has ranged from minus Rupees 36.90 (2000-2001) to Rupees 249.86 (2004-2005). The percentage variation has been from minus 18.95 percent (2000-2001) to 121.65 percent (2004-2005).

Table: 12.74-Non-Plan Grants to MCD-1994-1995-2004-2005 (Rupees in crore)

Year	Actual Realization of plan Grants	Absolute Increase/Decrease over Previous year	Percentage Increase/Decrease over previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	72.25			8.03	7.71
1995-1996	76.96	4.71	6.52	7.02	6.75
1996-1997	80.30	3.34	4.34	6.39	6.16
1997-1998	100.60	20.30	25.28	7.22	6.92

1998-1999	111.00	10.40	10.34	5.68	5.58
1999-2000	194.75	83.75	75.45	8.67	8.54
2000-2001	157.85	-36.90	-18.95	6.94	6.76
2001-2002	174.80	16.95	10.74	6.87	6.69
2002-2003	200.57	25.77	14.74	7.20	6.94
2003-2004	205.39	4.82	2.40	7.38	7.09
2004-2005	455.25	249.86	121.65	12.44	11.79

- The trend growth rate of non-plan grants has been 17.1 percent. The non-plan grants taxes have been above the trend growth rate in three years (1997-1998, 1999-2000, and 2004-2005). It has been below in the balance years. In fact it was negative in 2000-2001 (being minus 18.95 percent). However, it deserves to be noted that the non-plan grants from 1997-1998 have always been above Rupees 100 crore.
- As a percentage of total revenue receipts, the non-plan grants have ranged from 7.53 percent (1996-1997) to 17.85 percent (2004-2005). As a percentage of total receipts the range has been from 7.21 percent (1996-1997) to 14.89 percent (2004-2005). In most of the years however, the percentage share in total revenue receipts has been between 7 to 10 percent (exceptions being 1999-2000 when it was 11.58 percent and 2004-2005 when it was 17.85 percent). This is more or less confirmed by the position in respect of the percentage share in total receipts.
- The more than double increase in non-plan grants (from Rupees 205.39 crore in 2003-2004 to Rupees 455.25 crore in 2004-2005) represents a rather steep increase. The reasons for the increase and the purposes and utilization of the grant amount deserve to be examined.

Plan Grants 12.110 Table 12.75 discusses the plan grants released by Delhi Government to MCD during the years from 1994-1995 to 2004-2005.

Table: 12.75-Plan Grants to MCD-1994-1995-2004-2005 (Rupees in crore)

Year	Actual Realization of plan Grants	Absolute Increase/Decrease over Previous year	Percentage Increase/Decrease over previous year	Percentage of Total Revenue Receipts	Percentage of Total Receipts
1994-1995	237.49	-	-	29.38	28.03
1995-1996	336.23	98.74	41.58	33.93	32.50
1996-1997	321.99	-14.24	-4.24	30.21	28.90
1997-1998	327.07	5.08	1.58	29.72	26.16
1998-1999	342.70	15.63	4.78	24.67	22.33
1999-2000	411.66	68.96	20.12	24.48	21.67

2000-2001	412.41	0.75	0.18	23.31	21.52
2001-2002	424.50	12.09	2.93	22.57	21.05
2002-2003	492.24	67.74	15.96	23.77	22.03
2003-2004	457.81	-34.43	-6.99	20.88	19.63
2004-2005	505.45	47.64	10.41	19.82	16.53

- Plan grants have increased from Rupees 237.49 crore (1994-1995) to Rupees 505.45 crore (2004-2005). A more than two times increase.
- The absolute variation in plan grants has ranged from minus Rupees 34.43 (2003-2004) to Rupees 98.74 crore (1995-1996). The percentage variation has been from minus 6.99 percent (2003-2004) to 20.12 percent (1999-2000).
- The trend growth rate of plan grants has been 6.06 percent. The plan grants have been above the trend growth rate in four years (1995-1996, 1999-2000, 2002-2003 and 2004-2005). It has been below in the balance years. In fact it was negative in two years 1996-1997 and 2003-2004 (being minus 4.24 percent and minus 6.99 percent respectively).
- As a percentage of total revenue receipts, the plan grants have ranged from 19.82 percent (2004-2005) to 33.93 percent (1995-1996). As a percentage of total receipts the range has been from 16.53 percent (2004-2005) to 32.50 percent (1995-1996). In most of the years however, the percentage share in total revenue receipts has been between 20 to 30 percent (exceptions being 1995-1996 when it was 33.93 percent). This is more or less confirmed by the position in respect of the percentage share in total receipts.

Plan Loans 12.111 Table 12.76 presents the position with regard to the plan loans from Delhi Government to MCD.

Table: 12.76 -Plan Loans form Delhi Government to the MCD-1994-1995 to 2004-2005

Year	Actual Loans from Delhi Govt.	Absolute Increase/Decrease over Previous year	Percentage Increase/Decrease over previous year	Percentage of Total Capital Receipts	Percentage of Total Receipts
1994-1995	36.97	-	-	94.87	4.36
1995-1996	43.71	6.74	18.23	100.00	4.22
1996-1997	48.18	4.47	10.23	100.00	4.33
1997-1998	59.69	11.51	23.89	39.88	4.77

1998-1999	35.54	-24.15	-40.46	24.42	2.32
1999-2000	37.55	2.01	5.66	17.26	1.98
2000-2001	67.63	30.08	80.11	45.81	3.53
2001-2002	75.20	7.57	11.19	55.62	3.73
2002-2003	103.06	27.86	37.05	63.20	4.61
2003-2004	109.19	6.13	5.95	78.04	4.68
2004-2005	147.27	38.08	34.87	29.03	4.82

Ways and Means (non-plan loans) Advances

12.112 Table 12.77 presents the position with regard to ways and means advances availed by the MCD.

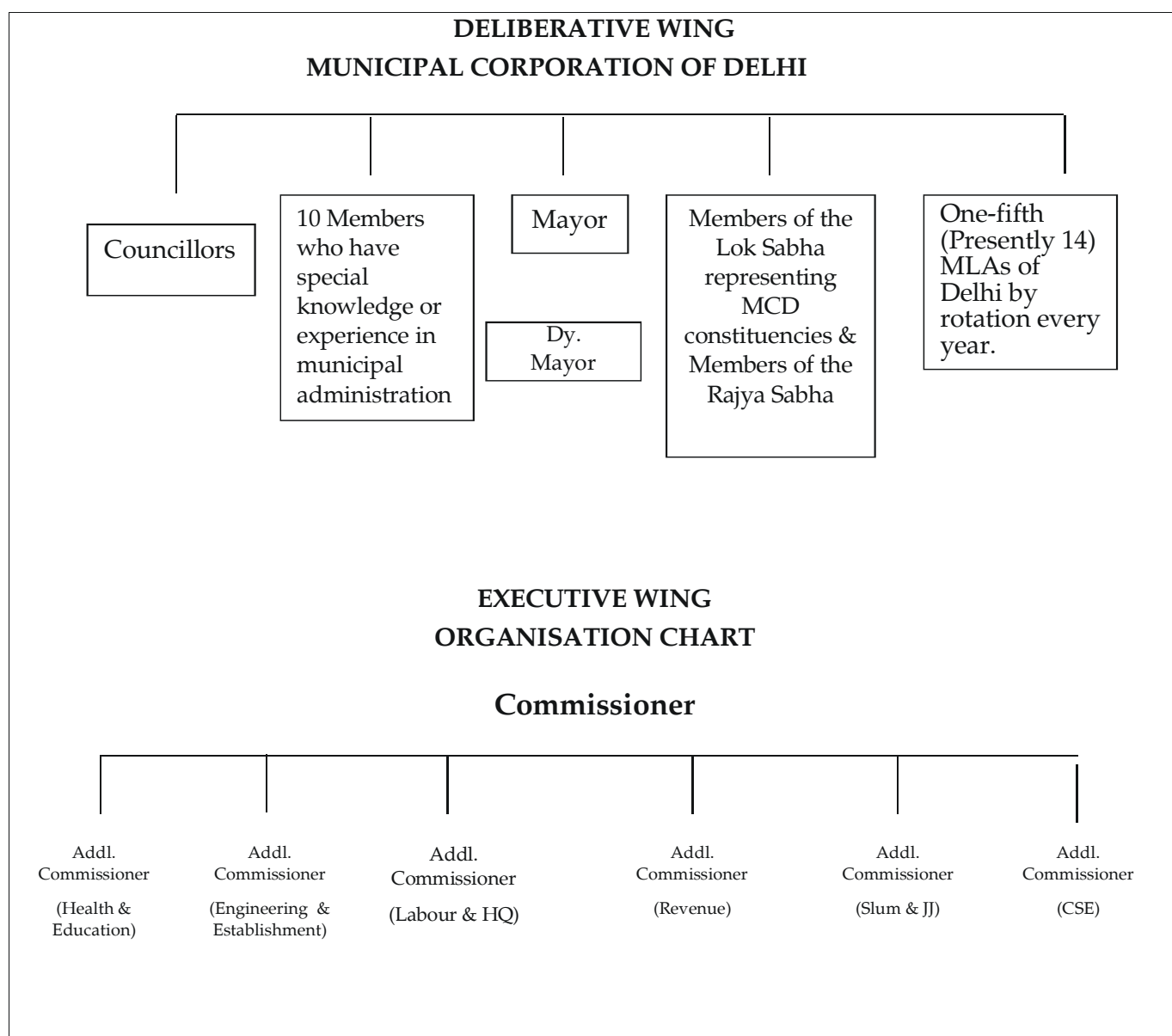
Table 12.77- Ways and Means (non-plan loans) Advances (1994-1995 to 2004-2005) [Rupees in crore]

Year	Actual Loans	Absolute Increase/Decrease over Previous year	Percentage Increase/Decrease over previous year	Percentage of Total Capital Receipts	Percentage of Total Receipts
1994-1995	2.00	-	-	5.13	0.24
1995-1996	-	-2.00	-100	-	-
1996-1997	-	-	-	-	-
1997-1998	90.00	90.00	-	60.12	7.20
1998-1999	110.00	20.00	22.22	75.58	7.17
1999-2000	180.00	70.00	63.64	82.74	9.48
2000-2001	80.00	-100.00	-55.56	54.19	4.17
2001-2002	60.00	-20.00	-25.00	44.38	2.98
2002-2003	60.00	-	-	36.80	2.69
2003-2004	30.73	-29.27	-48.78	21.96	1.32
2004-2005	310.00	279.27	908.79	61.11	10.14

- The ways and means advances have shown no discernable pattern. This is to be expected since ways and means advances are resorted to in emergency situations to meet short term immediate requirements. Nevertheless, the tendency to resort to such advances in terms of their volume has been quite substantial since 1997-1998. In fact, between 1997-1998 and 2004-2005 in at least three years the advances have been over rupees 100 crore and in 2004-2005 it was over rupees 300 crore.

- As a percentage of total capital receipts, it has ranged from 21.96% (2003-2004) to 82.74% (1999-2000) though between 2000-2001 and 2003-2004 there was a downward trend (as a percentage of total capital receipts), there was a sharp increase again in 2004-2005 (61.11%).
- As in respect of other parameters the real impact of MCD relying on ways and means advances becomes visible from 1997-1998. Even as a percentage of total receipts, it has varied from as low as 1.32 percent (2003-2004) to 10.14 percent (2004-2005), in this period.
- This frequent reliance on ways and means advances does not speak well of the annual financial management. It is inconceivable that an organization is in state of financial health if it is required to resort to such short term advances as frequently and in such volumes as has happened.

12.113 The principal conclusions in respect of resource mobilization by the MCD have been combined with the analysis and conclusions related to expenditure management at the end of the next chapter.

ORGANISATIONAL STRUCTURE OF MCD

Chapter-13

Municipal Corporation of Delhi: Expenditure Management:

How is the performance of a local body such as the MCD to be assessed? It is self-evident that roles and responsibilities have legitimate expectations attached to them. Therefore, is a useful starting point to examine whether the body has discharged its responsibilities effectively? This can be done through a set of benchmarks. These include: has the MCD covered its territorial and demographic jurisdiction in terms of the required amenities and services? If not, what is the physical gap, in terms of reach and quality? Does the primary health and education infrastructure meet the required standards and are they cost-effective? Are streets clean and is solid waste disposal adequate? There are several similar yardsticks. However, a surrogate benchmark is relied upon, namely, the “effective management” of resources. In the absence of this none of the above is possible.

13.2 The mobilization of resources implies the responsibility of “rational” expenditure management in fulfilment of expectations. Accordingly, a consideration of fiscal operations to determine the financial health of any organization would be incomplete without a reference to the rationality of its expenditure patterns, in terms of both volume and quality.

13.3 The effective discharge of the role envisaged for local bodies and financial prudence requires either the greater mobilization of resources or the generation of surpluses by curtailment of non-priority expenditure. Generally, it would be desirable not to assume the infinite availability of resources, and, to raise availability by curbing wasteful expenditure and increasing investments in priority sectors.

13.4 In this chapter, the other arm of the fiscal parameter is considered i.e. expenditure management in the MCD. Consider just a few aspects of the expenditure matrix.

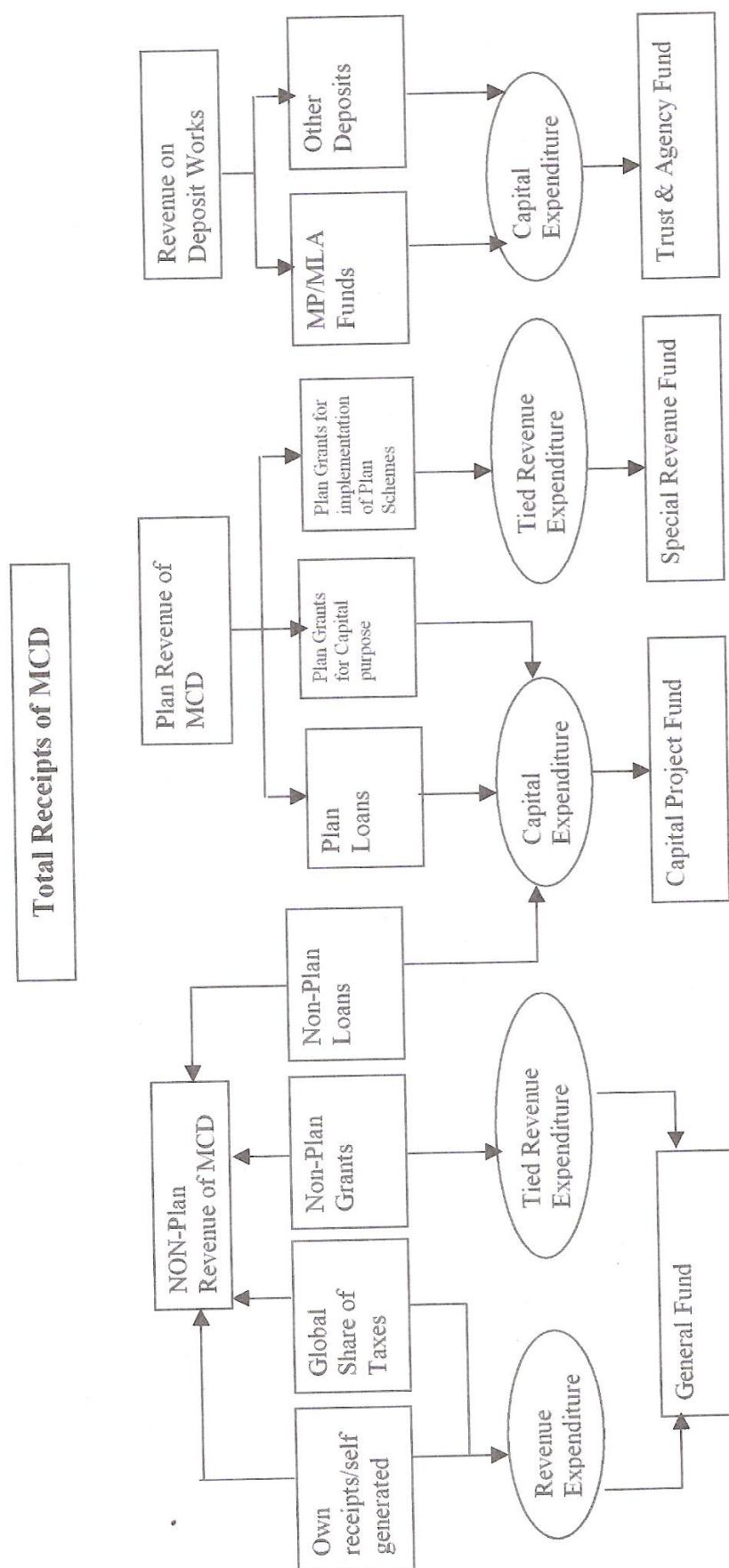
- What has been the growth of total and per capita expenditure? What percentage of the GSDP is the local body commandeering to discharge its responsibilities? How useful is the utilization of resources?

- How does this compare with the projections made before the earlier two Commissions? Have the projections made been realized in the sphere of expenditure or exceeded? If so, why?
- What elasticity has expenditure displayed? What is the buoyancy?
- Has plan expenditure outstripped non-plan expenditure? Do capital expenditure levels look satisfactory? What about maintenance? Is the Corporation's expenditure on 'core responsibilities' adequate? Is it discharging its responsibilities adequately in respect of 'agency functions', for which it receives plan grants from the state government?
- Is the Corporation faced with growing un-discharged liabilities?
- In short, is expenditure management in consonance with the principles of an 'effectively functioning' local body?

**Resources:
where they
came from
and where
they went?**

- 13.5 The Funds flow chart (Figure 13.0) shows the form that various receipts assume in the financial report of the MCD. It also indicates the deployment of funds in MCD for various purposes.

Figure 13.0: Funds Flow Chart



- The Comprehensive Annual Financial report of the MCD is fund based. It consists of four funds: General Fund, Capital Project & Development Fund, Special Revenue Fund and Trust & Agency Fund.
- General Fund: consists of the MCD's own revenue and other non-plan funds. This also includes the *Global Share of Taxes* and non-plan grant for *Education*.
- Capital Project & Development Fund: is the plan loans and grants for capital purpose.
- Special Revenue Fund: is also external source of funds that includes plan loans and grants for any special purpose that is purely revenue in nature.
- Trust and Agency Fund: includes MP LAD fund, MLA LAD fund and deposit works.

**Financial
Operations:
Projected
and Revised
Expenditure
Needs**

13.6 The examination commences with a review of the total expenditure levels and patterns.

- Table 13.0 reviews the status of total expenditure by the MCD from 1994-1995 to 2004-2005. The trend growth rate has been 13.1 percent.

**Total
Expenditure**

Table: 13.0-Total expenditure of the MCD-1994-1995 to 2004-2005

(Rupees in crore)

Year	BE	RE	Absolute Variation RE-BE	Percentage Variation in RE over BE	Actual Expenditure
1994-1995	748.40	789.71	41.31	5.52	751.39
1995-1996	910.69	989.54	78.85	8.66	954.93
1996-1997	1101.35	1192.63	91.28	8.29	1104.75
1997-1998	1309.37	1609.09	299.72	22.89	1265.97
1998-1999	1933.54	1967.83	34.29	1.77	1550.96
1999-2000	2052.04	2310.12	258.08	12.58	1846.67
2000-2001	2506.95	2311.53	-195.42	-7.80	1969.10
2001-2002	2418.54	2590.39	171.85	7.11	2183.27
2002-2003	2540.33	2665.45	125.12	4.93	2319.29
2003-2004	2931.53	2910.09	-21.44	-0.73	2352.57
2004-2005	3307.36	3556.51	249.15	7.53	2677.95

- The BE of total expenditure increased from Rupees 748.40 crore in 1994-1995 to Rupees 3307.36 crore in 2004-2005. This represents a step of 341.92 percent. As against this, the increase with reference to the revised

estimates was from Rupees 789.71 crore (1994-1995) to Rupees 3556.51 crore (2004-2005), representing an increase of 350.36 percent.

- The variation in the revised estimates over the budget estimates of each year have varied from minus Rupees 195.42 crore (2000-2001) to Rupees 299.72 crore (1997-1998). The revised projections have always been upwards, except in two years (2000-2001 and 2003-2004). The variations have been as large as almost Rupees 300 crore and as low as minus Rupees 195 crore. Such sharp variations display the lack of adequate expenditure planning, which is bound to impact actual expenditure.
- The figures of actual expenditure, however, are even more interesting and revealing. The actual expenditure has increased from Rupees 751.39 crore (1994-1995) to Rupees 2677.95 crore (2004-2005), representing a percentage increase of 256.40 percent. The expenditure has never matched the projections whether of the BE or the RE stage. However, the expenditure was in excess of projected expenditure (BE stage) in just three years (1994-1995, 1995-1996, and 1996-1997). In all others it was below the projected requirement of the budget estimates. In so far as the upward revision at the RE stage is concerned, the actual expenditure has been uniformly lower.
- As a measure of comparison we need to merely juxtapose the percentage growths of BE, RE, and actual to realize the dichotomy between the three trend figures: BE growth was 341.92 percent, the RE was 350.36 percent, and actual was 256.40 percent. In other words the actual trailed even the budget projections. Compared to the RE, the actual was almost 100 percentage points lower. How are the estimates prepared? What determines their revision?
- The percentage variation of the revised estimates over the budget estimates confirms the absence of any specific pattern or trend. It has ranged from minus 7.80 (2000-2001) percent to 22.89 percent (1997-1998). In most of the years it has ranged from 5 to 9 percent.

13.7 Table 13.1 exhibits the absolute and percentage variation in actual over the BE and the RE within a year. The absolute variation in the actual over the BE has been from minus Rupees 629.41 crore (2004-2005) to Rupees 44.24 crore (1995-1996). In percentage terms, the actual expenditure has ranged from 21.45 percent (2000-2001) to 4.86 percent (1995-1996). The actual expenditure in absolute and percentage terms has been negative in all except the first three years, which means it has been less than the expenditure projected at the budget estimates stage.

Table: 13.1-Absolute/Percentage Variation of Actual over BE/RE within the Year-1994-1995 to 2004-2005 (Rupees in crore)

Year	BE	RE	Actual Expenditure	Absolute Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage variation in Actual over BE	Percentage variation in Actual over RE
1994-1995	748.40	789.71	751.39	2.99	-38.32	0.40	-4.85
1995-1996	910.69	989.54	954.93	44.24	-34.61	4.86	-3.50
1996-1997	1101.35	1192.63	1104.75	3.40	-87.88	0.31	-7.37
1997-1998	1309.37	1609.09	1265.97	-43.40	-343.12	-3.31	-21.32
1998-1999	1933.54	1967.83	1550.96	-382.58	-416.87	-19.79	-21.18
1999-2000	2052.04	2310.12	1846.67	-205.37	-463.45	-10.01	-20.06
2000-2001	2506.95	2311.53	1969.10	-537.85	-342.43	-21.45	-14.81
2001-2002	2418.54	2590.39	2183.27	-235.27	-407.12	-9.73	-15.72
2002-2003	2540.33	2665.45	2319.29	-221.04	-346.16	-8.70	-12.99
2003-2004	2931.53	2910.09	2352.57	-578.96	-557.52	-19.75	-19.16
2004-2005	3307.36	3556.51	2677.95	-629.41	-878.56	-19.03	-24.70

- The absolute variation in the actual expenditure over the RE has been from minus Rupees 878.56 crore (2004-2005) to minus Rupees 34.61 crore (1995-1996). The percentage variation has been from minus 24.70 percent (2004-2005) to minus 3.50 percent (1995-1996). Compared to the RE, the gap between the actual expenditure and projections (BE and RE) simply widens every year. Thus compared to the RE the actual expenditure is negative, or below the projections, in year after year.

13.8 Table 13.2 depicts the actual expenditure as a percentage of the BE and the RE. In the first three years the actual expenditure was more than 100 percent of the projections at the BE stage. After that it has ranged between (around) 80 to 97 percent. As a percentage of the revised estimates it has always been below 100 percent and within the range of 75 to 96 percent. This once again highlights the fact that the projections are not reliable for any assessments of what ought to be done in the future nor for any assessments of what is likely to happen in the future. In other words there is neither any trend nor any pattern. In its turn this is reflective of the absence of long term planning.

**Table: 13.2- Actual Expenditure as a Percentage of BE and RE-
1994-1995 to 2004-2005**

Year	Actual Expenditure	Actual Expenditure as a percentage of BE	Actual Expenditure as a percentage of RE
1994-1995	751.39	100.40	95.15
1995-1996	954.93	104.86	96.50
1996-1997	1104.75	100.31	92.63
1997-1998	1265.97	96.69	78.68
1998-1999	1550.96	80.21	78.82
1999-2000	1846.67	89.99	79.94
2000-2001	1969.10	78.55	85.19
2001-2002	2183.27	90.27	84.28
2002-2003	2319.29	91.30	87.01
2003-2004	2352.57	80.25	80.84
2004-2005	2677.95	80.97	75.30

13.9 Table 13.3 shows the total expenditure as a percentage of various parameters. As a percentage of tax revenue, the expenditure has been from 217.80 percent (2003-2004) to 257.60 percent (1995-1996). As a percentage of own revenue receipts, it has been from 190.63 percent (2003-2004) to 229.74 percent (1998-1999) and as a percentage of total revenue receipts it has ranged from 93.97 percent (1994-1995) to 116.07 percent (2001-2002). As a percentage of total receipts it has been from 87.57 percent (2004-2005) to 108.28 percent (2001-2002).

Table: 13.3-Total expenditure as a Percentage-1994-1995 to 2004-2005

Year	Actual Expenditure (Rupees in crore)	As a percentage of tax revenue	As a percentage of own revenue receipts	As a percentage of total revenue receipts	As a percentage of total receipts	GSDP (at current prices) Rupees in crore)	As a percentage of GSDP
1994-1995	751.39	239.41	205.02	92.97	88.69	25846.50	2.91
1995-1996	954.93	257.60	224.46	96.37	92.30	28390.06	3.36
1996-1997	1104.75	245.69	223.67	103.66	99.17	33803.37	3.27
1997-1998	1265.97	237.96	219.20	115.04	101.27	41234.80	3.07
1998-1999	1550.96	249.76	229.74	111.65	101.06	47484.16	3.27
1999-2000	1846.67	250.23	208.54	109.79	97.22	53009.65	3.48
2000-2001	1969.10	227.32	202.72	111.30	102.73	62734.22	3.14
2001-2002	2183.27	242.36	211.19	116.07	108.28	67994.32	3.21
2002-2003	2319.29	241.98	214.45	111.98	103.81	72073.11	3.22
2003-2004	2352.57	217.80	190.63	107.30	100.86	80544.99	2.92
2004-2005	2677.95	249.31	215.43	104.99	87.57	90733.02	2.95

- The expenditure has often been more than twice the tax receipts of the MCD, the excess being 17.80 percent (2003-2004) to 57.60 percent (1995-1996). It has always been more than double its own revenue receipts, the exception being 2003-2004. when the excess has been 2.72 percent (2000-2001) to 29.74 (1998-1999). The expenditure has been more than its total revenue receipts except in two years (1994-1995 and 1995-1996), the excess having been from 3.66 percent (1996-1997) to 16.07 percent (2001-2002). The total expenditure has even exceeded the total receipts in six of the eleven years.
- This clearly establishes that expenditure is not receipts based. There is no correlation between expenditure and receipts of the Corporation. Actually, it appears, the Corporation has fallen into the self-indulgent habit of incurring expenditure beyond its means, and has de-linked expenditure from revenues. Accordingly, the basic principles of financial management are simply not operating in the Corporation's handling of its income and expenditure.
- The total expenditure of the MCD was between 2.91 percent (1994-1995) to 3.48 percent (1999-2000) of the GSDP.

13.10 Table 13.4 represents the variations in the BE/RE and actual expenditure over the previous year. The variation in the BE has been from minus Rupees 88.41 crore (2001-2002) to Rupees 624.17 crore (1998-1999). The percentage change has been from minus 3.53 (2001-2002) to 47.67 (1998-1999). Here too there is no specific trend. It cannot for instance be said that the budget estimates are based on the revised estimates of the previous year or the actual expenditure incurred in the preceding year.

Table: 13.4-Absolute/Percentage Variation of Actual over BE/RE over the Previous Year- 1994-1995 to 2004-2005

Year	Absolute Increase/Decrease over Previous Year (BE)	Absolute Increase/Decrease over Previous Year (RE)	Absolute Increase/Decrease over Previous Year (Actual)	Percentage increase / decrease over previous year (BE)	Percentage increase / decrease over previous year (RE)	Percentage increase / decrease over previous year (Actual)
1994-1995	-	-	-	-	-	-
1995-1996	162.29	199.83	203.54	21.68	25.30	27.09
1996-1997	190.66	203.09	149.82	20.94	20.52	15.69
1997-1998	208.02	416.46	161.22	18.89	34.92	14.59
1998-1999	624.17	358.74	284.99	47.67	22.29	22.51
1999-2000	118.50	342.29	295.71	6.13	17.39	19.07

2000-2001	454.91	1.41	122.43	22.17	0.06	6.63
2001-2002	-88.41	278.86	214.17	-3.53	12.06	10.88
2002-2003	121.79	75.06	136.02	5.04	2.90	6.23
2003-2004	391.20	244.64	33.28	15.40	9.18	1.43
2004-2005	375.83	646.42	325.38	12.82	22.21	13.83

- The revised estimates have been from Rupees 1.41 crore (2000-2001) to Rupees 646.42 crore (2004-2005). The percentage variation at the revise estimates stage has ranged from 0.06 percent (2000-2001) to 34.92 percent (1997-1998). The revised estimates have always increased in comparison to the previous year. The revisions in the budget estimates are quite unrealistic. The actual expenditure, whether higher or lower, has been closer to the budget estimates. In fact, given the actual expenditure, the revised upward estimates look hugely unrealistic.
- The absolute increase in total expenditure has been from Rupees 33.28 crore (2003-2004) to Rupees 325.39 crore (2004-2005). In percentage terms the increase has been from a modest 1.43 percent (2003-2004) to 27.09 percent (1995-1996). The annual increase in total expenditure has always been more than Rupees 100 crore, except in 2003-2004. In fact the percentage point increase of total expenditure over the previous year was 12.40 in 2004-2005. This is a very significant increase for just one year.

13.11 The annual average expenditure (Table 13.5) in the period 1994-1995 to 2004-2005 has been Rupees 1725.17 crore. The actual annual expenditure has been below the annual average in five out of the eleven years. This has been from 1994-1995 to 1998-1999. From 1999-2000 the expenditure has exceeded the annual average. The excess has been substantially higher than the average since 2000-2001. Indeed, it has not only exceeded the average, but the excess has been growing. The percentage point increase has been 7.10 in 2000-2001; 12.41 in 2001-2002; 7.89 in 2002-2003; 1.93 in 2003-2004. In 2004-2005 the excess was as high as 18.86 percentage points. This displays a complete lack of commitment to financial propriety.

Table: 13.5-Actual Expenditure over Annual Average Expenditure_ 1994-1995 to 2004-2005

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1994-1995	751.39	1725.17	-973.78	-56.45
1995-1996	954.93	1725.17	-770.24	-44.65
1996-1997	1104.75	1725.17	-620.42	-35.96
1997-1998	1265.97	1725.17	-459.20	-26.62
1998-1999	1550.96	1725.17	-174.21	-10.10
1999-2000	1846.67	1725.17	121.50	7.04
2000-2001	1969.10	1725.17	243.93	14.14
2001-2002	2183.27	1725.17	458.10	26.55
2002-2003	2319.29	1725.17	594.12	34.44
2003-2004	2352.57	1725.17	627.40	36.37
2004-2005	2677.95	1725.17	952.78	55.23

Non-Plan Expenditure

13.12 The trend growth rate of non-plan expenditure works out to 15.00 percent.

- Table 13.6 reports the non-plan expenditure as proposed and approved in the period 1994-1995 to 2004-2005. It is evident that in the first four years the Corporation approved the budget as proposed by the Commissioner. Thus there is no variation in the proposed and approved BE and RE in these years.

Table: 13.6-Non-plan Expenditure (BE/RE) as Proposed and Approved- 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate			Revised Estimate			Actual Expenditure
	Proposed by Commissioner	Approved by Corporation	Variation (Col. 3-2)	Proposed by Commissioner	Approved by Corporation	Variation (Col. 6-5)	
1	2	3	4	5	6	7	8
1994-95	418.34	418.34	0.00	459.65	459.65	0.00	487.79
1995-96	478.89	478.89	0.00	557.74	557.74	0.00	582.05
1996-97	578.27	578.27	0.00	669.55	669.55	0.00	667.40
1997-98	779.15	779.15	0.00	1078.87	1078.87	0.00	816.54
1998-99	1257.62	1377.47	119.85	1384.93	1411.76	26.83	1121.23
1999-00	1355.54	1426.92	71.38	1670.07	1684.99	14.92	1358.94
2000-01	1753.40	1848.81	95.41	1620.41	1653.39	32.98	1372.80
2001-02	1699.35	1792.54	93.19	1947.45	1964.39	16.94	1570.65
2002-03	1849.47	1910.83	61.36	2027.01	2035.95	8.94	1624.07
2003-04	2169.98	2270.18	100.20	2242.94	2249.41	6.47	1677.73
2004-05	2458.96	2498.37	39.41	2735.58	2747.52	11.94	1950.47

- In subsequent years the proposed and approved BE and RE begin to diverge. The variation in the proposed and approved BE ranges from Rupees 39.41 crore (2004-2005) to Rupees 119.85 crore (1998-1999). The range of variation in the proposed and approved RE was Rupees 6.47 crore (2003-2004) to Rupees 32.98 crore (2000-2001).
- In two years the Corporation approved budget estimates which were in excess of the Commissioner's proposals by more than Rupees 100 crore (1998-1999 and 2003-2004), around Rupees 100 crore in two years (2000-2001 and 2001-2002). In two other years also the upward revision was quite substantial: Rupees 71.38 crore (1999-2000) and Rupees 61.36 crore (2002-2003).
- Compared to the approved upward revisions at the budget stage those at the revised estimates stage were modest though upward nevertheless. The reason for the modest upward revisions at the RE stage seems to be that the Commissioner also revised upwards the original budget expenditure projections at the revised stage, except in one year (2000-2001) when the RE was reduced to Rupees 1620.41 crore from Rupees 1753.40 crore in the budget estimates (though the Corporation of course revised this figure upwards). One characteristic of the Commissioner's upward revision at the RE stage is notable. This involved raising the revised estimates to levels above even those approved by the Corporation at the BE stage (exceptions being 2000-2001 and 2003-2004). Since the Commissioner chose to increase the proposed expenditure at the RE stage, it appears there was lesser need for sharp upward revisions by the Corporation.
- There is little to justify the increases whether by the Commissioner or the Corporation and it is difficult to understand the logic of such budgetary exercises. In this context consider the matter in the light of the actual expenditure. In the first four years it was at least higher than the BE projections of the Commissioner. In later years even this did not happen. The expenditure was always lower than the lowest relevant figure of the year i.e. the proposed BE (except one year, 1999-2000, when the actual expenditure was marginally higher, by Rupees 3.40 crore over the BE proposed by the Commissioner).

13.13 Table 13.7 depicts the variations in the actual non-plan expenditure within the year over the BE/RE as proposed by the Commissioner as well as that approved by the Corporation. Given the fact that there was no difference

between the proposals of the Commissioner and the approvals of the Corporation in first four years, the variation in the actual non-plan expenditure over both the proposed and approved BE/RE were the same in these years. In the first two years, the expenditure exceeded the proposals and the approvals of both the BE and RE, while in the third and the fourth year they were higher than the proposed and approved BE and lower than the proposed and approved RE. In fact the fourth year RE, actual was substantially lower.

Table: 13.7- Variation in Actual Expenditure over Budget & Revised Estimates of Non-Plan Expenditure (Rupees in crore)

Year	Variation in Actual over Budget estimate		Variation in Actual over Revised Estimates	
	Proposed by Commissioner	Approved by Corporation	Proposed by Commissioner	Approved by Corporation
1994-1995	69.45	69.45	28.14	28.14
1995-1996	103.16	103.16	24.31	24.31
1996-1997	89.13	89.13	-2.15	-2.15
1997-1998	37.39	37.39	-262.33	-262.33
1998-1999	-136.39	-256.24	-263.70	-290.53
1999-2000	3.40	-67.98	-311.13	-326.05
2000-2001	-380.60	-476.01	-247.61	-280.59
2001-2002	-128.70	-221.89	-376.80	-393.74
2002-2003	-225.40	-286.76	-402.94	-411.88
2003-2004	-492.25	-592.45	-565.21	-571.68
2004-2005	-508.49	-547.90	-785.11	-797.05

- In later years the divergence between both the proposed and the approved BE/RE is reflected in the variation in actual expenditure over the proposed and approved BE/RE. From 1998-1999 onwards the variation begins to grow substantially. In only one year (1999-2000) was it positive and that too compared only to the budget proposals of the Commissioner. In all others, it was less than the proposed and approved BE/RE and by quite a margin. While it was never below Rupees 100 crore except in the case of BE as approved by the Corporation when it was minus Rupees 67.98 crore, in some years it breached even the Rupees 700 crore level with reference to both the proposed and approved projections for RE 2004-2005. This is the most potent signal of unhealthy budgeting.

13.14 Table 13.8 shows the absolute and percentage variation in actual over BE/RE within the year. The absolute and percentage variation in BE as proposed by the Commissioner and as approved by the Corporation has shown a two-phase trend. In the initial years there was no difference between

the two. The variation was at its peak in BE 1998-1999 (9.53 percent). Thereafter, in percentage terms, overall downward trend is visible.

Table: 13.8- Absolute and percentage Variation in BE/RE and Actual within the Year 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate				Revised Estimate			Actual Expndtr	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
	Proposed by Commissioner	RE as Approved by Corporation	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Approved by Corpn	Absolute Variation in receipts proposed & Approved BE	Percentage Variation in receipts proposed & Approved BE					
1994-1995	418.34	459.65	41.31	9.87	418.34	0.00	0.00	487.79	69.45	16.60	28.14	6.12
1995-1996	478.89	557.74	78.85	16.47	478.89	0.00	0.00	582.05	103.16	21.54	24.31	4.36
1996-1997	578.27	669.55	91.28	15.79	578.27	0.00	0.00	667.40	89.13	15.41	-2.15	-0.32
1997-1998	779.15	1078.87	299.72	38.47	779.15	0.00	0.00	816.54	37.39	4.80	-262.33	-24.32
1998-1999	1257.62	1411.76	34.29	2.49	1377.47	119.85	9.53	1121.23	-256.24	-18.60	-290.53	-20.58
1999-2000	1355.54	1684.99	258.07	18.09	1426.92	71.38	5.27	1358.94	-67.98	-4.76	-326.05	-19.35
2000-2001	1753.40	1653.39	-195.42	-10.57	1848.81	95.41	5.44	1372.80	-476.01	-25.75	-280.59	-16.97
2001-2002	1699.35	1964.39	171.85	9.59	1792.54	93.19	5.48	1570.65	-221.89	-12.38	-393.74	-20.04
2002-2003	1849.47	2035.95	125.12	6.55	1910.83	61.36	3.32	1624.07	-286.76	-15.01	-411.88	-20.23
2003-2004	2169.98	2249.41	-20.77	-0.91	2270.18	100.20	4.62	1677.73	-592.45	-26.10	-571.68	-25.41
2004-2005	2458.96	2747.52	249.15	9.97	2498.37	39.41	1.60	1950.47	-547.90	-21.93	-797.05	-29.01

- The RE has shown divergence right from the beginning and except for two years (2000-2001 and 2003-2004) the revision has been upwards. The percentage variation in RE over BE too has been quite large: minus 10.57 percent (2000-2001) to 38.47 percent (1997-1998). The revisions are not even justified by the track record of actual expenditure.
- While, the absolute variation in actual expenditure over BE has varied from minus Rupees 592.45 crore (2003-2004) to Rupees 103.16 crore (1995-1996), the absolute variation over RE has ranged from minus Rupees 797.05 crore (2004-2005) to Rupees 28.14 crore (1994-1995). Similarly, the percentage variation in actual expenditure over the BE has been from minus 26.10 percent (2003-2004) to 16.60 percent (1994-1995) and the variation in RE has been from minus 29.01 percent (2004-2005) to 6.12 percent (1994-1995). Does any of the data provide evidence that expenditure has been planned or incurred on the basis of verifiable outcomes?

13.15 Table 13.9 shows the absolute and percentage variation in BE/RE and actual over the previous year. The absolute variation in BE over the previous year was in the range of minus Rupees 56.27 crore (2001-2002) to Rupees 598.32 crore (1998-1999). The variation has been more than Rupees 100 crore in six out of eleven years and less in four years. The variation was negative (minus Rupees 56.27 crore) in the year 2001-2002.

Table: 13.9- Absolute and percentage Variation in BE/RE and Actual over the Previous Year 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute Variation in BE over Previous Year	Percentage variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	418.34	459.65	487.79						
1995-96	478.89	557.74	582.05	60.55	14.47	98.09	21.34	94.26	19.32
1996-97	578.27	669.55	667.40	99.38	20.75	111.81	20.05	85.35	14.66
1997-98	779.15	1078.87	816.54	200.88	34.74	409.32	61.13	149.14	22.35
1998-99	1377.47	1411.76	1121.23	598.32	76.79	332.89	30.86	304.69	37.31
1999-00	1426.92	1684.99	1358.94	49.45	3.59	273.23	19.35	237.71	21.20
2000-01	1848.81	1653.39	1372.80	421.89	29.57	-31.60	-1.88	13.86	1.02
2001-02	1792.54	1964.39	1570.65	-56.27	-3.04	311.00	18.81	197.85	14.41
2002-03	1910.83	2035.95	1624.07	118.29	6.60	71.56	3.64	53.42	3.40
2003-04	2270.18	2249.41	1677.73	359.35	18.81	213.46	10.48	53.66	3.30
2004-05	2498.37	2747.52	1950.47	228.19	10.05	498.11	22.14	272.74	16.26

- The percentage variation in BE over previous year has been in the range of minus 3.04 percent (2001-2002) to 76.79 percent (1998-1999).
- The absolute variation in RE over previous year was within the range of minus Rupees 31.60 crore (2001-2002) to Rupees 498.11 crore (2004-2005). The absolute variation in RE over previous year has been more than Rupees 100 crore in seven years and less in three years. In one year (2000-2001) it was negative.
- Percentage variation in RE over previous year was from minus 1.88 percent (2001-2002) to 61.13 percent (1997-98).
- The absolute variation in actual expenditure over previous year was always positive and was in the range of Rupees 13.86 crore (2000-2001) to

Rupees 304.69 crore (1998-1999). The variation was of more than Rupees 100 crore in five years and less in remaining six years.

- The percentage variation in actual was from 1.02 percent (2000-2001) to 37.31 percent (1998-1999).
- The actual expenditure increased from Rupees 487.79 crore (1994-1995) to Rupees 1950.47 crore (2004-2005) i.e. approximately four times increase.

13.16 Table 13.10 shows the absolute and percentage variation over average non-plan expenditure. The average non-plan expenditure for the period (1994-1995) to (2004-2005) was Rupees 1202.70 crore.

Table: 13.10 – Absolute/percentage Variation over average non-plan expenditure 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1994-1995	487.79	1202.70	-714.91	-59.44
1995-1996	582.05	1202.70	-620.65	-51.60
1996-1997	667.40	1202.70	-535.30	-44.51
1997-1998	816.54	1202.70	-386.16	-32.11
1998-1999	1121.23	1202.70	-81.47	-6.77
1999-2000	1358.94	1202.70	156.24	12.99
2000-2001	1372.80	1202.70	170.10	14.14
2001-2002	1570.65	1202.70	367.95	30.59
2002-2003	1624.07	1202.70	421.37	35.04
2003-2004	1677.73	1202.70	475.03	39.50
2004-2005	1950.47	1202.70	747.77	62.17

- The actual expenditure was lower than the average expenditure in the first five years and more than the average expenditure in remaining six years.
- The absolute variation was in the range of minus Rupees 714.91 crore (1994-1995) to Rupees 747.77 crore (2004-2005).
- In percentage terms the variation was from minus 59.44 percent (1994-1995) to 62.17 percent (2004-2005).

13.17 Table 13.11 discusses non-plan expenditure as a percentage of various parameters.

Table: 13.11 –Non-plan expenditure as a percentage of various parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	As a percentage of tax revenue	As a percentage of own revenue receipts	As a percentage of total revenue receipts	As a percentage of total receipts	As a percentage of GSDP
1994-1995	487.79	155.42	133.09	60.35	57.58	1.89
1995-1996	582.05	157.01	136.81	58.74	56.26	2.05
1996-1997	667.40	148.42	135.12	62.62	59.91	1.97
1997-1998	816.54	153.48	141.38	74.20	65.32	1.98
1998-1999	1121.23	180.56	166.09	80.71	73.06	2.36
1999-2000	1358.94	184.14	153.46	80.79	71.54	2.56
2000-2001	1372.80	158.48	141.33	77.60	71.62	2.19
2001-2002	1570.65	174.35	151.93	83.50	77.90	2.31
2002-2003	1624.07	169.45	150.16	78.41	72.69	2.25
2003-2004	1677.73	155.32	135.95	76.52	71.93	2.08
2004-2005	1950.47	181.58	156.91	76.47	63.78	2.15

- Non-plan expenditure as a percentage of tax revenue was in the range of Rupees 148.42 percent (1996-1997) to 184. 14 percent (1999-2000).
- As a percentage of own revenue receipts, the non-plan expenditure was between the range of Rupees 133.09 percent (1994-1995) to 166.09 percent (1998-1999).
- The actual expenditure under non-plan has been very high all alone as compared to the tax revenue and own revenue receipts of the Corporation. It has always been more than one and half times of the collection of tax revenue and 33 to 57 percent higher than own revenue receipts.
- As a percentage of total revenue receipts the non-plan expenditure has been in the range of 58.74 percent (1995-1996) to 83.50 percent (2001-2002).
- As a percentage of total receipts it has been in the range of 56.26 percent (1995-1996) to 77.90 percent (2001-2002).
- It thus shows that the Corporation does not take into account its resources while incurring the non-plan expenditure.
- The trend growth rate of administrative expenditure, which includes salary and wages and
- office expenses, works out to be 14.1 percent.

**Non-plan
Admini-
strative
Expenditure**

Table 13.12 depicts the administrative expenditure of the Corporation as a percentage of various expenditure parameters.

Table: 13.12 –Administrative expenditure as a percentage of various expenditure parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Administrative Expenditure	Absolute increase / decrease over previous year	Percentage increase / decrease over previous year	Total Non-plan Expenditure	As a Percentage of total non-plan expenditure	Total Expenditure	As a Percentage of total exp
1994-1995	343.48	-	-	487.79	70.42	751.39	45.71
1995-1996	397.17	53.69	15.63	582.05	68.24	954.93	41.59
1996-1997	456.79	59.62	15.01	667.40	68.44	1104.75	41.35
1997-1998	592.29	135.50	29.66	816.54	72.54	1265.97	46.79
1998-1999	899.47	307.18	51.86	1121.23	80.22	1550.96	57.99
1999-2000	1074.59	175.12	19.47	1358.94	79.08	1846.67	58.19
2000-2001	983.57	-91.02	-8.47	1372.80	71.65	1969.10	49.95
2001-2002	1020.12	36.55	3.72	1570.65	64.95	2183.27	46.72
2002-2003	1098.73	78.61	7.71	1624.07	67.65	2319.29	47.37
2003-2004	1205.69	106.96	9.73	1677.73	71.86	2352.57	51.25
2004-2005	1197.78	-7.91	-0.66	1950.47	61.41	2677.95	44.73

- The non-plan administrative expenditure was in the range of Rupees 343.48 crore (1994-1995) to Rupees 1205.69 crore (2003-2004).
- The absolute increase/decrease in the administrative expenditure has been in the range of minus Rupees 91.02 crore (2000-2001) to Rupees 307.18 crore (1998-1999).
- The percentage increase/decrease over the previous year was in the range of minus 8.47 percent (2000-2001) to minus 51.86 percent (1998-1999).
- It was in the range of 61.41 percent (2004-2005) to 80.22 percent (1998-1999) of the total non-plan expenditure.
- As a percentage of total expenditure the administrative expenditure was in the range of 41.35 percent (1996-1997) to 58.19 percent (1999-2000).
- The administrative expenditure was very high as a percentage of total non-plan expenditure over the total expenditure of the Corporation.
- It was more than 60 percent of the total non-plan expenditure all along and more than 40 percent of the total expenditure.

13.19 Table 13.13 shows the variation in administrative expenditure over annual average expenditure.

**Table: 13.13 – Variation in administrative expenditure over annual average
1994-1995 to 2004-2005 (Rupees in crore)**

Year	Administrative Expenditure	Average Expenditure	Absolute variation over average	Percentage variation from Average Exp
1994-1995	343.48	842.70	-499.22	-59.24
1995-1996	397.17	842.70	-445.33	-52.87
1996-1997	456.79	842.70	-385.91	-45.79
1997-1998	592.29	842.70	-250.41	-29.72
1998-1999	899.47	842.70	56.77	6.74
1999-2000	1074.59	842.70	231.89	27.52
2000-2001	983.57	842.70	140.87	16.72
2001-2002	1020.12	842.70	177.42	21.05
2002-2003	1098.73	842.70	256.03	30.38
2003-2004	1205.69	842.70	362.99	43.07
2004-2005	1197.78	842.70	355.08	42.14

- The average administrative expenditure during the period was Rupees 842.70 crore.
- It was less than the average expenditure in the first four years and more than the average expenditure in remaining seven years.
- The absolute variation over average was in the range of minus Rupees 499.22 crore (1994-1995) to Rupees 362.99 crore (2003-2004).
- In percentage terms the variation was from minus 59.24 percent (1994-1995) to 43.07 percent (2003-2004).

13.20 Table 13.14 shows administrative expenditure (Non-plan) as a percentage of various revenue parameters.

Table: 13.14 – Non-Plan Administrative Expenditure as percentage of various revenue parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Administrative Expenditure	As a Percentage of Tax revenue	As a Percentage of own revenue receipts	As a Percentage of total revenue receipts	As a Percentage of total receipts
1994-1995	343.48	109.44	93.72	42.50	40.54
1995-1996	397.17	107.14	93.36	40.08	38.39
1996-1997	456.79	101.59	92.48	42.86	41.01
1997-1998	592.29	111.33	102.56	53.82	47.38
1998-1999	899.47	144.85	133.24	64.75	58.61
1999-2000	1074.59	145.61	121.35	63.89	56.57
2000-2001	983.57	113.55	101.26	55.60	51.31
2001-2002	1020.12	113.24	98.68	54.23	50.60
2002-2003	1098.73	114.63	101.59	53.05	49.18
2003-2004	1205.69	111.62	97.70	54.99	51.69
2004-2005	1197.78	111.51	96.36	46.96	39.17

- The administrative expenditure (non-plan) was in the range of 10.1 59 percent (1996-1997) to 145.61 percent (1999-2000).
- As of own revenue receipts the range was between 92.48 percent (1996-1997) and 133.24 percent (1998-1999).
- As a percentage of total revenue receipts it was within the range of 40.08 percent (1995-1996) to 64.75 percent (1998-1999).
- As a percentage of total receipts the administrative expenditure was in the range of 38.39 percent (1995-1996) and 58.61 percent (1998-1999).

Issue of Manpower

13.21 An important aspect of administrative expenditure is the issue of manpower. Administrative expenses constitute a major component of both the total expenditure and the total non-plan expenditure. Within administrative expenses, expenditure on manpower appears to be the single largest item (70.57 percent). As per information furnished by the Corporation there are a total of 143304 employees. Table 13.14A provides the break-up between the zones and the headquarters.

Table : 13.14A- Total Number of Employees of the MCD

Zone	Total Number of Employees
Central Zone	11768
City Zone	7486
Civil Line Zone	14880
Karol Bagh Zone	9364
Najafgarh Zone	11392
Narela Zone	4622
Rohini Zone	13566
S P Zone	4804
Shahdara North Zone	15427
Shahdara South Zone	18916
South Zone	10397
West Zone	14206
Head Quarter	6476
Total	143304

- The number of employees indicated in 12.0 includes a number of employees (53065) falling in various temporary categories: contract employees (2854), daily wagers (21051) and leave substitutes (29160). Table 13.15 gives the break down of temporary employees of various categories in different zones.

Table: 13.15 – Temporary Employees of various categories in zones.

Zone	Contract	Daily Wages	Leave Substitute
Central Zone	543	2762	1514
City Zone	97	529	1494
Civil Line Zone	617	965	2328
Karol Bagh Zone	207	411	3662
Najafgarh Zone	194	2868	524
Narela Zone	218	826	15
Rohini	169	2583	3041
S P Z	317	376	1013
Sh (N)	51	2187	5244
Sh (S)	217	3080	6769
South Zone	73	2740	528
West Zone	151	1724	3028
Total	2854	21051	29160

13.22 Table 13.16 covers the number of total employees department-wise. Not surprisingly the CSE department carries the largest number of employees (78801) followed by the Education Department (28879) and the Engineering (12723) and Health (12118) Departments, because these four departments handle the core responsibilities of the local body. The Planning Department has a total of 101 employees-representing its symbolic status, while the Assessment and Collection Department have 465 employees. Thus the planners have an insignificant presence, as do those responsible for revenue mobilization. Only the expenditure departments have an overwhelming presence but their contribution is low whether in terms of sanitation standards achieved (CSE), assets created or maintained (Engineering Department), or service delivery (Education and Health Department).

Table 13.16- Departmental breakup of Employees in the MCD

Department	Total
Total (A&C)	465
Total (CSE)	78801
Total (Edu.)	28879
Total (Engg.)	12723
Total (Health)	12118
Total (Horti.)	7679
Total (Vet. Ser.)	448
Total (CSD)	837
Town Planning	101
Total (Others)	1253
Total	143304

(Out of the above number of employees total of 90239 are regular, 2854 on contract basis, 21051 on daily wagers and 29160 as leave substitutes).

13.23 In Table 13.17 we indicate the availability per 1000 of population of MCD employees. This does not by itself depict the actual deployment of personnel as between say the urban or rural areas. It also does not indicate the functional deployment of personnel.

Table: 13.17-Per 1000 Employment in the MCD

Population	Employees			Employees Per 1000 of Population		
	Regular	Temporary	Total	Regular	Temporary	Total
Urban 12400256	90239	53065	143304	7.28	4.28	11.56
Rural 963215	90239	53065	143304	93.69	55.09	148.78
Total 13363471	90239	53065	143304	6.75	3.97	10.72

- Against the total population of Delhi, the per 1000 of population availability of MCD employees is 6.75 (regular), 3.97 (temporary) and 10.72 (total). Against the urban population serviced by the MCD the figures are 7.28 (regular), 4.28 (temporary, and 11.56 (total), while for the rural population the figures are 93.69 (regular), 55.09 (temporary) and 148.78 (total).

13.24 During 2004-05 the MCD incurred a total expenditure of Rupees 2200.56 crore, out of which Rupees 1552.85 crore was on salary and wages of

employees. This amounts to 70.57% of the total expenditure. 83.47% of the total expenditure is on general administration and supportive services. Table 13.18 shows the growth of expenditure on salaries and wages in a three year period (for which data are available). The Commission's efforts to determine annual increases in manpower or corresponding expenditure did not succeed in eliciting required data from the MCD.

**Table: 13.18- Growth of Expenditure on salaries and Wages:
2002-2003 to 2004-2005 (Rupees in Crore)**

Year	Exp. In Crore	Absolute Variation	Percentage Variation
2002-2003	1295.28	-	-
2003-2004	1375.85	80.57	6.22
2004-2005	1552.85	177.00	12.86

- The net increase in the wages bill has been 19.28 percent in a period of just two years. This is rather disquieting for an organization that claims to be cash strapped. It needs the urgent attention of the Corporation and Government. We understand that there has been no review of the personnel strength in the last ten years or more. There have been no conscious steps to curb the growth of manpower and expenditure thereof. On the contrary not only is the temporary staff regularized at periodic intervals thereby increasing the long term permanent liability of the Corporation but new temporary staff is also engaged.

13.25 Table 13.19 exhibits the expenditure on salaries and wages as a percentage of various revenue parameters in the year 2004-2005. The expenditure on salaries and wages is far in excess of the Corporation's tax revenue and own revenue receipts. It is almost 60 percent of the total revenue receipts of the MCD inclusive of assigned taxes, plan, and non-plan grants. The expenditure is over 50 percent of the total receipts, which further includes plan loans, and ways and means advances.

Table: 13.19- Salaries and Wages as a percentage of Various Revenue parameters-2004-2005 (Rupees in Crore)

Head of Receipts	Amount Received	Expenditure on salaries and wages	Percentages share
Tax Revenue	1074.14	1552.85	144.57
Own Revenue Receipts	1243.06	1552.85	124.92
Total Revenue Receipts	2600.77	1552.85	59.71
Total Receipt	3058.04	1552.85	50.78

13.26 It might be recalled that the First Finance Commission¹ had noted that the expenditure on the establishment on non-plan account was Rupees 90.80 crore in 1984-1985 and had increased to Rupees 437.00 crore in 1995-1996 registering a growth rate of 14.80 percent in nominal terms and 5.70 percent in real terms. On the plan side, the expenditure on establishment increased from Rupees 6.50 crore in 1984-1985 to Rupees 27.60 crore in 1995-1996 that is a ten fold increase in twelve years registering an annual growth of 28.60 percent in nominal terms and 1.80 percent in real terms. The Commission was concerned at the massive increase in expenditure on the establishment witnessed.

- The expenditure on establishment that was 49.7 percent of MCD's aggregate expenditure in 1984-1985, accounted for 46.4 percent in 1995-96. More relevantly, MCD's own resources proved inadequate to meet its establishment expenditure. In 1984-1985, MCD's receipts from own tax and non-tax sources were sufficient to finance only 76.3 percent and for 1995-1996, 98.00 percent respectively of its establishment cost on non-plan account. In fact, MCD's own tax revenue was not sufficient to finance even its non-plan establishment cost.
- The uncovered establishment cost vis-à-vis MCD's own tax receipts were Rupee. 39.40 crore in 1984 and Rupees 66.3 crore in 1995-1996; (the corresponding figures vis-a-vis its total internal receipts were Rupees 21.60 crore and Rupees 8.70 crore respectively). MCD received as its share from assigned taxes Rupees. 40.80 crore in 1984-1985 and Rupees 101.17 crore in 1995-1996. The inference is clear that whereas in 1984-1985 almost the entire share of assigned taxes were required to supplement MCD's own tax receipts to meet its establishment cost, in 1995-1996 this left it with a marginal surplus.
- The above scenario was before the implementation of the recommendation of the Fifth pay Commission. The Commission dreaded to think that after those are fully factored into MCD's transactions, its entire internal receipts coupled with its share in the assigned taxes may be absorbed in merely meeting its establishment cost, compelling it to depend on loans and grants to perform even its day to day functions unless, in the interim, it look appropriate measures to augment the base of its internal sources- both tax and non-tax.
- As against the budgeted revenue requirement of Rupees 2271.69 crore in 2003-04, the actual revenue expenditure for 2003-2004 was to the tune of Rupees 1677.73 crore, a reduction of 26.15% in case of MCD. One of the

¹ Report of the First Delhi Finance Commission on Municipalities in National Capital Territory of Delhi (1996-2001) volume 1, pages 55-56.

main reasons for high revenue expenditure is the huge amount of establishment cost MCD has to bear. For example, MCD's establishment cost for 2003-2004 was Rs. 1206 crore which was 74 percent of the total revenue expenditure, thereby leaving only 26 percent for their core O&M activities which include repairs and replacements. This has also resulted in reduction of expenditure on the key activities of MCD like Public Health, Conservancy, Street Cleaning and Roads & Public lighting. Further, MCD has made use of ways and means loans for meeting the budgetary requirements².

- In this context it may be noted that among the various items constituting the undischarged liabilities of the Corporation, un-disbursed dues of employees are an amount of Rupees 151.48 crore as on March 31, 2005. Briefly even on the strength of this limited data and analysis, it is safe to say that the manpower position of the MCD is an area of considerable concern.

13.27 The data for the expenditure on the salary and wages of employees zone-and group wise are reproduced in Table 13.20. The interesting point that emerges is that the largest amount of expenditure is on Group D employees (45.61 percent). The Group D employees and the muster roll staff are the only category of staff directly recruited by the Corporation. Together they constitute the biggest expenditure liability-in fact almost 50 percent of the expenditure. The Corporation does not appear to have exercised restraint in the employment of Group D employees-first on a temporary and, then, on a regular basis.

**Table 13.20- Zone wise and Group wise details of salary and wages
(2004-2005) (Rupees in Lakh)**

Zone	Muster Roll	Employee Retirement Benefits	Salaries Group A	Salaries Group B	Salaries Group C	Salaries Group D	Salaries Plan	Total
South	713.26	498.60	150.44	152.76	3824.09	4429.92	506.32	10275.39
Najafgarh	223.91	571.95	154.08	82.51	6423.03	5650.16	95.42	13201.07
Hospitals	0.00	86.11	1238.12	441.01	1094.40	4932.93	0.00	7792.56
Shahdara-north	146.36	502.02	4133.79	82.42	3647.58	4032.58	0.00	12544.75
Rohini	215.09	820.04	160.99	4711.24	5775.83	476.40	0.00	12159.59
Karol bagh	506.32	487.25	123.80	132.01	2055.99	3909.10	231.82	7446.29
Civil lines	205.54	1066.88	1110.24	892.31	3444.50	5927.96	0.00	12647.41

² Status, Potential and Road Map for Urban Finance Reforms for the MCD and the NDMC, Report Volume 1, Chapter II, Revenue Performance of the MCD and the NMC, paragraph 2; Human Settlement Management Institute (HSMI), HUDCO House, Lodhi Road, New Delhi March, 2006

Central	68.09	817.09	407.29	247.13	5150.75	7569.55	301.48	14561.39
SHS	447.38	704.91	137.26	50.11	363.90	11796.33	0.34	13500.23
City	308.96	554.85	123.25	269.56	1244.20	3220.14	320.91	6041.88
Narela	76.13	478.51	134.36	69.58	2142.33	2780.31	342.50	6023.73
HQ	6.09	0.00	1287.40	924.47	3373.63	1502.49	2.10	7096.18
Total	2917.13	6588.19	9161.02	8055.12	38540.22	5622788	1800.90	123290.46
% age	2.37%	5.34%	7.43%	6.53%	31.26%	45.61%	1.46%	100.00%

- Some activities have been privatised (such as sanitation in five zones and collection of toll tax.). Therefore reduction of manpower and expenditure thereof would be a legitimate expectation. The fact that this has not happened deserves a detailed review.
- The data do not suggest any restraint in the growing manpower or expenditure on manpower. The Corporation has quite clearly not felt the need or necessity to institute a manpower review in order to curb this expenditure. This is dismaying particularly when placed against the fact that for more vital expenditure needs the Corporation claims that it is perennially short of resources.

Maintenance Expenditure 13.28 The trend growth rate of maintenance expenditure has been 8.1 percent.

- Table 13.21 depicts the repair and maintenance expenditure as a percentage of various expenditure parameters.

Table: 13.21 –Repair & Maintenance Expenditure as percentage of various expenditure parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Repair & Maintenance Expenditure	Absolute increase / decrease over previous year	As a Percentage increase / decrease over previous year	As a Percentage of total non-plan expenditure	As a Percentage of total exp
1994-1995	40.12			8.22	5.34
1995-1996	44.83	4.71	11.74	7.70	4.69
1996-1997	50.75	5.92	13.21	7.60	4.59
1997-1998	53.94	3.19	6.29	6.61	4.26
1998-1999	50.74	-3.2	-5.93	4.53	3.27
1999-2000	63.62	12.88	25.38	4.68	3.45
2000-2001	49.67	-13.95	-21.93	3.62	2.52
2001-2002	94.66	44.99	90.58	6.03	4.34
2002-2003	65.22	-29.44	-31.10	4.02	2.81
2003-2004	75.36	10.14	15.55	4.49	3.20
2004-2005	102.00	26.64	35.35	5.23	3.81

- Absolute increase/decrease in repair and maintenance expenditure over the previous year was from minus Rupees 29.44 crore (2002-2003) to Rupees 44.99 crore (2001-2002).
- In percentage terms the repair and maintenance expenditure showed a variation in the range of minus 31.10 percent (2002-2003) to 90.58 percent (2001-2002).
- The repair and maintenance expenditure as a percentage of total non-plan expenditure was in the range of 3.62 percent (2000-2001) to 8.22 percent (1994-1995).
- As a percentage of total expenditure it declined from 5.34 percent (1994-1995) to 3.81 percent (2004-2005). In percentage term it was the lowest i.e. 2.52 percent of total expenditure (2000-2001). The figures show that the repair and maintenance expenditure as a percentage of total non-plan expenditure and total expenditure has been declining all along.

13.29 Table 13.22 shows the variation in repair and maintenance expenditure over annual average expenditure.

Table: 13.22 —Variation in repair and maintenance expenditure over annual average 1994-1995 to 2004-2005 (Rupees in crore)

Year	Repair & Maintenance Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1994-1995	40.12	62.81	-22.69	-36.12
1995-1996	44.83	62.81	-17.98	-28.63
1996-1997	50.75	62.81	-12.06	-19.20
1997-1998	53.94	62.81	-8.87	-14.12
1998-1999	50.74	62.81	-12.07	-19.22
1999-2000	63.62	62.81	0.81	1.29
2000-2001	49.67	62.81	-13.14	-20.92
2001-2002	94.66	62.81	31.85	50.75
2002-2003	65.22	62.81	2.41	3.84
2003-2004	75.36	62.81	12.55	19.98
2004-2005	102.00	62.81	39.19	62.39

- The average expenditure in repair and maintenance during the period was Rupees 62.81 crore.
- It was less than the average expenditure in six years and more than the average expenditure in remaining five years.

- The absolute variation over average was in the range of minus Rupees 22.69 crore (1994-1995) to Rupees 39.19 crore (2004-2005).
- In percentage terms the variation was from minus 36.12 percent (1994-1995) to 62.39 percent (2004-2005).

13.30 Table 13.23 depicts the repair and maintenance expenditure as a percentage of various revenue parameters.

Table: 13.23 – Repair and Maintenance Expenditure as percentage of various revenue parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Repair & Maintenance Expenditure	As a Percentage of Tax revenue	As a Percentage of own revenue receipts	As a Percentage of total revenue receipts	As a Percentage of total receipts
1994-1995	40.12	12.78	10.95	4.96	4.74
1995-1996	44.83	12.09	10.54	4.52	4.33
1996-1997	50.75	11.29	10.27	4.76	4.56
1997-1998	53.94	10.14	9.34	4.90	4.31
1998-1999	50.74	8.17	7.52	3.65	3.31
1999-2000	63.62	8.62	7.18	3.78	3.35
2000-2001	49.67	5.73	5.11	2.81	2.59
2001-2002	94.66	10.51	9.16	5.03	4.69
2002-2003	65.22	6.80	6.03	3.15	2.92
2003-2004	75.36	6.98	6.11	3.44	3.23
2004-2005	102.00	9.50	8.21	4.00	3.34

- As a percentage of tax revenue the repair and maintenance expenditure was in the range of 5.73 percent (2000-2001) to 12.78 percent (1994-1995).
- As a percentage of own revenue receipt, it was from 5.11 percent (2000-2001) to 10.95 percent (1994-1995).
- As a percentage of total revenue receipts, the repair and maintenance expenditure was in the range of 2.81 percent (2000-2001) and 5.03 percent (2001-2002).
- The repair and maintenance expenditure as a percentage of total receipts was from 2.59 percent (2000-2001) to 4.69 percent (2001-2002). Though there was no specific trend of expenditure, as a percentage term it has all along been declining.

13.31 The First Finance Commission noted that amongst the one-time items, MCD projected a demand of Rupees 525 crore – at the rate of 15 percent of the capital cost- on account of shortfall in O&M of municipal assets,

composed of Rupees 225 crore for assets created before 1985-1986; and Rupees 300 crore for assets created thereafter. Application of a unified rate across the board by MCD is contrary to the accepted practice that the provision for operation and maintenance should not only be asset. The demand was also not projected on annual basis but was for past arrears representing the accumulated shortfalls between money required and that actually spent on O&M, the latter stated to be only 10 percent of the requirement. While the Commission felt greatly concerned about the poor maintenance of capital assets- an obligatory function of MCD- and about the need to provide adequate funds for this purpose, never the less the methodology employed by MCD for estimating legitimate requirement on this account was lacking in sound basis, both on facts and on logic³.

- The expenditure on repair and maintenance has declined over the three year period for which data are available from Rupees 57.21 crore in 2002-2003 to Rupees 28.21 crore in 2003-2004. In 2004-2005 it was just Rupees 28 crore.
- We shall compare the expenditure on the repair and maintenance of a few select items: vehicles, buildings, roads, [and the residence of the mayor]. The expenditure on vehicles was Rupees 1.17 crore in 2002-2003; Rupees 0.02 crore in 2003-2004, and; in 2004-2005 it was Rupees 2.18 crore. The expenditure on roads in 2002-2003 was Rupee 38.12 crore, in 2003-2004 it declined to Rupees 24.56 crore, and; in 2004-2005 it came down further by almost half to Rupees 13.07 crore. The repair and maintenance expenditure on buildings was Rupees 6.60 crore in 2002-2003; Rupees 0.04 crore in 2003-2004, and; in 2004-2005 it was Rupees 2.04 crore. The repair and maintenance expenditure on the residence of the mayor was Rupees 0.05 crore in 2002-2003; Rupees 0.13 crore, and; Rupees 0.05 crore in 2004-2005.
- Taken together, the expenditure on land based assets in 2002-2003 was Rupees 7.28 crore; in 2003-2004 it was 0.21 crore, and; in 2004-2005 it was Rupees 3.90 crore. Contrast this with the expenditure on maintenance of vehicles, which was Rupees 3.36 crore in the three-year period. This makes the expenditure on maintenance of vehicles approximately half that on permanent assets, and that does not include the running costs of the vehicles.

³ Ibid. Volume I, page: 114

Other expenditures

13.32 Other expenditures' includes two kinds of expenditure. First, is the operational expenditure such as office expenses, vehicles, stores, and medicines. The second, includes expenditure on the provision of services such as de-silting, removing of malba, encroachments or demolitions etc. The trend growth rate of 'other expenditure' has been 19.00 percent.

- Table 13.24 reports the absolute and percentage variations in 'other expenditure', as well as 'other expenditure' as a percentage of various parameters.

Table: 13.24 – Other Expenditure as percentage of various expenditure parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Other Expenditure	Absolute increase / decrease over previous year	Percentage increase / decrease over previous year	As a Percentage of total exp	As a Percentage of total non-plan expenditure
1994-1995	104.19	-	-	13.87	21.36
1995-1996	140.05	35.86	34.42	14.67	24.06
1996-1997	159.86	19.81	14.14	14.47	23.95
1997-1998	170.31	10.45	6.54	13.45	20.86
1998-1999	171.02	0.71	0.42	11.03	15.25
1999-2000	220.73	49.71	29.07	11.95	16.24
2000-2001	339.56	118.83	53.84	17.24	24.73
2001-2002	455.87	116.31	34.25	20.88	29.02
2002-2003	460.12	4.25	0.93	19.84	28.33
2003-2004	396.68	-63.44	-13.79	16.86	23.64
2004-2005	650.69	254.01	64.03	24.30	33.36

- Other expenditure has been from Rupees 104.19 crore (1994-1995) to Rupees 650.69 crore (2004-2005). The absolute variation has been from minus Rupees 63.44 crore (2003-2004) to Rupees 254.01 crore (2004-2005). The percentage variation has been from minus 13.79 percent (2003-2004) to 64.03 percent (2004-2005).
- As a percentage of total expenditure the 'other expenditure' ranged from 11.03 percent (1998-1999) to 24.30 percent (2004-2005). As a percentage of total non-plan expenditure it varied from 15.25 percent (1998-1999) to 33.36 percent (2004-2005). These are fairly large amounts.

13.33 Table 13.25 depicts the 'other expenditure' as a percentage of various revenue parameters.

- As a percentage of tax revenue the 'other expenditure' was in the range of 27.54 percent (1998-1999) to 60.58 percent (2004-2005).
- As a percentage of own revenue receipts, it was from 24.93 percent (1999-2000) to 52.35 percent (2004-2005).
- As a percentage of total revenue receipts, the 'other expenditure' was in the range of 12.31 percent (1998-1999) to 2.51 percent (2004-2005).
- The 'other expenditure' as a percentage of total receipts was from 11.14 percent (1998-1999) and 22.61 percent (2001-2002).

Table: 13.25 – 'Other Expenditure' as a percentage of various revenue parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Other Expenditure	Percentage of Tax revenue	Percentage of own revenue receipts	Percentage of total revenue receipts	As a Percentage of total receipts
1994-1995	104.19	33.20	28.43	12.89	12.30
1995-1996	140.05	37.78	32.92	14.13	13.54
1996-1997	159.86	35.55	32.37	15.00	14.35
1997-1998	170.31	32.01	29.49	15.48	13.62
1998-1999	171.02	27.54	25.33	12.31	11.14
1999-2000	220.73	29.91	24.93	13.12	11.62
2000-2001	339.56	39.20	34.96	19.19	17.72
2001-2002	455.87	50.60	44.10	24.23	22.61
2002-2003	460.12	48.01	42.54	22.22	20.59
2003-2004	396.68	36.72	32.14	18.09	17.01
2004-2005	650.69	60.58	52.35	25.51	21.28

13.34 Table 13.26 shows the absolute and percentage variations over average expenditure.

- The annual average expenditure has been Rupees 297.19 crore. The actual expenditure has been less than the average expenditure in first six years and more than the average expenditure in the remaining five years.
- The absolute variation over the average expenditure was in the range of minus Rupees 193.00 crore (1994-1995) to Rupees 353.50 crore (2004-2005).
- The percentage variation has been in the range of minus 64.94 percent (1994-1995) to 118.95 percent (2004-2005).

Table: 13.26 — Variation in 'other expenditure' over annual average 1994-1995 to 2004-2005 (Rupees in crore)

Year	Other Expenditure	Average Expenditure	Absolute variation Over Average Exp	Percentage variation over average expenditure
1994-1995	104.19	297.19	-193.00	-64.94
1995-1996	140.05	297.19	-157.14	-52.88
1996-1997	159.86	297.19	-137.33	-46.21
1997-1998	170.31	297.19	-126.88	-42.69
1998-1999	171.02	297.19	-126.17	-42.45
1999-2000	220.73	297.19	-76.46	-25.73
2000-2001	339.56	297.19	42.37	14.26
2001-2002	455.87	297.19	158.68	53.39
2002-2003	460.12	297.19	162.93	54.82
2003-2004	396.68	297.19	99.49	33.48
2004-2005	650.69	297.19	353.50	118.95

Non-plan Revenue Expenditure

13.35 The trend growth rate of non-plan revenue expenditure has been 14.6 percent. Table 13.27 shows the absolute and percentage variation in BE and RE within the year. The budget estimates increased from Rupees 418.34 crore (1994-1995) to Rupees 2498.37 crore (2004-2005). This represents approximately a six fold increase. The budget estimates reached the Rupees thousand crore mark in 1998-1999 when there was a steep rise of around Rupees 600 crore. The next big jump came in 2000-2001 with an increase of around Rupees 420 crore and the third big step up was of more than Rupees 350 crore in 2003-2004.

Table: 13.27-Absolute/percentage variation in BE/RE within the Year 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Absolute Variation RE over BE	Percentage Variation RE over BE
1994-1995	418.34	459.65	41.31	9.87
1995-1996	478.89	557.74	78.85	16.47
1996-1997	578.27	669.55	91.28	15.79
1997-1998	779.15	1078.87	299.72	38.47
1998-1999	1377.47	1411.76	34.29	2.49
1999-2000	1426.92	1684.99	258.07	18.09
2000-2001	1848.81	1653.39	-195.42	-10.57

2001-2002	1792.54	1964.39	171.85	9.59
2002-2003	1910.83	2035.95	125.12	6.55
2003-2004	2270.18	2249.41	-20.77	-0.91
2004-2005	2498.37	2747.52	249.15	9.97

- The Revised Estimates increased from Rupees 459.65 crore (1994-1995) to Rupees 2747.52 crore (2004-2005). The position has also been examined in the context of Table 13.6 dealing with total non-plan expenditure.
- The non-plan revenue expenditure constitutes practically the entire non-plan expenditure. The non-plan capital expenditure is almost entirely based on receipts from outside and the Corporation makes no budgetary provisions for non-plan capital expenditure.
- Table 13.28 shows the absolute and percentage variation in actual non-plan revenue expenditure over the BE and RE in the year 1994-1995 to 2004-2005. The actual expenditure has varied from Rupees 481.62 crore (1994-1995) to Rupees 1864.88 crore (2004-2005). This actual expenditure crossed the Rupees 1000 crore plus mark in 1998-1999. The increase in expenditure between 1994-1995 and 2004-2005 has been approximately four times. This is far less than the projections at the budget estimates stage. The position of actual expenditure in every year worsens further in comparison to the revised estimates.

Tables: 13.28 -Absolute/Percentage Variation in Actual over the BE/RE and - 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute Variation of Actual over BE	Percentage Variation of Actual over BE	Absolute Variation of Actual over RE	Percentage Variation of Actual over RE
1994-1995	418.34	459.65	481.62	63.28	15.13	21.97	4.78
1995-1996	478.89	557.74	574.12	95.23	19.89	16.38	2.94
1996-1997	578.27	669.55	655.08	76.81	13.28	-14.47	-2.16
1997-1998	779.15	1078.87	802.84	23.69	3.04	-276.03	-25.59
1998-1999	1377.47	1411.76	1094.69	-282.78	-20.53	-317.07	-22.46
1999-2000	1426.92	1684.99	1339.46	-87.46	-6.13	-345.53	-20.51
2000-2001	1848.81	1653.39	1303.93	-544.88	-29.47	-349.46	-21.14
2001-2002	1792.54	1964.39	1520.84	-271.70	-15.16	-443.55	-22.58
2002-2003	1910.83	2035.95	1541.34	-369.49	-19.34	-494.61	-24.29
2003-2004	2270.18	2249.41	1643.46	-626.72	-27.61	-605.95	-26.94
2004-2005	2498.37	2747.52	1864.88	-633.49	-25.36	-882.64	-32.12

- The absolute variation of actual over BE has been negative in seven out of eleven years. The variation has been in the range of minus Rupees 633.49 crore (2004-2005) to Rupees 95.23 crore (1995-1996). The negative variation in actual over BE has been more than Rupees 270 crore all

along since 1998-1999 with the exception 1999-2000 when the variation was less than 100 crore. The actual expenditure shows there is little linkage with the projections at the budget estimation stage and the actual expenditure. The negative variation of over Rupees 600 crore (2003-2004 and 2004-2005) is particularly note worthy for the breakdown between the budgeted estimates and the actual expenditure.

- Logically the percentage variation from 1998-1999 shows a negative correlation between the budget projections and the actual expenditure. If the shortfall in actual expenditure was around one fifth or more since 1998-1999 with the exception of 1999-2000, 2001-2002 (when the negative variation was 6.13 percent and 15.16 percent respectively), it raises legitimate questions about the efficacy of the budgetary process.
- The position of actual expenditure in every year and over the years also worsens in comparison to the revised estimates. In absolute terms the variation has been from minus Rupees 882.64 crore (2004-2005) to Rupees 21.97 crore (1994-1995). The variation has been positive in only two years (1994-1995 and 1995-1996). The negative variation which shows a shortfall in expenditure against revised projections has been over Rupees 270 crore in eight out of the nine years in which it was so. It reached a peak of minus Rupees 882 crore in 2004-2005. In percentage terms the shortfall in expenditure over revised estimates has been more than twenty percent in eight years (1997-1998 to 2004-2005) and the maximum negative variation was 32.12 percent (2004-2005).
- That it has been more than twenty percent since 1997-1998 is in itself a startling fact. However, what should be of deeper concern is the fact that since 2000-2001, even the annual percentage point difference is increasing. In 2000-2001 the difference was 0.63 percent; in 2001-2002 it was 1.44 percent; in 2002-2003 it was 1.71 percent; in 2003-2004 it was 2.65 percent, and; in 2004-2005 it was 5.18 percent. In totality this represents an exponential growth in variation.

13.36 Table 13.29 shows actual expenditure as a percentage of BE and RE.

Table: 13.29-Actual Expenditure as a percentage of BE and RE-1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Actual as a percentage of BE	Actual as a Percentage of RE
1994-1995	418.34	459.65	481.62	115.13	104.78
1995-1996	478.89	557.74	574.12	119.89	102.94
1996-1997	578.27	669.55	655.08	113.28	97.84
1997-1998	779.15	1078.87	802.84	103.04	74.41
1998-1999	1377.47	1411.76	1094.69	79.47	77.54

1999-2000	1426.92	1684.99	1339.46	93.87	79.49
2000-2001	1848.81	1653.39	1303.93	70.53	78.86
2001-2002	1792.54	1964.39	1520.84	84.84	77.42
2002-2003	1910.83	2035.95	1541.34	80.66	75.71
2003-2004	2270.18	2249.41	1643.46	72.39	73.06
2004-2005	2498.37	1864.88	-633.49	74.64	67.88

- Actual expenditure as a percentage of BE was in the range of 70.53 percent (2000-2001) to 119.89 percent in (1995-1996).
- Actual as a percentage of RE has been from 67.88 percent (2004-2005) to 104.78 percent (1994-1995).
- Though there has been no specific trend, actual as a percentage of BE and RE has continuously been declining. While actual as a percentage of BE decline from 115.13 percent (1994-1995) to 74.64 percent (2004-2005), the actual as a percentage of RE declined from 104.78 percent (1994-1995) to 67.88 percent in (2004-2005), which shows that the BE and RE had continuously been on a very high side in comparison to the actual expenditure.

13.37 Table 13.30 discusses the absolute and percentage variation in BE/RE and actual expenditure over the previous year.

Table: 13.30 -Absolute/Percentage Variation in BE/RE and Actual over the previous year-1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute Variation in BE over previous year	Percentage Variation in BE over previous year	Absolute Variation in RE over previous year	Percentage Variation in RE over previous year	Absolute Variation in Actual over previous year	Percentage Variation in Actual over previous year
1994-95	418.34	459.65	481.62						
1995-96	478.89	557.74	574.12	60.55	14.47	98.09	21.34	92.50	19.21
1996-97	578.27	669.55	655.08	99.38	20.75	111.81	20.05	80.96	14.10
1997-98	779.15	1078.87	802.84	200.88	34.74	409.32	61.13	147.76	22.56
1998-99	1377.47	1411.76	1094.69	598.32	76.79	332.89	30.86	291.85	36.35
1999-00	1426.92	1684.99	1339.46	49.45	3.59	273.23	19.35	244.77	22.36
2000-01	1848.81	1653.39	1303.93	421.89	29.57	-31.60	-1.88	-35.53	-2.65
2001-02	1792.54	1964.39	1520.84	-56.27	-3.04	311.00	18.81	216.91	16.64
2002-03	1910.83	2035.95	1541.34	118.29	6.60	71.56	3.64	20.50	1.35
2003-04	2270.18	2249.41	1643.46	359.35	18.81	213.46	10.48	102.12	6.63
2004-05	2498.37	2747.52	1864.88	228.19	10.05	498.11	22.14	221.42	13.47

- Absolute variation in BE over RE was from minus Rupees 56.27 crore (2001-2002) to Rupees 598.32 crore (1998-1999). Percentage variation in BE over previous year was in the range of minus 3.04 percent (2001-2002) to 76.79 percent (1998-1999).
- Absolute variation in RE over the previous year was within the range of minus Rupees 31.60 crore (2000-2001) to Rupees 498.11 crore (2004-2005).
- Percentage variation in RE over previous year was from minus 1.88 percent (2000-2001) to 61.13 percent (1997-1998).
- Absolute variation in actual expenditure over previous year was from minus Rupees 35.53 crore (2000-2001) to Rupees 291.85 crore (1998-1999).
- Percentage variation in actual expenditure was in the range of minus 2.65 percent (2000-2001) to 36.35 percent (1998-1999).
- All this shows that there has been no specific trend either in BE/RE or actual.

13.38 Table 13.31 shows non-plan revenue expenditure as a percentage of various revenue parameters.

Table: 13.31 -Non-plan Revenue Expenditure as a percentage of various revenue parameters-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	as a Percentage of Tax Revenue	as a Percentage of Own Revenue Receipts	as a Percentage of Total Revenue Receipts	as a Percentage of Total Receipts
1994-1995	481.62	153.46	131.41	59.59	56.85
1995-1996	574.12	154.87	134.95	57.94	55.49
1996-1997	655.08	145.68	132.63	61.46	55.81
1997-1998	802.84	150.91	139.01	72.96	64.22
1998-1999	1094.69	176.29	162.15	78.80	71.33
1999-2000	1339.46	181.50	151.26	79.64	70.52
2000-2001	1303.93	150.53	134.24	73.70	68.03
2001-2002	1520.84	168.82	147.11	80.85	75.43
2002-2003	1541.34	160.81	142.51	74.42	68.99
2003-2004	1643.46	152.15	133.17	74.96	70.46
2004-2005	1864.88	173.62	150.02	73.11	60.98

- The non-plan revenue expenditure as a percentage of tax revenue has been in the range of 145.68 percent (1996-1997) to 181.50 percent (1999-2000).

- As a percentage of own revenue receipts, non-plan revenue expenditure was in the range of 131.41 percent (1994-1995) to 162.15 percent (1998-1999).
- The expenditure as a percentage of total revenue receipt has been in the range of 57.94 percent (1995-1996) to 80.85 percent (2001-2002). As a percentage of total receipt the non-plan revenue expenditure was from 55.49 percent (1995-1996) to 75.43 percent (2001-2002).
- The figure shows that the non-plan revenue expenditure has always been more than the total tax revenue and own revenue receipts of the MCD. In almost all the cases it had been more than 150 percent of the tax revenue except in the year (1996-1997) when it was 145.68 percent. Further, between 60 to 80 percent of total revenue receipts and total receipts were utilized towards non-plan revenue expenditure.

13.39 Table 13.32 shows non-plan revenue expenditure as a percentage of various expenditure parameters.

Table: 13.32 -Non-plan Revenue Expenditure as a percentage of various Expenditure Parameters-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Non-Plan Revenue Expenditure	Total Non-Plan Expenditure	Total Revenue Expenditure	Total Exp- enditure	as a Percentage of Total Revenue Exp.	as a Percentage of Total Exp- enditure	as a Percentage of Total non-Plan Exp.
1994-1995	481.62	487.79	523.80	751.39	91.95	64.10	98.74
1995-1996	574.12	582.05	634.97	954.93	90.42	60.12	98.64
1996-1997	655.08	667.40	773.09	1104.75	84.74	59.30	98.15
1997-1998	802.84	816.54	932.51	1265.97	86.09	63.42	98.32
1998-1999	1094.69	1121.23	1200.08	1550.96	91.22	70.58	97.63
1999-2000	1339.46	1358.94	1479.63	1846.67	90.53	72.53	98.57
2000-2001	1303.93	1372.80	1460.61	1969.10	89.27	66.22	94.98
2001-2002	1520.84	1570.65	1651.70	2183.27	92.08	69.66	96.83
2002-2003	1541.34	1624.07	1704.30	2319.29	90.44	66.46	94.91
2003-2004	1643.46	1677.73	1810.78	2352.57	90.76	69.86	97.96
2004-2005	1864.88	1950.47	2033.43	2677.95	91.71	69.64	95.61

- Non-plan revenue expenditure as a percentage of total revenue expenditure was in the range of 84.74 percent (1996-1997) to 92.08 percent in (2001-2002).
- As a percentage of total expenditure the non-plan revenue expenditure was in the range of 59.30 percent (1996-1997) to 72.53 percent (1999-2000).

- The non-plan revenue expenditure as a percentage of total non-plan expenditure was in the range of 94.91 percent (2002-2003) to 98.74 percent (1994-1995).
- The non-plan revenue expenditure in eight out of eleven years been more than 90.00 percent of total revenue expenditure and more than 95.00 percent of total non-plan expenditure in all the years.

13.40 Table 13.33 depicts the absolute and percentage variations over annual average expenditure.

Table: 13.33 - Variation in Non-plan Revenue Expenditure over annual average 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1	2	3	4	5
1994-1995	481.62	1165.66	-684.04	-58.68
1995-1996	574.12	1165.66	-591.54	-50.75
1996-1997	655.08	1165.66	-510.58	-43.80
1997-1998	802.84	1165.66	-362.82	-31.13
1998-1999	1094.69	1165.66	-70.97	-6.09
1999-2000	1339.46	1165.66	173.80	14.91
2000-2001	1303.93	1165.66	138.27	11.86
2001-2002	1520.84	1165.66	355.18	30.47
2002-2003	1541.34	1165.66	375.68	32.23
2003-2004	1643.46	1165.66	477.80	40.99
2004-2005	1864.88	1165.66	699.22	59.98

- The average non-plan revenue expenditure has been Rupees 1165.66 crore.
- The non-plan revenue expenditure has been less than the average expenditure in first five years and more than the average expenditure in the remaining six years. The negative absolute variation was more than Rupees 360 crore in four years from 1994-1995 to 1997-1998 and the positive variation was from Rupees 138.27 crore (2000-2001) to Rupees 699.22 crore (2004-2005).
- The percentage variation over average expenditure was in the range of minus 58.68 percent (1994-1995) to 59.98 percent (2004-2005).
- The percentage variation over the average expenditure was negative in first five years and was positive in six years from 1999-2000 to 2004-2005.

- The variation in absolute terms as well as in percentage term was the highest (2004-2005) i.e. Rupees 699.22 crore in absolute terms and 59.98 percent in percentage terms.

Non-plan Capital Expenditure

13.41 Table 13.34 reports the absolute and percentage variations in non-plan capital expenditure over the previous year. The non-plan capital expenditure, at its maximum, has never exceeded even Rupees 100 crore. It has ranged from Rupees 6.17 crore (1994-1995) to Rupees 85.59 crore (2004-2005). The only other year in which it crossed the Rupees 80 crore mark was 2002-2004 (Rupees 82.73 crore).

Table: 13.34 - Absolute/percentage variation in Non-plan Capital Expenditure over previous year 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Absolute Variation in Actual over previous year	Percentage Variation in Actual over previous year
1994-1995	6.17		
1995-1996	7.93	1.76	28.53
1996-1997	12.32	4.39	55.36
1997-1998	13.70	1.38	11.20
1998-1999	26.54	12.84	93.72
1999-2000	19.48	-7.06	-26.60
2000-2001	68.87	49.39	253.54
2001-2002	49.81	-19.06	-27.68
2002-2003	82.73	32.92	66.09
2003-2004	34.27	-48.46	-58.58
2004-2005	85.59	51.32	149.75

- Non-plan capital expenditure especially displays no trend or pattern. This is evident from the annual absolute and percentage variations. The absolute variation has been from as low as minus Rupees 48.46 crore (2003-2004) to as much as Rupees 51.32 (2004-2005). Similarly, the percentage variations have been from minus 58.58 percent (2003-2004) to 253.54 percent (2000-2001).
- These figures do not assist the assessment of need in respect of the items constituting the non-plan capital expenditure of the Corporation. The reasons for any increases or decreases are wholly unknown. Indeed, the Corporation reportedly does not budget for the non-plan capital expenditure at the budget or revised estimates stage and merely records the actual expenditure incurred at the end of the year out of the total

non-plan expenditure. This appears to suggest that the extent and provision of non-plan capital expenditure is not subject to the prior approvals of the Corporation. The inclusion of the actual expenditure details in the budget presumably amounts to post-facto approval of actual expenditure. If details of the purposes are also included, then perhaps it could be said that the objectives of the expenditure also receive post facto approval.

- However, the Corporation needs to take a formal view as to whether this post facto approval is a satisfactory arrangement. At present, it looks as though an amount of expenditure is made without prior approval of extent or purpose.

13.42 Table 13.35 shows the variation in non-plan capital expenditure over the annual average in the period 1994-1995 to 2004-2005. The annual average has been Rupees 37.04 crore. The actual expenditure has been less than the annual average in seven years. The percentage variation over the average expenditure has ranged from minus 83.34 percent (1994-1995) to 131.07 percent (2004-2005).

Table: 13.35 - Variation in non-plan Capital Expenditure over annual average 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1994-1995	6.17	37.04	-30.87	-83.34
1995-1996	7.93	37.04	-29.11	-78.59
1996-1997	12.32	37.04	-24.72	-66.74
1997-1998	13.70	37.04	-23.34	-63.01
1998-1999	26.54	37.04	-10.50	-28.35
1999-2000	19.48	37.04	-17.56	-47.41
2000-2001	68.87	37.04	31.83	85.93
2001-2002	49.81	37.04	12.77	34.48
2002-2003	82.73	37.04	45.69	123.35
2003-2004	34.27	37.04	-2.77	-7.48
2004-2005	85.59	37.04	48.55	131.07

13.43 Table 13.36 depicts the status of non-plan capital expenditure as a percentage of various revenue parameters. This highlights the insignificant position of non-plan capital expenditure in the entire expenditure scheme. As a

percentage of tax revenue it has been mostly between 1.97 (1994-1995) to 4.27 (1998-1999). In just three years it was 7.95 percent (2000-2001), 7.97 percent (2004-2005), and 8.63 percent (2002-2003). As percentage of own revenue receipts it has varied from 1.68 percent to 4.82, with the same exceptions as in the case of tax revenues. The position is no different when we relate the actual non-plan expenditure to total revenue receipts or to total receipts.

Table: 13.36 - Non-plan Capital Expenditure as a percentage of various revenue parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	As a Percentage of Tax Revenue	As a Percentage of Own Revenue Receipts	As a percentage of capital receipts	As a Percentage of Total Revenue Receipts	As a Percentage of Total Receipts
1994-1995	6.17	1.97	1.68	15.83	0.76	0.73
1995-1996	7.93	2.14	1.86	18.15	0.80	0.77
1996-1997	12.32	2.74	2.49	25.57	1.16	1.11
1997-1998	13.70	2.57	2.37	9.15	1.24	1.10
1998-1999	26.54	4.27	3.93	18.24	1.91	1.73
1999-2000	19.48	2.64	2.20	8.95	1.16	1.03
2000-2001	68.87	7.95	7.09	46.65	3.89	3.59
2001-2002	49.81	5.53	4.82	36.84	2.65	2.47
2002-2003	82.73	8.63	7.65	50.74	3.99	3.70
2003-2004	34.27	3.17	2.78	24.49	1.56	1.47
2004-2005	85.59	7.97	6.89	16.87	3.36	2.80

- As a percentage of capital receipts it amounts to 9.15 percent (1997-98) to 50.74 percent in 2002-2003. Assessment of non-plan capital expenditure is best in relation to the total capital receipts. Here too the level is perceptibly appreciable in only three years: 36.84 percent (2001-2002), 46.65 percent (2000-2001), and 50.74 percent (2002-2003). In the rest it has varied from 9.15 percent (1997-98) to 25.57 (1996-1997).

13.44 Table 13.37 depicts the non-plan capital expenditure as a percentage of various expenditure parameters. Broadly the conclusions remain unchanged. Non-plan capital expenditure is not of a significant level: whether as a percentage of total capital expenditure, total expenditure or total non-plan expenditure.

Table: 13. 37 - Non-plan Capital Expenditure as a percentage of various expenditure parameters 1994-1995 to 2004-2005 (Rupees in Crore)

Year	Actual Non-Plan Capital Expenditure	Total Non-Plan Expenditure	Total Capital Expenditure	Total Expenditure	as a Percentage of Total Capital Exp.	as a Percentage of Total Expenditure	as a Percentage of Total non-Plan Exp.
1994-95	6.17	487.79	227.59	751.39	2.71	0.82	1.26
1995-96	7.93	582.05	319.96	954.93	2.48	0.83	1.36
1996-97	12.32	667.40	331.66	1104.75	3.71	1.12	1.85
1997-98	13.70	816.54	333.46	1265.97	4.11	1.08	1.68
1998-99	26.54	1121.23	350.88	1550.96	7.56	1.71	2.37
1999-00	19.48	1358.94	367.04	1846.67	5.31	1.05	1.43
2000-01	68.87	1372.80	508.49	1969.10	13.54	3.50	5.02
2001-02	49.81	1570.65	531.57	2183.27	9.37	2.28	3.17
2002-03	82.73	1624.07	614.99	2319.29	13.45	3.57	5.09
2003-04	34.27	1677.73	541.79	2352.57	6.33	1.46	2.04
2004-05	85.59	1950.47	644.52	2677.95	13.28	3.20	4.39

- As a percentage of total capital expenditure, the non-plan capital expenditure has been in the range of 2.48 percent (1995-1996) to 13.54 percent (2000-2001). In three years (2000-2001, 2002-2003, and 2004-2005) it has been more than 13 percent of total capital expenditure. Non-plan capital expenditure as a percentage of total non-plan expenditure was within the range of 1.26 percent (1994-1995) to 5.09 percent (2002-2003). As a percentage of total expenditure it was in the range of 0.82 percent (1994-1995) to 3.57 percent (2002-2003).

Plan Expenditure

13.45 The proper utilization of plan resources and management of plan expenditure should be of considerable concern to the local body. It is the plan resources that assist the creation of capital assets, which in practical terms means the much needed accretions to infrastructure, amenities, and civic services.

- The provision of plan resources, whether as a result of projects, schemes and programs initiated by the state government or the corporation, is made on the basis of the plans highlighted in the five-year or annual plan documents. The provisions and the physical targets provide the benchmarks for any reasonable performance assessments. The release and utilization of funds should promote the achievement of plan targets. Emergency requirements leading to extraordinary releases should clearly be an exception and planned release and utilization of resources ought to be

the norm. It is only then that assessments can be based on normative benchmarks. We shall attempt to analyse whether, and to what extent, the discipline of the plans is being adhered to.

13.46 Table 13.38 depicts the total proposed and approved plan expenditure at the budget and revised estimates stage. The plan expenditure of the Corporation essentially consists of such expenditure as is incurred out of funds made available by the state government in the form of plan grants and loans. The corporation submits proposals to the state government which may be treated as the BE as well as the RE proposed by the Corporation. It is noted that there has been no difference between the proposals at the budget and revised estimates stage as submitted by the Corporation. Accordingly, there is no absolute or percentage variation in the proposed BE and RE.

**Table: 13. 38 – Proposed and Approved Plan expenditure in BE and RE
1994-1995 to 2004-2005 (Rupees in crore)**

Year	Proposed Budget Estimate (MCD)	Proposed Revised Estimate (MCD)	BE Approved (GNCTD)	RE Approved (GNCTD)
1994-1995	330.06	330.06	357.50	262.91
1995-1996	431.80	431.80	421.07	360.23
1996-1997	523.08	523.08	506.47	442.40
1997-1998	530.22	530.22	522.46	453.41
1998-1999	556.07	556.07	546.07	539.56
1999-2000	625.13	625.13	605.13	544.64
2000-2001	658.14	658.14	617.03	582.10
2001-2002	626.00	626.00	626.00	575.10
2002-2003	629.50	629.50	629.50	629.50
2003-2004	661.35	661.35	661.35	654.75
2004-2005	808.99	808.99	707.40	747.60

- The state government have not always accepted the proposals of the Corporation. In fact, at the budget estimates stage itself, the approved amount has been less than the proposed amount in seven out of eleven years, more than the proposed amount in one year (1994-1995), and; equal to the proposed amount in three years.
- At the RE stage, the amount was less than the proposed in ten out of eleven years and equal to the proposed amount (2002-2003). It was never more than the proposed amount. The approved amount at the RE stage has generally been lower than even the reduced amount approved at the BE stage.

- The proposed BE and the RE figures are the same. They have varied from Rupees 330.06 crore (1994-1995) to Rupees 808.99 crore (2004-2005). The proposed amounts (BE and RE) have grown approximately at the rate of Rupees 50 crore annually. This works out to be an annual trend growth rate of approximately 6.80 percent.
- The approved BE was in the range of Rupees 357.50 crore (1994-1995) to Rupees 707.44 crore (2004-2005). The approved amounts at the BE stage grew at the approximate rate of Rupees 35 crore annually which gives an annual trend growth rate of 5.90 percent. In other words the approved BE was trailing the proposed BE in every year other than 1994-1995.
- The approved RE has been from Rupees 262.91 crore (1994-1995) to Rupees 747.60 crore (2004-2005), with an annual increase rate of around Rupees 50 crore giving an annual trend growth rate of 8.70 percent. In other words, the annual absolute growth rate of the RE was equal to the annual growth rate of the Corporation's proposals.

13.47 The data in Table 13.39 enables us to work out the absolute and percentage variations in respect of various parameters.

Table: 13.39 -Absolute and percentage Variation in BE/RE-1994-1995 to 2004-2005
(Rupees in crore)

Year	Absolute Variation in Approved over proposed BE	Absolute Variation in Approved over proposed RE	Percentage Variation in Approved over proposed BE	Percentage Variation in Approved over proposed RE	Absolute Variation in Proposed RE and BE	Absolute Variation in Approved RE and BE	Percentage Variation in Proposed RE and BE	Percentage Variation in Approved RE and BE
1994-95	27.44	-67.15	8.31	-20.34	0.00	-94.59	0.00	-26.46
1995-96	-10.73	-71.57	-2.48	-16.57	0.00	-60.84	0.00	-14.45
1996-97	-16.61	-80.68	-3.18	-15.42	0.00	-64.07	0.00	-12.65
1997-98	-7.76	-76.81	-1.46	-14.49	0.00	-69.05	0.00	-13.22
1998-99	-10.00	-16.51	-1.80	-2.97	0.00	-6.51	0.00	-1.19
1999-00	-20.00	-80.49	-3.20	-12.87	0.00	-60.49	0.00	-10.00
2000-01	-41.06	-76.04	-6.24	-11.55	0.00	-34.93	0.00	-5.66
2001-02	0.00	-50.90	0.00	-8.13	0.00	-50.90	0.00	-8.13
2002-03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2003-04	0.00	-6.60	0.00	-1.00	0.00	-6.60	0.00	-1.00
2004-05	-101.59	-61.39	-12.56	-7.59	0.00	40.20	0.00	5.68

- Absolute variation in approved over proposed BE has ranged from minus Rupees 101.59 crore (2004-2005) to Rupees 27.44 crore (1994-1995). In seven out of eleven years the variation has been negative. Absolute variation in approved RE over proposed RE has been from minus Rupees 80.68 crore (1996-1997) to minus Rupees 6.60 crore (2003-2004). The variation was negative in ten out of eleven years. There was no absolute or percentage variation in the proposed BE and RE. The absolute variation in the approved RE and approved BE was from minus Rupees 94.59 crore (1994-1995) to Rupees 40.20 crore (2004-2005). This represents a negative variation in nine out of eleven years.
- Percentage variation in approved over proposed BE has ranged from minus 12.56 percent (2004-2005) to 8.32 percent (1994-1995). Percentage variation in approved RE over proposed RE has been from minus 20.34 percent (1994-1995) to minus 1.00 percent (2003-2004). The percentage variation in the approved RE and approved BE was from minus 26.46 percent (1994-1995) to minus 1.00 percent (2003-2004).

13.48 Table 13.40 shows absolute and percentage variation in release over approved BE and approved RE

Table: 13.40-Absolute and percentage variation in release over approved BE approved RE 1994-1995 to 2004-2005 (Rupees in Crore)

Year	Approved BE	Approved RE	Funds Released	Absolute Variation in Release Over Approved BE	Absolute Variation in Release Over Approved RE	Percentage Variation in Release Over Approved BE	Percentage Variation in Release Over Approved RE
1994-1995	357.50	262.91	262.91	-94.59	0.00	-26.46	0.00
1995-1996	421.07	360.23	360.23	-60.84	0.00	-14.45	0.00
1996-1997	506.47	442.40	442.40	-64.07	0.00	-12.65	0.00
1997-1998	522.46	453.41	452.42	-70.04	-0.99	-13.41	-0.22
1998-1999	546.07	539.56	522.80	-23.27	-16.76	-4.26	-3.11
1999-2000	605.13	544.64	521.82	-83.31	-22.82	-13.77	-4.19
2000-2001	617.03	582.10	557.33	-59.70	-24.77	-9.68	-4.16
2001-2002	626.00	575.10	546.81	-79.19	-28.29	-12.65	-4.92
2002-2003	629.50	629.50	622.45	-7.05	-7.05	-1.12	-1.12
2003-2004	661.35	654.75	652.92	-8.43	-1.83	-1.27	-0.28
2004-2005	707.40	747.60	733.90	26.50	-13.70	3.75	-1.83

- Absolute variation in total plan funds released by GNCTD over the approved BE has been in the range of minus Rupees 94.59 crore (1994-1995) to Rupees 26.50 crore (2004-2005). The variation has been negative in ten out of eleven years. Absolute variation in total plan funds released by GNCTD over the approved RE has been in the range of minus Rupees 28.29 crore (2001-2002) to minus Rupees 1.83 crore (2003-2004). The absolute variation has been negative in eight years and in remaining years there was no variation.
- Percentage variation in total plan funds released by GNCTD over the approved BE was in the range of minus 26.46 percent (1994-1995) to 3.75 percent (2004-2005). Percentage variation in total plan funds released by GNCTD over the approved RE was in the range of minus 4.92 percent (2001-2002) to minus 0.22 percent (1997-1998). The percentage variation has been negative in eight years and in remaining years there was no variation.

13.49 Table 13.41 shows the approved BE/approved RE, funds released by GNCTD, received by MCD and actual expenditure incurred by MCD.

Table: 13.41-Funds released by Delhi Government and received by MCD as against the approved BE and 1994-1995 to 2004-2005 (Rupees in Crore)

Year	Approved BE	Approved RE	Funds Released	Funds Received	Actual Expenditure
1994-1995	357.50	262.91	262.91	274.16	263.60
1995-1996	421.07	360.23	360.23	379.94	372.88
1996-1997	506.47	442.40	442.40	370.17	437.35
1997-1998	522.46	453.41	452.42	386.76	449.43
1998-1999	546.07	539.56	522.80	378.24	429.73
1999-2000	605.13	544.64	521.82	449.21	487.73
2000-2001	617.03	582.10	557.33	480.04	596.30
2001-2002	626.00	575.10	546.81	499.70	612.62
2002-2003	629.50	629.50	622.45	595.30	695.22
2003-2004	661.35	654.75	652.92	567.00	674.84
2004-2005	707.40	747.60	733.90	652.72	727.48

- BE as approved by GNCTD was in the range of Rupees 357.50 crore (1994-1995) to Rupees 760.40 crore (2004-2005).
- RE as approved by GNCTD was in the range of Rupees 262.91 crore (1994-1995) to Rupees 747.60 crore (2004-2005). The approved RE was

less than approved BE in nine years equivalent to BE in one year (2002-2003) and more than BE in one year (2004-2005).

- Funds released by GNCTD were in the range of Rupees 262.91 crore (1994-1995) to Rupees 733.90 crore (2004-2005). The funds released by GNCTD were more or less equivalent to the approved RE.
- As per the information furnished by MCD the funds received by the Corporation were in the range of Rupees 274.16 crore (1994-1995) to Rupees 652.72 crore (2004-2005). There has always been a variation in the funds released by GNCTD and funds received by MCD as shown by them. This variation has been within the range of Rupees 10 crore to 85 crore.
- The actual expenditure incurred by MCD was in the range of Rupees 263.60 crore (1994-1995) to Rupees 727.48 crore (2004-2005). The actual expenditure incurred by MCD was more than the funds received by them in nine out of eleven years.

13.50 Table 13.42 shows the position with regard to funds received and utilized as a percentage of various parameters. Funds received by MCD as a percentage of BE as approved by GNCTD was in the range of 69.27 percent (1998-1999) to 94.57 percent (2002-2003).

Table: 13.42 Funds Received and Utilized as a percentage of various parameters-1994-1995 to 2004-2005

Year	Funds Received as a Percentage of Approved BE	Funds Received as a Percentage of Approved RE	Funds Received as a Percentage of Funds Released	Expenditure as a Percentage of Approved BE	Expenditure as a Percentage of Approved RE	Expenditure as a Percentage of Funds Released	Expenditure as a Percentage of Funds Received
1994-95	76.69	104.28	104.28	73.73	100.26	100.26	96.15
1995-96	90.23	105.47	105.47	88.56	103.51	103.51	98.14
1996-97	73.09	83.67	83.67	86.35	98.86	98.86	118.15
1997-98	74.03	85.30	85.49	86.02	99.12	99.34	116.20
1998-99	69.27	70.10	72.35	78.70	79.64	82.20	113.61
1999-00	74.23	82.48	86.09	80.60	89.55	93.47	108.58
2000-01	77.80	82.47	86.13	96.64	102.44	106.99	124.22
2001-02	79.82	86.89	91.38	97.86	106.52	112.04	122.60
2002-03	94.57	94.57	95.64	110.44	110.44	111.69	116.78
2003-04	85.73	86.60	86.84	102.04	103.07	103.36	119.02
2004-05	92.27	87.31	88.94	102.84	97.31	99.13	111.45

- Funds received by MCD as a percentage of RE as approved by GNCTD has been in the range of 70.10 percent (1998-1999) to 105.47 percent (1995-1996). Funds received by MCD as a percentage of funds released by GNCTD in the range of 72.35 percent (1998-1999) to 105.47 percent (1995-1996).
- Expenditure incurred by MCD as a percentage of approved BE was in the range of 73.73 percent (1994-1995) to 110.44 percent (2002-2003). Expenditure incurred by MCD as a percentage of approved RE was in the range of 79.64 percent (1998-1999) to 110.44 percent (2002-2003). Expenditure incurred by MCD as a percentage of funds released by GNCTD was in the range of 82.20 percent (1998-1999) to 112.04 percent (2001-2002). Expenditure as a percentage of funds received was in the range of 96.15 percent (1994-1995) to 124.22 percent (2002-2003).
- This raises two major issues: why does the Corporation spend more than the funds released? How does it do so? There are a few possible explanations for expenditure in excess of releases. For instance, part of the explanation may lie in the cycle, pattern and procedures for the release of funds. Again, the fact that while one time expenditure can await the actual release of funds, much of expenditure, particularly capital assets creation, is a continuous procedure and cannot be incurred on a stop-start pattern⁴. Therefore excess expenditure in a few given years might be incurred in anticipation of the receipt of funds or out of unspent surpluses of earlier years.
- Nevertheless, the data for release, receipt, and utilization of funds is largely confusing. This is because it is not clear how funds in excess (or even less) than those released can be reported to have been received. The figures regarding release are those as per the information available in the Planning Department, GNCTD. The data regarding the receipt and utilization of funds is as per the record of the MCD.
- For example, in a few years, the data for receipts is more than the data for released amounts. The excess is not explained even by the concept of an unspent surplus spilling over to the next financial year as 'opening balance.' Expenditure is often not only in excess of the amounts released but also in excess of that reportedly received. It may be noted that while the GNCTD records indicate that a total of Rupees 5675.99 crore was released to the Corporation in the eleven years period (1994-1995 to 2004-2005) the Corporation records show the receipt of Rupees 5033.24

⁴ Capital assets creation involves projects in respect of which expenditure can cease only with the completion of projects.

crore, which represents a difference of Rupees 642.75 crore. It may be seen that the reported expenditure was Rupees 5747.18 crore which reconciles with neither the figures of released nor the figures of received funds. The expenditure was more than the received funds (excess being Rupees 713.94 crore) and more than the funds released (excess being Rupees 71.19 crore).

- It is inconvenient that the database of the government and the Corporation does not provide a common analytical base, which is necessary for monitoring, supervising and planning the utilization of resources. We strongly recommend that not only should this specific instance of un-reconciled data be examined by the government. There is also an urgent need to create common and reconcilable databases.
- Further, the lack of any pattern raises a few issues. Presumably the write up for the five-year plan provides details and benchmarking of total required funds in respect of each of the years under various sectors and projects or schemes. This is true for the state government as well as for the plan grants and loans earmarked for the Corporation. Now, quite reasonably, the five-year plan size itself can undergo revisions due to various factors (resource mobilization being less or more than proposed, escalation of the non-plan expenditure, negative contribution of public utilities etc). Similarly the annual plans too can undergo revisions.
- Subject to overall revisions, the requests for, and release of, funds should display some adherence to these projected requirements. This alone would enable evaluations of the progressive implementation of plan objectives. Therefore, the release of funds should display a pattern at least in accordance with the projections in the five year and annual plan documents. In the absence of any clear pattern is it to be assumed that the necessary plan documents sanction the lack of any annual pattern? If that is so, what can be said about the long term physical and financial planning needs? What can be said about annual and long term achievements? In such circumstances, the benchmarks of the five-year and annual plans lose their sanctity.
- The plan data and the data below suggest that such indeed is the case. A sum of Rupees 3118.75 crore was earmarked for the MCD in the Ninth Five-Year plan (1997-1998 to 2001-2002). The actual amounts released and utilized against this were Rupees 2601.18 crore and Rupees 2575.81 crore respectively. It may be seen that while the total amount released was less than the earmarked amount, the utilized amount was even less than the released amount. Similarly, in the Tenth Plan period, a sum of

Rupees 3613.75 crore was earmarked for the MCD. In the first three years a sum of Rupees 2009.27 crore was released and Rupees 2097.54 crore were utilized.

13.51 The absolute and percentage variation in approved BE/RE as approved by the Planning Department of the GNCTD over the previous year are recorded in Table 13.43, which shows the absolute/percentage variation in approved BE/RE over the previous year.

Table 13.43 – Absolute /Percentage Variation in Approved BE/RE (Plan) over the Previous Year – 1994-1995 to 2004-2005

Year	Absolute Variation in Approved BE over the Previous Year	Percentage Variation in Approved BE over the Previous Year	Absolute Variation in Approved RE over the Previous Year	Percentage Variation in Approved RE over the Previous Year
1994-1995				
1995-1996	63.57	17.78	97.32	37.02
1996-1997	85.40	20.28	82.17	22.81
1997-1998	15.99	3.16	11.01	2.49
1998-1999	23.61	4.52	86.15	19.00
1999-2000	59.06	10.82	5.08	0.94
2000-2001	11.90	1.97	37.46	6.88
2001-2002	8.97	1.45	-7.00	-1.20
2002-2003	3.50	0.56	54.40	9.46
2003-2004	31.85	5.06	25.25	4.01
2004-2005	46.05	6.96	92.85	14.18

- Absolute variation in approved BE over the previous year was in the range of Rupees 3.50 crore (2003-2004) to Rupees 85.40 crore (1996-1997). The percentage variation in the approved BE over the previous year has been in the range of 0.56 percent (2003-2004) to 20.28 percent (1996-1997).
- Absolute variation in the approved RE over the previous year was from minus Rupees 7.00 crore (2001-2002) to Rupees 97.32 crore (1995-1996). The percentage variation in the approved RE over the previous year has been from minus 1.20 percent (2001-2002) to 37.02 percent (1995-1996).
- No specific trend can be determined from the absolute and percentage variations in the approved BE and RE. There is neither a clear rising nor

a clear declining trend. There is no specific growth rate except as can be determined from, say, the annual average.

13.52 Table 13.44 discusses the absolute/percentage variation in funds released by the GNCTD to the MCD, received from the MCD and the actual expenditure incurred by the Corporation over the previous year.

Table 13.44 – Absolute /Percentage Variation in Funds Released by GNCTD, Received By MCD and Actual Expenditure over the Previous Year – 1994-1995 to 2004-2005

(Rupees. in Crore)

Year	Absolute Variation in Funds Released by Delhi Govt. over the Previous Year	Percentage Variation in Funds Released by Delhi Govt. over the Previous Year	Absolute Variation in Funds Received by MCD over the Previous Year	Percentage Variation in Funds Received by MCD over the Previous Year	Absolute Variation in Actual Expenditure over the Previous Year	Percentage Variation in Actual Expenditure over the Previous Year
1994-1995						
1995-1996	97.32	37.02	105.78	38.58	109.28	29.31
1996-1997	82.17	22.81	-9.77	-2.57	64.47	14.74
1997-1998	10.02	2.26	16.59	4.48	12.08	2.69
1998-1999	70.38	15.56	-8.52	-2.20	-19.70	-4.58
1999-2000	-0.98	-0.19	70.97	18.76	58.00	11.89
2000-2001	35.51	6.81	30.83	6.86	108.57	18.21
2001-2002	-10.52	-1.89	19.66	4.10	16.32	2.66
2002-2003	75.64	13.83	95.60	19.13	82.60	11.88
2003-2004	30.47	4.90	-28.30	-4.75	-20.38	-3.02
2004-2005	80.98	12.40	85.72	15.12	52.64	7.24

- Absolute variation funds released by over the previous year was from minus Rupees 10.52 crore (2001-2002) to Rupees 97.32 crore (195-1996). The percentage variation in funds released was in the range of minus 1.89 percent (2001-2002) to 37.02 percent (1995-1997).
- Absolute variation in funds received by the MCD over the previous year has been in the range of minus Rupees 283.0 crore (2003-2004) to Rupees 105.78 crore (1995-1996). The percentage variation in funds received was from minus 4.75 percent (2003-2004) to 38.58 percent (1995-1996).

- The absolute variation in actual expenditure incurred by the MCD over the previous year was in the range of minus Rupees 20.28 crore (2003-2004) to Rupees 109.28 crore (1995-1996). The percentage variation in the actual expenditure was from minus 4.58 percent (1998-1999) to 29.31 percent (1995-1996).

13.53 Table 13.45 shows the absolute and percentage variation in plan expenditure of the MCD over the annual average expenditure.

**Table: 13. 45 – Variation in plan-expenditure over annual average expenditure
1994-1995 to 2004-2005 (Rupees in crore)**

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1994-1995	263.60	522.47	-258.87	-49.55
1995-1996	372.88	522.47	-149.59	-28.63
1996-1997	437.35	522.47	-85.12	-16.29
1997-1998	449.43	522.47	-73.04	-13.98
1998-1999	429.73	522.47	-92.74	-17.75
1999-2000	487.73	522.47	-34.74	-6.65
2000-2001	596.30	522.47	73.83	14.13
2001-2002	612.62	522.47	90.15	17.25
2002-2003	695.22	522.47	172.75	33.06
2003-2004	674.84	522.47	152.37	29.16
2004-2005	727.48	522.47	205.01	39.24

- The annual average plan expenditure of the MCD during 1994-1995 to 2004-2005 was Rupees 522.47 crore. The absolute variation in plan expenditure over average expenditure was from minus Rupees 258.87 crore (1994-1995) to Rupees 205.01 crore (2004-2005). The percentage variation in plan expenditure was in the range of 49.55 percent (1994-1995) to 39.24 percent (2004-2005).
- The absolute/percentage variation was below the annual average expenditure in first six years (1994-1995 to 1999-2000) and above in the remaining years. When it was below the average, the variation ranged from minus Rupees 258.87 crore (minus 49.55 percent-1994-1995) to minus Rupees 34.74 crore minus 6.65 percent-1999-2000). In positive terms the variation was from Rupees 73.83 crore (14.13 percent-2000-2001) to Rupees 205.01 crore (39.24 percent-2004-2005).

13.54 Table 13.46 shows the actual plan expenditure as a percentage of various revenue parameters. The plan expenditure as a percentage of tax revenue was in the range of 66.09 percent (1999-2000) to 100.59 percent (1995-1996).

Table: 13. 46 – Plan Expenditure as a percentage of various revenue parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	as a Percentage of Tax Revenue	as a Percentage of Own Revenue Receipts	As a Percentage of Total Revenue Receipts	as a Percentage of Total Receipts
1994-1995	263.60	83.99	71.92	32.61	31.11
1995-1996	372.88	100.59	87.65	37.63	36.04
1996-1997	437.35	97.26	88.55	41.04	39.26
1997-1998	449.43	84.48	77.82	40.84	35.95
1998-1999	429.73	69.20	63.66	30.93	28.00
1999-2000	487.73	66.09	55.08	29.00	25.68
2000-2001	596.30	68.84	61.39	33.71	31.11
2001-2002	612.62	68.00	59.26	32.57	30.38
2002-2003	695.22	72.54	64.28	33.57	31.12
2003-2004	674.84	62.48	54.68	30.78	28.93
2004-2005	727.48	67.73	58.52	28.52	23.79

- As a percentage of own revenue receipts, the plan expenditure was from 54.68 percent (2003-2004) to 88.55 percent (1996-1997).
- Plan expenditure as a percentage of total revenue receipts has been in the range of 28.52 percent (2004-2005) to 41.04 percent (1996-1997).
- As a percentage of total receipts, the plan expenditure was from 23.79 percent (2004-2005) 39.26 percent (1996-1997)

13.55 Table 13.47 depicts plan expenditure as a percentage of total expenditure which has been more than 33 percent in four years. In the balance years it has ranged between 25 percent to 29 percent. This implies that non-plan expenditure has been from 60 percent to 75 percent. This is not satisfactory.

Table: 13. 47 – Plan Expenditure as a percentage of Total Expenditure 1994-1995 to 2004-2005 (Rupees in crore)

Year	Total Plan Expenditure	Total Expenditure	as a Percentage of Total Expenditure
1994-1995	263.60	751.39	35.08
1995-1996	372.88	954.93	39.05
1996-1997	437.35	1104.75	39.59
1997-1998	449.43	1265.97	35.50
1998-1999	429.73	1550.96	27.71
1999-2000	487.73	1846.67	26.41
2000-2001	596.30	1969.10	30.28
2001-2002	612.62	2183.27	28.06
2002-2003	695.22	2319.29	29.98
2003-2004	674.84	2352.57	28.69
2004-2005	727.48	2677.95	27.17

- Before we consider the data for plan funds allocation and expenditure thereof, a few points need to be noted. The loans component of the resources transferred to the local body are essentially in three sectors (agriculture and allied services, rural development and urban development). Loans are mainly for capital projects. The grants can be for both revenue and capital expenditure.
- Plan grants and loans can be against both schemes and proposals of the Corporation and those sponsored by the state government. In a few years the central government also made funds available to the local body for specific purposes and projects. Irrespective of the agency proposing the schemes or making funds available, it is a reasonable assumption that the funds have been utilized for the purposes for which the fund was made available.
- The corporation does not appear to deploy any substantial amount out of its own revenues for the creation of capital assets. It appears to depend on the state government almost entirely. But, to the extent that even the plan grants of the state government finance essentially transfer salaries, the contribution to deepening and widening the reach of infrastructural facilities has inevitably to be poor.

13.56 Table 13.48 reports the position regarding the allocation and investments of plan grants and loans. The grants approved by the GNCTD at the BE stage were from Rupees 146.32 crore (1996-1997) to Rupees 565.65 crore

(2004-2005). The approved BE for grants have been more than Rupees 500 crore since 1999-2000.

Table: 13.48-Plan Fund Allocation and MCD Expenditure (Rupees in crore)

Year	Approved by GNCTD				Funds Released	MCD Plan Exp.			Variation Funds released and Exp.
	Revenue Grant (BE)	Loan (BE)	Total (BE)	RE		Revenue	Capital	Total	
1994-1995	300.05	57.45	357.50	262.91	262.91	42.18	221.42	263.60	0.69
1995-1996	351.90	69.17	421.07	360.23	360.23	60.85	312.03	372.88	12.65
1996-1997	146.32	360.15	506.47	442.40	442.40	118.01	319.34	437.35	-5.05
1997-1998	439.81	82.65	522.46	453.41	452.42	129.67	319.76	449.43	-2.99
1998-1999	491.14	54.93	546.07	539.56	522.80	105.39	324.34	429.73	-93.07
1999-2000	583.50	21.63	605.13	544.64	521.82	140.17	347.56	487.73	-34.09
2000-2001	546.73	70.30	617.03	582.10	557.33	156.68	439.62	596.30	38.97
2001-2002	529.75	96.25	626.00	575.10	546.81	130.86	481.76	612.62	65.81
2002-2003	526.25	103.25	629.50	629.50	622.45	162.96	532.26	695.22	72.77
2003-2004	543.30	118.05	661.35	654.75	652.92	167.32	507.52	674.84	21.92
2004-2005	565.65	141.75	707.40	747.60	733.90	168.55	558.93	727.48	-6.42

- The approved loan amount at the BE stage was from Rupees 21.63 crore (1999-2000) to Rupees 360.15 crore (1996-1997). Nevertheless, the loan amounts for the years 1996-1997 and 1999-2000 appear to be aberrations being an isolated exceptions. Generally, the loan amount has been between Rupees 50 crore to Rupees 140 crore. This range of variation is quite large which clearly would make expenditure management difficult.
- The total amount has been from Rupees 357.50 crore (1994-1995) to Rupees 707.40 crore (2004-2005). The total amount has been more than Rupees 500.00 crore in 1996-1997 to 1998-1999. After that it was more than even Rupees 600.00 crore.
- The approved RE was more than Rupees 500.00 crore from 1998-1999 and more than Rupees 600.00 crore since 2002-2003. It crossed the Rupee 700.00 crore level in 2004-2005.
- Against the approved funds (BE or RE), the release has been in the range of Rupees 262.91 crore (1994-1995) to Rupees 733.90 crore (2004-2005). The released amount has been less than the approved BE, with 2004-2005 providing an exception. Compared to the approved RE, the actual releases have either been equal to or less than approved amount.
- The total expenditure has been less than the released amount in five out of eleven years. Overall the expenditure in the eleven years exceeds the

funds released by Rupees 71.19 crore. Presumably, the excess expenditure has been incurred out of funds from other sources.

**Plan
Expenditure:
Rural Delhi**

13.57 The development needs of Delhi are looked after by the state government and the local bodies in the entire dimensions physical and socio-economic infrastructure, civic services and amenities, and a look at the utilization of resources will assist the task of evaluating the respective priorities of the Delhi government and the Corporation.

- The development of rural areas in Delhi is the responsibility of the Development Department, GNCTD and the MCD. The government have also constituted a Delhi Rural Development Board to articulate rural development needs and oversee implementation of development works in rural areas (Box 13.0).

Box: 13.0-Delhi Rural Development Board

The Board advises the government on issues connected with the infrastructural development of and for securing the planned growth of the rural areas of Delhi (excluding the area of trans-Yamuna which is governed by the Trans-Yamuna Board). The functions of the Board are:-

- (i) To study the drawbacks in the existing infrastructure and to formulate a unified and coordinated area plan keeping in mind specifically the functioning of the Municipal Corporation of Delhi, Delhi Development Authority, Discoms, Delhi Jal Board Public Works Department, Irrigation and Flood Control and the Slum Wing of the MCD in this area.
- (ii) To examine the nature and the extent of over-lapping functions, if any, so as to secure an improvement in the provision of services in the rural area and for quicker redress of public grievances of the rural people.
- (iii) To recommend the priorities of the projects and schemes included in the Rural Area Plan and the stages in which the Rural Area Plan may be implemented.
- (iv) To prioritise and approve all projects relating to the rural areas, viz. Integrated Development of Rural Villages & Grant-in-aid to MCD for Development of Rural Roads and any other project that may be taken up.
- (v) To review the implementation of the projects and schemes included in the Rural Area Plan and recommend measures for effecting coordination amongst the organizations and Departments of the Government in the matter of implementation of such projects and schemes.
- (vi) To review the progress of the implementation of the schemes and to recommend to the Government of Delhi the quantum of financial assistance required for the execution or implementation of any project or scheme in the Area Plan, or to be included for the subsequent financial year.

- According to 2001 census rural population of Delhi is about 9.63 lakh⁵. The number of villages in Delhi is 190, out of which 22 villages come under the jurisdiction of Trans-Yamuna Area Development Board (TYADB). Rural Delhi is divided into five development blocks: (a) Alipur, (b) Kanjhawala, (c) Najafgarh, (d) Mehrauli, and (e) Shahdara. Development of all blocks except Shahdara block comes under the jurisdiction of Project Director (Rural Development) and development works of Shahdara block comes under the jurisdiction of TYADB.
- The main responsibilities of the Development Department include: Integrated Development of Rural Villages (IDRV) and the Mini Master Plan (MMP). Besides this, the department also provides loans and grants-in-aid to the MCD for development of rural villages and rural roads respectively. The schemes under IDRV and MMP are executed by Irrigation and Flood Control Department.
- The main functions of Rural Development under IDRV scheme are construction of approach and link roads, development of cremation grounds, repair of IDRV Roads, development of parks, ponds, playgrounds, and construction of drainage mainly to protect rural areas from flooding.
- The main functions of Rural Development Department under MMP scheme are to develop rural areas so as to make it economically independent, socially structured and physically viable so that planned integrated development of villages are ensured to make the villagers self reliant and self dependent. With this vision, it was decided to develop 15 growth centres, 33 growth points, and 147 MPCCs.

The Delhi Rural Development Board has been constituted in October 2004 with the aim to formulate a unified Area Plan for rural areas of Delhi and to monitor projects being implemented by various departments for development of rural areas. The Delhi Rural Development Board prioritises the works and recommends its execution by different agencies.

13.58 MCD undertakes the work which the Delhi Rural Development Board recommends for execution. The fund for the works is provided by Rural Development Department as loans and GIA.

- Consultations with the development department show that the principal difficulties of the rural areas are: in the spheres of poverty, development

⁵ This section relies on material provided by the Development Department, GNCTD.

(agriculture, animal husbandry, rural development, fisheries etc.) infrastructure (roads, irrigation, electricity, water, schools, health, storm water, drains, and sewer system), civic amenities (sanitation, street lighting, etc).

- This department provides loans and GIA to MCD to carry out developmental works of rural villages and construction of rural roads respectively. Details of resource transfers to the MCD, in the last 5 years, are provided in Table 13.49.

Table: 13.49- Transfer of Resources to the MCD by the Development Department (Rupees in crore)

Year	Loan (in lakh)	Grant-in-Aid(in lakh)
2001-02	2500	2000
2002-03	3000	3000
2003-04	3500	2000
2004-05	4500	2000
2005-06	5500	1400

(Source: GNCTD, Development Department)

13.59 It is pertinent to mention here that loans and GIA started only in the year 2001-2002 by this department. Prior to 2001-2002 MCD used to get loans and GIA from other departments. The Development Department has reported that, despite repeated requests and reminders, the MCD has failed to furnish any utilization certificate and progress report against the funds released.

- In this context consider the position regarding storm water drains and rural roads. The problem of storm water drains in villages assumes paramount importance in view of the non-existence of sewer system. This work also falls in the jurisdiction of MCD but the sorry state of affairs can be gauged from the examples of four village viz. Madanpur Dabas, Harewali, Auchandi, Mubarakpur Dabas in which the drainage water system tells its own story.⁶
- For example, the drainage system of village Harewali and Auchandi is very bad. Dirty water and rainy/storm water of the village abadi collects in the pond. All the streets and side drains of village are being maintained by MCD department. There is no outlet of this water in the nearby drain etc.
- MCD does the rural development work in the area falling in their jurisdiction with the funds taken from Rural Development Department.

⁶ Annexe: Photographs, see Vol-III, section-II

They, believes the Development Department, ought to have done these works from their own resources as the area comes under their jurisdiction. Since the MCD does not have its own funds hence they require the Rural Development Department to shed a major portion of its funds to carry out the development works in the villages, which, in fact, falls in the jurisdiction of the MCD⁷. Some of the photographs taken illustrate the pathetic condition of MCD roads⁸. Due to constraints of time the photographs of only 5 link roads mentioned are presented to give an overall picture of these link roads. (Box 13.1)

(Box 13.1) Rural Roads in Delhi

Maintenance of the link road from village Jatkhore to Salahpur Majra is the responsibility of MCD. The condition of the road, having a width of approximately 3.60 meters, is pathetic.

The Delhi Rural Development Board has sanctioned Rupees 30.34 lakh for the construction of the link road from village Outabgarh to Haryana border, which is the responsibility of the MCD. This road connects village of Delhi to Haryana. Now, says the Development Department, it remains to be seen how long MCD takes to construct this road.

Development Department has sanctioned Rs.30.00 lakh for the construction of a link road from village Qutabgarh to Garhi (Haryana border). The road is in a dilapidated condition.

The link road from village Punjab Khore to Haryana border towards village Ladrawan is under the jurisdiction of MCD. An amount of Rupees 31.42 lakh has been given to MCD by rural Development Department.

The link road from village Daryapur Kalan to Ghogha-Harewali is also under the jurisdiction of MCD. And this road connects villages of Delhi to Haryana. This department has not received any proposal from MCD to this situation.

⁷ The following few (12) examples enumerated below are the works, which falls in the jurisdiction of the MCD, and are lying in dilapidated a condition.

1. Link road from village Jatkhore to Salahpur Majra
2. Link road from village Outabgarh to Haryana Border towards village Ladrawan.
3. Link road from village Outabgarh to Haryana Border towards village Garhi
4. Link road from village Nizampur to Haryana Border towards Bahadurgarh.
5. Link road from village Punjab Khore to Haryana Border towards village Kanonda.
6. Link road from village Punjab Khore to Haryana Border towards village Ladrawan.
7. Link road from village Salahpur Majra to village Jaunti via Jhimarpura.
8. Link road from village Jatkhore to Punjab Khore.
9. Link road from village jatkhore to Katewara.
10. Link road from Prem payao on Kanjhawala Bawana road to village Sultanpur Dabas.
11. Link road from village Daryapur Kalan to Ghogha Harewali road.
12. Link road from village Bajjitpur to Salahpur Majra.

⁸ Annexe, Photographs see Vol-III, Section-II.

- This is the story of only five rural roads. The Development Department believes there would be hundreds of link roads in a similar condition. The point that is being underlined is that the MCD is not maintaining the roads falling in its jurisdiction. The Rural Development Department is funding the MCD to carry out works, which basically is the responsibility of MCD as the area falls under their jurisdiction. The Development Department therefore believes that all loans and GIA to MCD should be stopped henceforth and all works of link road etc. should be assigned to one agency i.e. Irrigation & Flood Control Department and the funds for that purpose should be made available from the Rural Development Department.
- Another issue is the conflict of functional jurisdiction between the MCD and the Irrigation and Flood Control Department. The picture of the Bajitpur drain illustrates the point⁹ The picture shows a broken wall, which falls in the jurisdiction of MCD and a drain below it, which falls in the jurisdiction of Irrigation and Flood Control Department. In the picture beyond the broken wall, a road can be seen. This road falls in the jurisdiction of MCD. The wall, which is seen, broken in the picture is in its present state due to jurisdictional conflict between MCD and Irrigation and Flood Control Department. If one agency is assigned the overall developmental work of villages, then these types of problems would not arise. Due to conflict no implementing agency is bothered to carry out the repair works of broken walls.
- The Development Department is of the view that the MCD is burdened with so many developmental works that it has become increasingly impossible for the MCD to carry out works of rural roads and development of villages etc. Hence it has suggested that works of construction of roads and rural development should be assigned to one agency i.e. Irrigation and Flood Control Department.
- It has further recommended that a monitoring committee should be formed which should be assigned the responsibility of monitoring work done by MCD, if at all the MCD has to continue with the present position.

13.60 Table 13.50 indicates the allocations and expenditure in respect of the agriculture and allied services sector and Table 13.50A provided details in respect of the rural development sector. This involves the transfer of resources to the MCD for three schemes: improvement of dairy colonies, relocation of

⁹ Annexe: Photograph see Vol-III, Section-II.

existing Idgah slaughter house and for schemes of the Rural Development Board rural roads, development of rural villages

Table: 13.50 -Agriculture and Allied Services Approved BE/RE and Expenditure from the year 1994-1995 to 2004-2005 (Rupees in crore)

Year	Approved Outlay			Revised Outlay	Funds Released	Expenditure up to March
	Revenue	Loan	Total			
1994-1995	1.75	0.25	2.00	0.45	0.45	0.45
1995-1996	2.52	0.18	2.70	NA	NA	1.45
1996-1997	5.51	0.00	5.51	5.08	5.08	5.08
1997-1998	11.51	2.50	14.01	5.80	5.80	4.94
1998-1999	7.07	0.93	8.00	3.60	3.60	1.38
1999-2000	4.47	0.53	5.00	1.60	1.60	0.53
2000-2001	4.70	0.30	5.00	4.50	4.50	4.30
2001-2002	5.75	0.25	6.00	6.00	6.00	2.66
2002-2003	5.75	0.25	6.00	6.00	6.00	5.25
2003-2004	5.75	0.25	6.00	6.00	6.00	4.87
2004-2005	5.25	0.75	6.00	5.50	5.50	5.40
2005-2006	5.13	0.37	5.50	5.50	5.50	NA

Table 13.50 A: Plan Funds Transfer to MCD (Rupees in crores)

Scheme	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (BE)
Improvement of existing slaughter house at Idgah relocation of existing slaughter house, improvement of dairy colonies	4.30	2.66	5.25	4.88	5.50	1.13	5.50
Dairy Development through rural development board	-	-	-	-	-	3.28	4.00
Rural Development Board	-	-	-	-	-	40.00	40.00
Total	4.30	2.66	5.25	4.88	5.50	44.41	49.50

**Infrastructure,
Amenities,
and Services:
Planning the
Provision**

13.61 Discharge of functions and responsibilities vested in any body, including the MCD, requires a proper evaluation of resource availability, rational resource allocation and their efficient utilization. This presumes effective spatial, socio-economic and financial planning¹⁰ as in Box 13.2. Indeed, this is an obligatory function of the Corporation.

Box-13.2 Physical, Spatial, and Financial Planning-The Building Blocks

- One important element of the expenditure management would be the arrangements for rational allocation of funds as between spatial (different zones) and socio-economic (functional) needs.
- The discharge of the functional responsibilities of the MCD essentially requires the planned provision of socio-economic needs (infrastructure, services and amenities) in identified geographical unites (the municipal zones)
- Such planned provision needs an assessment of the investment needs of zones and socio-economic sectors and the related resource mobilization implied. In turn, the assessment of expenditure needs depends on benchmarks related, inter alia, to shortfalls in the quantity and quality of services against their normative supply, amenities, infrastructure required to be provided, time schedules to be adhered to in their provision, and yardsticks related to time-cost efficiency.
- Assessments of physical shortfalls (spatial or socio-economic) yield evaluations of resource needs: total and relative which enables the allocation of resource as between different zones and economic needs. In other words it needs socio-economic and spatial planning. In the context of the MCD, it would imply the need for a decentralized appreciation, if not at the ward level, at least at the zonal level.
- Against this real need assessment the financial requirement for periods of five years or each year are needed. It is against the five year and annual evaluations that budgetary provisions are to be made. Therefore, physical assessments lead to financial evaluations and provide the basis for budgetary provisions-subject to resource availability and execution schedules.
- This is a very brief outline of a normative planning and financial procedure.

13.62 The MCD violates all norms of planning and budgeting. The basic input required for the rational allocation of resources is surely a deficit map indicating the shortfalls in infrastructure, amenities and services characterizing the different zones of the MCD. Unfortunately, it is understood, that there is no

¹⁰ Delhi Municipal Corporation Act, 1957; Section 42 clause (wa), inserted by Act 67 of 1993, provides that, among others, one of the obligatory functions of the Corporation is, 'the preparation of plans for economic development and social justice

data base or deficit map, with the departments of the MCD (including its Planning Department) or with the zones. The Corporation has no evaluation of the deficit in facilities, either in totality or zone wise or ward wise. This is true of infrastructure (such as roads, storm water drains, or parks) and services such as (primary health, primary education and sanitation). Accordingly, there is no long term or medium term assessment of the volume of funds needed, nor any basis for doing so. In other words there are no benchmarks to determine where, for instance, a department or zone stands or where it intends (or needs) to go. In such circumstances all plans are essentially a whimsical wish-list.¹¹

13.63 How then are physical targets determined against budgetary provisions made? The effort to mobilize resources is not determined by any plan to tackle physical deficits in infrastructure or services and proposed physical achievements. On the contrary, physical targets are matched to available resources which, as we have seen, are frequently unrealistic and exaggerated. This makes for an ad hoc determination of the physical targets and the allocation of resources to specific projects. Indeed, often there is variance in the target proposed by the annual plan of the MCD and actual targets reflected in annual action plan.

**An Unfinished
Story:
Rationalizing
Resource
Allocation**

13.64 The first ever effort to rationalize resource allocation was taken up at the time of preparing the Annual Plan for 2002-2003. It was noted that:

- ✓ Powers were centralized at the level of the head of department and zonal level officers had no incentive to be responsible or responsive.
- ✓ Line officers of various departments reported to head quarters and did not respond to the zonal Deputy Commissioners.
- ✓ Routine tasks like cleaning of streets, lifting of malba, checking unauthorized constructions, sanitation works, and maintenance of community halls were not supervised at the zonal level.
- ✓ Ward level development works were not being monitored since there was no ward-level plan.
- ✓ Works of Councilors, MLAs, MPs, and works of some departments like Education, Health, Community Services, Horticulture and Labour could be effectively monitored at the ward level.

¹¹ Annexe: Zonal Planning Committees were constituted vide Order No. P&M/PC/2003-04/33 dated April 28, 2003, see Vol-III, Section-II.

- ✓ There was no effective delegation of powers to the Zonal Deputy Commissioners.

13.65 In recognition of the above deficiencies and the need to make substantial improvements in the functioning of MCD, particularly at the zonal level, the then Commissioner, MCD issued the following instructions¹²:

- ✓ Ward development plans would be prepared and funds allocated from the plan and non-plan budget to each ward on a notional basis.
- ✓ The zonal Deputy Commissioners would be authorized by departments to take up works as per the ward allocations after technical scrutiny from the zonal level officers. These officers would be responsible for the preparation of estimates and the heads of departments were to exercise overall supervision. The works shall be sanctioned by the zonal Deputy Commissioners within their financial powers.
- ✓ The Deputy Commissioner shall be responsible for monitoring works at the ward level as approved by the Ward Committee and the zonal departmental officers shall report to the Deputy Commissioner of the zone.
- ✓ A computerized mechanism for monitoring progress of works and projects was to be created.
- ✓ The Government of Delhi had repeatedly expressed the apprehension that the works were being duplicated particularly related to MP, MLA and Councillor funds. Once the ward-wise details were prepared, this apprehension could be easily tackled since the information would be available on the Internet and could be verified.

13.66 Consequent upon delegation of functions envisaged in Circular No.PSC/CO/51/2002 dated October1, 2002, the corporation decided to delegate financial powers to different functionaries of the Corporation. The current procedure of carrying out repairs and maintenance works under plan and non- Plan needed to be more effective. The allocation of budget by various budget controlling authorities to zones also needed improvements.¹³

- ✓ Budget allocations of non-plan funds shall be made ward wise keeping in view the availability of infrastructure in each ward.

¹² Annexe: Circular No. PSC/CO/51/2002 dated October 1, 2002 from the Commissioner MCD to all concerned, see Vol-III, Section-II.

¹³ Annexe: Circular No. PSC/CO/53/2002 dated October 1, 2002 from Commissioner, MCD, see Vol-III, Section-II.

- ✓ While, subject to availability of funds, zones were authorized to take up all plan works costing upto Rupees 6.00 lakh, those above Rupees 6.00 lakh were to be taken up at the headquarter level.

13.67 Procedure for execution and implementation of plan schemes:

- i. Plan fund proposals related to five year plans, annual plans, budget estimates, revised estimates, release of funds and moratorium would be routed through Planning & Monitoring Department.
- ii. Before acceptance of tenders in respect of plan works costing above Rupees 6.00 lakh scrutiny and certification of P&M Department would be mandatory.
- iii. The financial concurrence after receipt of tenders etc. would continue to be obtained as per existing procedure.
- iv. Proposals for expenditure sanctions should be routed to Finance Department through P&M Department.
- v. Details of all works relating to MPLAD & MLA Funds were required to be maintained in planning wing of Engineering Department and were simultaneously to be submitted to P&M Department. Creation and maintenance of this database would be a pre-requisite for taking up implementation of schemes.
- vi. All sanctioning authorities would inspect 10 percent of the works sanctioned by them and report be sent to Commissioner.

13.68 It was proposed that 40 percent of the amount provided in the budget of 2002-2003 may be allocated to the wards. This was a tentative, and, apparently a rough and ready, allocation since no authentic ward wise data or information was available for all the schemes. Subsequently, the Planning and Monitoring Department collected ward wise details of some schemes (such as Dairy Colonies, rural and urbanized villages, unauthorized-regularized colonies, jhuggi-jhompri re-settlement colonies, unauthorized colonies, and approved colonies). Resources were sought to be allocated taking into account the reported status of various facilities in the wards.

13.69 The resource allocation was supplemented with implementation guidelines. It was suggested that the utilization of ward wise allocations should be based on the write up of the plan schemes and as per the provisions of the GFR. Further, re-allocation of funds ought to be on the basis of the

recommendations of the Zonal Planning Committee¹³ and as in Box 13.3 the Finance and Planning and Monitoring Departments of the MCD. It was stressed that the ward wise allocations should be utilized for the scheme and purpose for which the provision had been made.

Box: 13.3 Functions of the Zonal Planning Committee

The functions of the Committee are:

- (i) Formulate work wise/scheme wise/ward wise annual plan of the zone concerned.
- (ii) Consider all the proposals up to Rupees six lakh of various departments in the zone and approve the same subject to feasibility of work and availability of funds.
- (iii) To meet quarterly to prioritise/modify/change the works as per aspirations/demands of the people
- (iv) To be aware of the works of MLAs/MPs executed within their jurisdictions.
- (v) In case of emergent works, the works can be considered by circulation and need to be cleared by 1/3rd of the members, of which the Deputy Commissioner, the department to which it relate and the Finance Department are essential in addition to the Chairman or the Deputy Chairman.
- (vi) Keep a record of all works being undertaken for the year to be placed on the website being developed by ECIL.
- (vii) To monitor the works being undertaken in the Zone.
- (viii) To prepare up to date status of all works in the wards and inform the Councillors about the same quarterly.
- (ix) Focal point of planning and monitoring of all developments works in the ward/zone.

- In order to ensure proper plan formulation, its effective implementation and monitoring, a MCD Planning Group was also constituted at the headquarters vide order dated April 28, 2003.¹⁴ as elaborated in Box 13.4

Box-13.4-Functions of the MCD Planning Group

- (i) *To approve the annual plan before it is placed for consideration of the corporation and GNCTD.*
- (ii) *To consider and approve all the important proposals above Rupees 50 lakh of various departments.*
- (iii) *To consider the budget proposals and allocate funds to zones for the implementation of ward wise plan.*
- (iv) *To approve major schemes/projects which are considered at headquarter level*
- (v) *To monitor major works being undertaken in the MCD.*
- (vi) *To undertake quarterly status review of works.*

¹⁴ Annexe: Order No. P&M/PC/2003-04/32 dated April 28, 2003, see Vol-III, Section-II.

- All the initiatives-allocation of 40 percent resources to the wards, constitution of the Zonal Planning Committees, and the MCD Planning Group-were kept in abeyance by an Order Dated May 21, 2003¹⁵. In fact a review committee was constituted to examine the new procedure for allocation of plan resources. The report of the Committee¹⁶ was received on September 26, 2003 and is summarized in Box 13.5

Box: 13.5 -Summary of Recommendations of the Committee

1. *The allocation of fund should not be based on any fixed percentage nor should it be made ward-wise. It should be mainly based on needs of the community. The need is to be certified as under:*
 - (a.) *For plan education the certification of the need should be done by the Education Department in the shape of requisition as well as for special repair to schools. Similar principle is to be followed for other plan heads related to education.*
 - (b) *For plan Health/Medical/Cremation grounds/Public Health, the need is to be certified by the Health authorities.*
 - (c) *For community halls the need is to be certified by the Community Services Authorities.*
 - (d) *For parks/gardens the need is to be certified by the Horticulture department officers*
 - (e) *For Urban roads (LA roads) allocation of fund, the need is to be certified by concerned field engineers in consultation with the public representatives. Under LA Roads projects may be in municipal wards more than one and exceeds the limits of the zones even. As such ward-wise allocation under this head is not at all possible. It should be either division-wise or project-wise. Similarly for rural roads the need is to be certified by the field engineers in consultation with the public representatives. Field engineers are also to certify the need for civil works heads like XL-VIII-D(U/R/Colonies), XL-VIII-C (Urban Villages), XL-VIII-U (Dairy Colonies), XL-VIII-Z-a) (Approved colonies) etc.*
 - (f) *For slaughterhouse the allocation will be made as per the requisition from the Director (Veterinary Officer).*

In April all such allocations should accordingly be made by E-in-C or by respective Heads of Departments who control the particular head of account after getting the requisition need certified by the respective departments as mentioned above instead of any allocation to be made at the zonal level.
2. *Committed Liabilities: Tender cases concurred in the previous financial year but for which work orders have not yet been issued should be included in the list of committed liability for the next financial year. Cases for which worked orders have been issued for the previous financial year, the balance amount to be spent out of the total contractual amount is to be included in the committed liability. Case for which tenders have not yet been concurred by the*

¹⁵ Annexe: Order No. P&M/WWB/2003-04/116 dated May 21, 2003. see Vol-III, Section-II

¹⁶ Report of the Committee to Recommend the Mode of Allocation of Plan Funds in Different Zones/Wards.

Finance in the previous year are not to be included in the committed liability list of the next financial year. The concurrence of the Finance for a particular financial year should be based on the expenditure likely to be incurred in the same financial year only and not on the total cost of the project. This principle has already been adopted by the Finance. As far as possible the plan write up should include details of cash/ committed liabilities.

3 *It has been observed that there are several hold ups due to which the works cannot be started on the ground even after 4-6 months some times of its initiation. In addition, there are cases where contractor quote abnormally low rates or sufficiently low rates, lower than the estimated cost resulting into savings in the project. In certain cases there are seasonal reasons where the progress of the work is slow 'or' non-availability of certain material due to legal issues like closing of stone crusher etc. sometimes reasons are there for slow progress on account of contractors going on strike in certain divisions or in all divisions. All these factors ultimately result in lesser utilization of the plan fund and ultimately possibility of lapse of fund may occur. MCD has already seen such lapse of plan fund in the year 1999-2000 and earlier. However, lapse of plan fund is now invisible due to matriculated allocation of the plan fund over and above the plan outlay. It is, therefore, required to arrive at a percentage which should be adopted while allocating the fund over and above the approved outlay so that, in spite of the aforesaid hindrances, likely to happen on ground, the full plan outlay can be utilized.*

4. *The Committee has suggested that, the allocation for concurrence of fund should be made, twice the approved outlay which should also include cash liability and committed liability as on 1st April same financial year. The total scenario should then be further examined by the E-in-C/ respective HOD who control the said head of A/c, concerned DCA and by the concerned departmental officers-(for Education-Education Officer, for community halls-Director (CSD) etc. on 31st December of every year, to oversee whether the above said figure of making concurrence @ twice the appropriate outlay should be altered for particular head of account depending upon its actual expenditure. Accordingly, for the remaining three months the allocation of the fund for the particular plan head can be made.*

5. *In certain sectors like Education, Medical, Construction of community halls etc. where there are two different sub-heads like Capital and Revenue, sometime the utilization fund is proper in the Revenue side but not on the Capital side or vice-versa. We should take up this issue with the Govt. of Delhi so that in such cases to have the total allocation of the said fund, the Commissioner should be empowered to re-appropriate the outlay in the said scheme (Capital to Revenue and Revenue to Capital) for the scheme within the same scheme-wise outlay.*

6. *For the assets being created under the plan fund out of the total outlay of particular head, MCD should be authorized to utilize the amount not exceeding 20% of the said approved outlay for the purpose of repair & maintenance of said assets created under the said plan head. Govt. of Delhi has already allowed the utilization of 20% of the approved outlay for special repair of schools. This should be adopted in all the plan heads including MLA head and MP head.*

7. *In certain plan heads where suddenly the said heads get abolished due to certain orders of the Govt. and no further plan outlay is available, the projects started under the said plan heads get stopped due to non-availability of plan funds, which results into a colossal wastage of*

Govt. fund. MCD should have a provision in its non-plan budget so that such projects can be completed without any hold up, by fund from the non-plan head of account.

13.70 The then Commissioner noted¹⁷ that the Committee had recommended that there should be no change in the manner of resource allocation and the old system should continue. Additionally, the Committee had recommended that no ward wise action plan was required at all. The Commissioner observed that as per well known principles of planning the allocation of funds should be based on needs and requirements rather than the whims and fancies of any individual officer. However, the Chairman of the Committee had decided to follow the whims and fancies of heads of departments for the purpose of resource allocation. The Commissioner did not find the recommendations acceptable.

- The Commissioner reiterated the need for ward wise annual action plans and suggested that action be taken as follows: (i) 50 percent of the amounts under different heads of accounts would be allocated ward wise which would be spent as per the powers delegated to the zones which would be spent by the heads of departments through the mechanism of the MCD Planning Group for which also orders had been issued, (ii) Regarding special funds in respect of rural villages, dairy colonies, urban villages and funds under any other specific head of account which are to be spent only in respect of those areas where such categories exist, these would be identified and the allocation of funds made in the ratio of 50:50. Out of this, 50 percent would be based on the population which would be benefited as per the census in a particular colony/rural villages/urban villages, etc. balance 50 percent of the budget to be carried on at the zonal level would be suitably streamlined, (iv) the issue of cash liability was a serious one and had not been effectively assessed by the Committee. The tendency was to utilize the available funds to meet the liabilities which reduced the availability of resources for physical execution of works. There was no free money available for accommodating liabilities because of the tight financial position of the Corporation. This was a bad situation and required the Engineering Department to adopt some principles. (v) In the context, of the need for maintenance funds the Commissioner had two suggestions. First, like in the case of the education sector, 20 percent of the resources in the health sector needed to be devoted to maintenance of buildings.

¹⁷ Annexe: Copy of the note of the then Commissioner, MCD dated October 1, 2003 on the Report of the Committee, see Vol-III, Section-II.

Second, funds available under various schemes such as the MPLAD/MLALAD/Councillor funds etc could be tapped for this purpose.

13.71 Unfortunately, the MCD reverted to business as usual in the matter of resource allocation. The 12 zonal committees consist of the 134 wards zone wise. These zonal ward committees prepare annual budgetary proposals. These proposals are supposed to be the basis for fund allocations to the departments operating in the field (i.e. each of the zones).

- The reality is somewhat different. The overall budget proposals are placed by the Commissioner before the Standing Committee after which the zonal proposals are considered. Thereafter, the allocation of funds to departments for their field operations rarely coincide with the budget proposals of Zonal Committees placed before the Standing Committee or approved by it. Generally, the approved allocations have no relation to the zonal proposals. The role of the zonal committees is therefore little more than a formality.
- The corporation merely allocates funds to departments. It is the department heads who finally determine what the allocation of each zone shall be. In such a scenario any appreciation of the requirements of a zone in real terms measured in terms of infrastructure deficits, services or amenities needed as well as the fund requirement, do not have a role in the spatial planning of the MCD and also does not receive any consideration in the allocation of resources as between different zones. This arrangement simply cannot meet the development needs of the different parts of Delhi.
- The inadequacy of a database in respect of properties liable to pay the property tax adversely impacts assessments of revenues. Similarly, the absence of a data base in respect of zonal assets will affect adversely the discharge of expenditure responsibilities. It will make it difficult to determine what services or amenities need to be provided, improved or maintained. As a matter of fact, to determine the needs of the zones and operational expenditure such as maintenance funds, the Commission had solicited information/data about the assets of the zones. This has been met with partial information. The position which has been reported department wise also has several gaps. We recommend a time-barred up-dating of the zonal data/information

Assets and Liabilities in MCD 13.72 Table 13.51 exhibits the assets and liabilities of the MCD as on March 31, 2005. The total assets are Rupees 8103.54 crore. The total liabilities of the Corporation are Rupees 2333.48 crore. Accordingly the net assets of the Corporation are Rupees 5770.07 crore.

Table: 13.51 Assets and Liabilities of the MCD (Rupees in crore)

Liabilities and Fund Balances	General Fund	Capital Project & Development (plan) Funds	Government fund Special Revenue Fund	Fiduciary fund Trust & Agency Fund	Total Primary government (Memorandum Only)
Accounts Payable					
Contractor Payable	124.36	189.63	0.89	4.60	319.48
Retain age Payable	149.33	7.57	0.00	0.00	156.90
Accrued Liabilities	0.00	0.00	0.00	0.00	0.00
Employees Benefits Payable	151.47	0.01	0.00	0.00	151.48
Expenses Payable	36.05	0.78	0.00	0.00	36.83
Interest Accrued-					
Government Loans	25.32	0.05	0.00	0.00	25.82
Statutory Dues	202.46	7.60	5.00	0.36	215.41
Tax Deducted at source	1.79	3.52	0.19	0.16	5.66
Loan Liability	0.00	0.00	0.00	0.00	0.00
Plan Funds (GNCTD)	414.81	353.39	0.00	0.00	768.20
Loan Liability transferred to					
General fund	13.40	(13.40)	0.00	0.00	0.00
Loans-UDF (including					
Accrued Interest)	0.00	40.00	0.00	0.00	40.00
Ways and Means	250.00	0.00	0.00	0.00	250.00
Loan-NCRPB	0.00	90.00	0.00	0.00	90.00
Other Sources	0.00	0.00	0.00	0.00	0.00
Loan G.P.F.	58.00	0.00	0.00	0.00	58.00
Deposits & Advances	0.00	0.00	0.00	0.00	0.00
Works Deposits	0.00	0.00	0.00	0.00	0.00
Road Restoration Deposit	36.38	0.00	0.00	0.00	36.38
Work Implementation Deposit	22.19	0.00	0.00	0.00	22.19
DDA Colonies-Recoveries	(0.03)	0.00	0.00	0.00	(0.03)
Contractor Recoveries	(2.11)	0.00	0.00	0.00	(2.11)
Resettlement colonies Deposit	0.00	0.00	0.00	0.00	0.00
Grants-Schemes	19.50	0.00	0.00	0.00	19.50
Sinking & Other Funds	5.64	0.00	0.00	0.00	5.64
Due to Other Funds	0.00	20.28	105.33	8.51	134.11
Total Liabilities	1508.57	699.88	111.40	13.63	2333.48

ASSETS					
Cash and Cash Equivalents	0.09	0.00	0.00	0.00	0.09
Bank Balances	313.62	102.75	66.59	69.64	552.60
Investments, including accrued Interest	23.44	0.00	0.00	0.00	23.44
Accounts Receivable	545.35	0.00	0.00	0.00	545.35
Dues Property Taxes (C.Y)	366.70	0.00	0.00	0.00	366.70
Dues Property Taxes (P.Y.)	1897.60	0.00	0.00	0.00	1897.60
Electricity Tax	0.00	0.00	0.00	0.00	0.00
Ground Rent	0.00	0.00	0.00	0.00	0.00
License Fees	0.00	0.00	0.00	0.00	0.00
Inventories	16.06	0.73	0.00	0.00	16.80
Due from other funds	62.74	71.20	0.00	0.00	133.95
Receivables on other schemes	0.00	0.00	0.00	0.00	0.00
Due from Component Unit	0.00	0.00	0.00	0.00	0.00
Advances/Deposits (Assets)	14.97	68.39	6.07	0.00	89.43
Fixed Assets	0.00	0.00	0.00	0.00	0.00
Property, Plant & Equipments	3980.25	424.47	25.35	40.32	4470.38
Assets Capitalized in General Fund	0.00	(424.47)	(25.35)	(40.32)	(490.14)
Capital Works in Progress	73.06	370.32	(3.01)	56.98	497.34
Total Assets	7293.87	613.40	69.65	126.62	8103.54
Net Assets (Assets – Liabilities)	5785.30	(86.48)	(41.75)	112.98	5770.07

(Source: Comprehensive Annual Financial Report of MCD for the year 2004-05)

- The liabilities mainly consist of contractor dues (Rupees 319.48 crore), security deposits and earnest money (Rupees 156.90 crore), employee benefits (Rupees 151.48 crore) expenses payable (Rupees 36.83 crore); interest accrued on government loans (Rupees 25.82 crore); statutory dues (Rupees 215.41 crore); tax deducted at source (i.e. deducted from source but not deposited with government (Rupees 5.66 crore); plan loans from Delhi government (Rupees 768.20 crore); loans from the government of India (Rupees 40.00 crore), ways and means advance from government of the NCT of Delhi (Rupees 250.00 crore), loans from NCRPB (Rupees 90.00 crore), GPF deductions (Rupees 58.00 crore); works deposits (Rupees 60.71 crore); unutilised grants (Rupees 19.50 crore); sinking and other funds (Rupees 5.64 crore), and; dues to other funds (Rupees 134.11 crore).
- The total assets broadly consist of cash (Rupees 0.09 crore); bank balances (Rupees 552.60 crore); investments including interest (Rupees 23.44 crore), accounts receivable (Rupees 545.35 crore); property tax dues (current year: Rupees 366.70 crore and previous years: Rupees 1897.60 crore), inventories (Rupees 16.80 crore), dues from other funds (Rupees 133.95 crore), advances/deposits (Rupees 89.43 crore); properties and equipments (Rupees 3370.38 crore), capital works in progress (Rupees 497.34 crore).

- Two aspects of liabilities are a cause of concern: the nature and the volume of the liability. In the first category are liabilities related to statutory dues, tax deducted at source, employees' benefits payable and loans from GPF contributions of employees. In terms of the size of the liability the dues of contractors, plan loans ways and means advances qualify.
- Among the assets the property tax dues are sufficiently large to cause considerable dismay. It may be seen that attention to the recovery of the tax dues would do enormous good to the finances of the Corporation. Recovery of dues would more or less wipe out the total liabilities. However, what is of greater interest is the fact that the Corporation appears to be continuously acquiring liabilities without any specific plan to deal with the pending liabilities whether through effective expenditure control or better resource mobilization by sustained effort to realize tax and non-tax dues.
- In this context recall the absence of any serious efforts to make the new property tax regime a success or the failure to approve the introduction of a tax on professions as recommended by the earlier Finance Commissions. In such circumstances, and given the consistent failure to realize prescribed targets, the upward revisions of revenue targets seem to be merely for the record.
- Also consider the recklessness of expenditure proposals. Surely, the Corporation appreciates that liabilities are both unavoidable and inevitable. Therefore, it is totally incomprehensible as to how the Corporation, faced with liabilities of this order can even begin to consider expenditure on what amounts to nothing less than luxury items.
- Discretionary fund of the Councillors for development works in wards is increased every year. An average of Rupees 10.00 lakh per Councillor is increased in RE as well as BE every year. In the BE 2006-2007, a provision of Rupees 134.00 has been retained for the Councillor Fund. A Councillor can, at his discretion, provide Rupees 15000 to 10 widows for the marriage of their daughters. The Councillors can also recommend old age pension @ Rupees 350/- per month per person for 750 individuals of their municipal ward. Apart from this, the Mayor, Deputy Mayor, Leader of the House, Chairman Standing Committee and Leader of Opposition have discretionary funds at their disposal. No guidelines have been prescribed for expenditure out of this fund.

- Grant to private institutions, libraries and schools are released without any justification or proper audit of accounts.
- Casual labour are being hired regularly in CSE Department apparently more than the occasion demands. Finance has no control over the financial sanctions and decisions for incurring expenditure are taken outside the Finance and Accounts Department.
- The Corporation passes resolutions approving items of expenditure not proposed in the budget proposals placed by the Commissioner for the approval of the House resulting in increase of total expenditure more than the receipts of the MCD.
- A number of developmental works are undertaken in anticipation of revenue collection and after inflating revenue targets, a large number of bills remain unpaid and the arrears in liabilities keep increasing. No planning is done for the works proposed to be undertaken and schemes to be implemented. The budget proposals do not have a sound basis.

13.73 Table 13.52 details the schedule of payments against loans raised from various sources. Assuming that there shall be no further loans raised in the period 2005-2006 to 2010-2011, the total liability will decline from Rupees 276.08 crore (2005-2006) to Rupees 134.59 crore (2010-2011). This of course is unlikely. However, it is based on data in respect of loans already availed.

Table: 13.52-Schedule for Repayment-MCD

Year	Total		
	Principal	Interest	Total
2005-06	1,560,860,898.40	1,199,891,399.42	2,760,752,297.82
2006-07	1,673,360,898.40	1,052,787,353.54	2,726,148,251.94
2007-08	1,710,860,898.40	877,089,557.66	2,587,950,456.06
2008-09	877,527,565.07	698,860,511.78	1,576,388,076.84
2009-10	877,527,565.07	616,464,799.23	1,493,992,364.29
2010-11	877,527,565.07	468,398,374.13	1,345,925,939.20

- Accordingly, the principal liability will reduce from Rupees 156.09 crore (2005-2006) to Rupees 87.75 crore (2010-2011) and the interest liability will go down from Rupees 120.00 crore to Rupees 46.84 crore in the same period.
- Nonetheless, the annual requirement of funds for discharging the loan liability will be fairly steep: Rupees 276.08 crore in 2005-2006; Rupees 272.61 crore in 2006-2007; Rupees 258.95 crore in 2007-2008; Rupees

157.63 crore in 2008-2009; Rupees 149.40 crore in 2009-2010, and; Rupees 134.59 crore in 2010-2011. This would require strict and strong financial discipline on the part of the Corporation.

Strengthening and Augmentation of Infrastructure Facilities: Observations of the CAG

13.74 In evaluating the expenditure performance of the MCD, it is useful to draw on some of the observations of the Comptroller and Auditor General of India. For instance, in the Report for the year ended March 2005¹⁸, the CAG has invited attention, inter alia, to the following issues:

- ✓ The expenditure varied from year to year and allocations were not linked to actual utilisation which was less than optimal. There was a rush of expenditure during the election year of 2003-2004.
- ✓ The utilization of funds allocated to MCD was poor ranging between 27 and 62 per cent as in Table 13.53.

Table: 13.53-Inflow and outflow of the MLALADS funds by MCD during 2000-2005
(Rupees in crore)

Year	Expenditure of funds		
	MCD	MCD	MCD
2000-01	120.53	65.76	54.54
2001-02	171.22	80.62	47.08
2002-03	215.28	93.60	43.48
2003-04	243.75	152.09	62.39
2004-05	202.09	54.20	26.82

- ✓ The Urban Development Department i.e., the nodal department released discretionary funds to implementing agencies in 59 per cent cases without ascertaining the nature of work or obtaining the estimates. Rupees 1.57 crore was released without adhering to mandatory conditions.
- ✓ No effort was made to apprise the individual MLAs of the funds available for the constituency and the status and progress of works.
- ✓ Delays up to two years in award of work to contractors were noticed in 1555 cases. Contractors failed to commence 117 works costing Rs.3.43 crore. Audit noticed that 538 works remained incomplete despite

¹⁸ Report of the Comptroller and Auditor General of India for the year ended March 2005, Volume-II (Performance Audit of Civil Departments, Government of National Capital Territory of Delhi, Chapter II, 'Performance Audit of Strengthening and Augmentation of Infrastructure Facilities in Assembly Constituencies in Delhi', pages 26 to 43.

expenditure of Rs.14.20 crore. Another 952 works were completed late with delays of more than two and a half years.

- ✓ While the scheme envisaged asset creation, audit noticed that 67 to 82 per cent of the works recommended by MLAs were primarily in the nature of repair and maintenance. Sanctions were provided for irregular items of work in unauthorized colonies, which were not covered under the scheme. Further, audit check in 11 constituencies revealed 60 inadmissible works worth Rs.1.63 crore.
- ✓ The nodal agency failed to actively monitor the implementation of the scheme. The Monitoring Committee envisaged in the scheme was not set up.
- ✓ No provision for maintenance of assets was made in the guidelines as recommended by the PAC. It was noticed that 113 works valued at Rs.2.05 crore had deteriorated for want of maintenance. A joint inspection revealed unfruitful expenditure of Rs.74.27 lakh on works not handed over to the intended beneficiaries.
- ✓ The Delhi government continued to release the funds without obtaining the utilization certificates for previous years. The scheme guidelines stipulated that the implementing agencies should furnish utilization certificates along with a certificate from each MLA regarding satisfactory completion of the work as stipulated in the sanction. The Urban Development Department failed to obtain utilization certificates, yet continued to release funds amounting to Rupees 77.22 crore to various implementing agencies during the period 2000-2005.

13.75 The report of the CAG for the year ending March 2004¹⁹ invites attention to various irregularities committed by the MCD in the implementation of the scheme 'Development of Rural and Urban Villages.' Some of the more significant ones are as below:

- ✓ Government had not prepared a comprehensive plan containing an exhaustive list of works/projects to be undertaken to fulfil the objectives of the scheme.
- ✓ Execution of the scheme was essentially works oriented rather than objectives oriented.
- ✓ The scheme was not implemented in the background of a finite shelf of works or projects but was implemented in an open ended manner.

¹⁹ Report of the Comptroller and Auditor General of India for the year ended March 2004, Volume-I, Government of National Capital Territory of Delhi, Chapter IV, 'Municipal Services', pages 69 to 85.

- ✓ MCD failed to keep funds not required immediately in an interest bearing account and lost interest of Rupees 1.38 crore during 2001-2004.
- ✓ Rupees 2.56 crore of scheme funds were diverted to other projects without approval of the government of Delhi in violation of the conditions stipulated in the sanctions.
- ✓ Only 94 out 191 rural villages had outfall drains. MCD constructed only 77.84 kilometres of drains in 1998-2004 against the target of 197 kilometres. Expenditure of Rupees 1.68 crore incurred on construction of 11 outfall drains in Narela zone was rendered unfruitful, as they were not connected to the main drains. Failure to provide outfall drains led to stagnation of water and exposed the residents to health hazards arising from stagnating sewage.
- ✓ MCD failed to plan and organize a survey for afforestation of vacant land in rural land as envisaged under the scheme. Expenditure of Rupees 11.02 lakh incurred for this purpose was also rendered unfruitful.
- ✓ Failure on the part of MCD to effectively monitor execution of works resulted in 433 works remaining incomplete despite an expenditure of Rupees 11.06 crore representing 91 percent of the total contractual amount.
- What do the reports of the CAG tell us?. They are a reiteration of shortcomings noted and listed year after year: lack of planning; improper or inadequate utilization; poor execution, and; inadequate monitoring by both local body and the state government.

Findings of the HSMI: Growth of Revenue and Expenditure Requirements

13.76 While both income and expenditure have registered significant increase during the reference period (1993-2004), the growth rate of expenditure in case of MCD was much higher in comparison with that of revenue income as can be seen from Table 13.54 which shows that expenditure requirements of MCD has increased 5.45 times in the 10 years period from 1993-94 to 2003-04 whereas revenue income has increased by 3.03 times only.

- To achieve expenditure requirements during this period, the revenue income should have been increased by 4.02 times, as can be seen from Table 13.54. The actual expenditure requirements would be much more than this figure as these are calculated on line item incremental projections.

Table: 13.54 –Increase in Revenue Income and Expenditure (MCD)

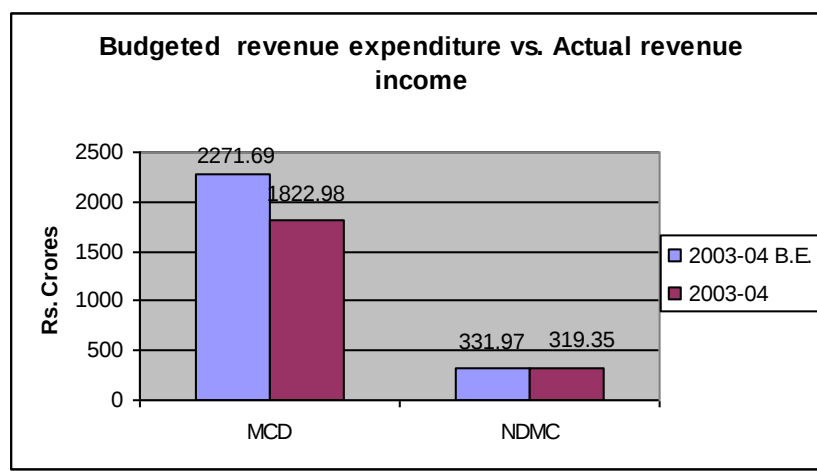
Year	Revenue Income	Revenue Expenditure	Income Increase (1993-1994 to 2003-2004)	Expenditure Increase (1993-1994 to 2003-2004)	Increase to achieve Exp. Requirement
1993-1994	452.65	417.21	3.03 times	5.45	4.02
2003-2004	1822.98	2271.69	-	-	-

- This has led to fiscal stress and expenditure control and / or reduction, which adversely affected many of MCD's necessary items. MCD has failed to either step up collection rates of taxes and other key revenue items or alter the tax and non-tax structures so as to improve their revenue base. This is reflected in Table 13.55 and Figure 13.1.

Table 13.55 – Budgeted vs. Actual Revenue Expenditure – MCD (Rs. Crore)

Revenue Expenditure		
2003-2004 (B.E.)	2003-04 (Actual)	% Change
2271.69	1677.73	(-) 26.15

(Source: MCD)

Figure 13.1

Expenditure financed by Own Source and Fiscal transfers

13.77 Table 13.56 gives internal revenue as a percentage of revenue expenditure excluding revenue and expenditure from water and electricity for MCD.

Table 13.56 – Revenue Expenditure financed by Own Source & fiscal transfers (Rupee Crore)

<u>Item</u>	<u>MCD</u>	
	1993-94	2003-04
Internal Revenue as a percentage of Revenue Expenditure	72.31	73.74
Assigned Taxes & Grants as a percentage of revenue expenditure	36.19	34.92

(Source: Estimated by HSMI from data available from MCD)

- It is evident from the Table that revenue expenditure could be financed upto 74 percent in 2003-04. Internal revenue as a percentage of revenue expenditure has increased. Table 13.56 also shows that fiscal transfers consisting of assigned taxes and non-plan grants as a percentage of revenue expenditure has decreased from 36.19 percent in 1993-94 to 34.92 percent in 2003-04.

Resource Allocation and Expenditure Pattern:

13.78 This section examines the resource allocation and expenditure pattern. The rate of growth in revenue expenditure, along with strategic fiscal gap, pattern of revenue expenditure, per capita expenditure, composition of revenue expenditure and expenditure on Individual Services have been examined to analyse adequacy of expenditure on municipal services.

Strategic Fiscal Gap

13.79 Strategic fiscal gap reflects the requirement of funds for revenue and capital budget. In a systematic manner, this is worked out on the basis of physical gap in a multi-sector (functional) perspective, leading to financial estimates calculated thereon, and taking into account a normative base of services.

- The MCD does not have any reliable estimates of strategic fiscal gap, that is, the funds available and required to operate and maintain the mandatory municipal services at a desirable level. This gap should be based on a long term multi-sector perspective for implementation.

Vision:

13.80 Strategic fiscal gap should be based on a vision being the guiding factor for a normative base to be accomplished by the civic body through goals, objective, strategies and actions. The MCD currently does not have a clear-cut vision, a normative base, detailed policy objectives and strategy to design actions accordingly. MCD has initiated a scheme known as “Local Area Planning” (Box 13.6) on trial basis at Vasant Vihar. This needs to be examined

for integration and replication for bottom-up planning including the specific input for strategic fiscal gap.

Box: 13.6 – Convergence for Local Area Planning

GNCTD has promoted convergence for Local Area Planning at grassroots level to simplify building bye-laws, develop area specific norms, identify local priorities, prepare services specific plans, identify revenue potential of particular activity, devise implementation process and develop a sustainable and participatory system of monitoring. In this regard, five areas have been selected: namely, Vasant Vihar (planned colony), Sangam Vihar (unauthorized colony), Yusuf Sarai (urban village), Karol Bag (special area) and Balli Maran (Heritage Zone) DDA, MCD, GNCTD, NGOs, CBOs RWAs, etc. are closely participating in this bottom-up planning to develop synergy and resolve public grievances in a most effective manner.

Revenue Expenditure	13.81 The resource allocation at MCD is not linked to a long term perspective and does not include performance indicators. As the allocation is based on line item incremental increase, it can at best be termed as ad hoc or irregular.
Capital Expenditure	13.82 The estimates for requirements of capital expenditure and O&M funds are not computed. The capital expenditure, in the absence of availability of funds from revenue account is based on top-down approach. Therefore, the capital projects are confined to state transfers of capital nature. These are linked to grants and loans pertaining to specific schemes and programs launched by government of India or state government.
Revenue Expenditure & State Economy	13.83 Revenue expenditure of MCD on services is not growing at par with the growth of the state economy. This is particularly evident from the growth pattern of recent years (1998- 2004). This indicates two main areas of concern and suitable action, namely; (i) municipal services which enable the economy to grow through economies of scale are not upgraded according to the growth of economy. This may subsequently affect the growth of the state economy. (ii) State economy has the potential to provide additional funds for municipal services which needs to be captured through suitable instruments (Table 13.57).

Table: 13.57-Growth of State Economy and Municipal Expenditure (%)

Year	GSDP of NCTD at current prices	GSDP of NCTD at constant prices	Revenue Expenditure MCD NDMC at constant prices	
1993-03	14.85	7.08	7.16	3.90(3.69)
1998-03	12.04	7.02	3.54	5.80(5.71)

Figures in brackets Indicate NDMC expenses with electricity and water.

Source: Base tables 7 & 13 (a)

- The growth rate of revenue expenditure of MCD is in line with the annual compound growth rate (ACGR) of state economy (GSDP) from 1993-94 to 2003-04 which is 14.85 percent. There has been a fall in ACGR of revenue expenditure for 1998-04 for MCD.

Municipal Expenditure in Real Terms

13.84 Analysis of municipal expenditure in Delhi in real terms indicates a fiscal crisis which has been caused by a decline in the pace of revenue growth during 1998-2004. The per-capita revenue expenditure, taking 1998-99 as base, is declining at MCD from Rs.924/- to Rs.919/- for 1998 and 2004 respectively. This indicates that services are not maintained at the same level and are not growing commensurate to increase in population and prices.

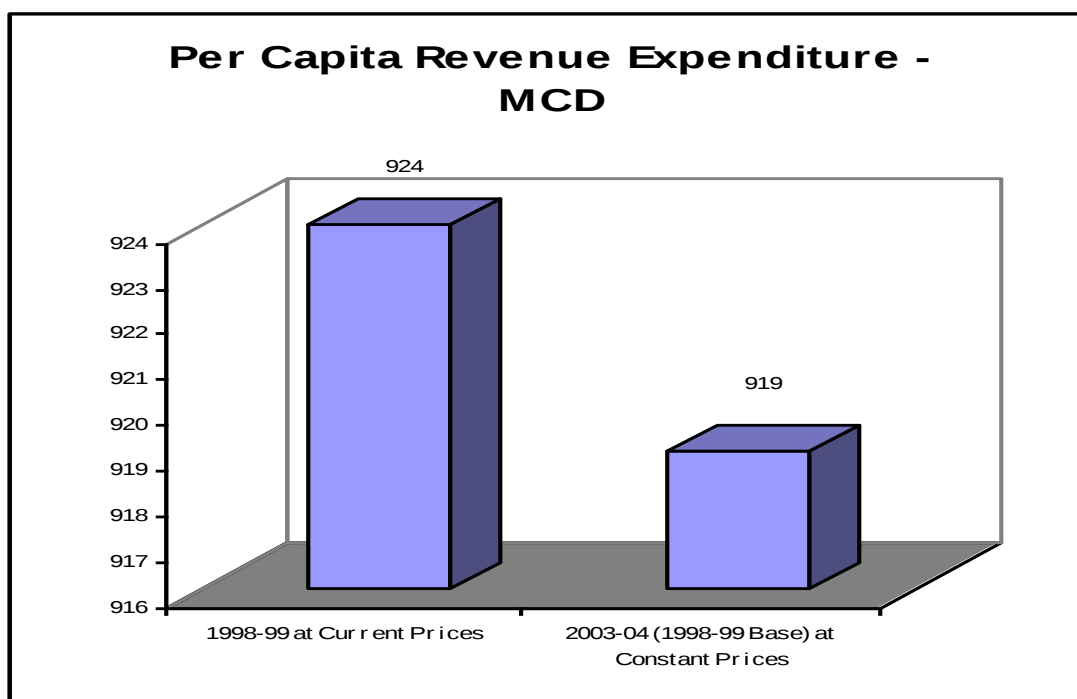
- Decline in the per-capita revenue expenditure at MCD also shows a deterioration in the O&M services, as the expenditure on salaries and related items is essential in nature and cannot be postponed. This also means that two important considerations of services, namely equity and environment are not properly attended. The implications of these inadequacies adversely affect the poor and backward areas such as slums, squatters, regularized/unauthorized colonies, urban villages, etc.
- The per capita revenue expenditure at current prices has been growing over the decade. The per capita expenditure for 2003-2004 was Rupees 1156 crore for MCD for the same year (Table 13.58 and Figure 13.2).

Table 13.58- Per Capita Revenue Expenditure at MCD

Civic Bodies	Current Prices			Constant Prices 2003-04	
	1993-94	1998-99	2003-04	Base Year 1993-94	Base Year 1998-99
MCD	425	924	1156	574	919

(Source: Status Potential and Road Map for Urban Finance Reforms for MCD and NDMC Report Volume-I & II, Human Settlement Management Institute (HSMI), Hudco House, Lodhi Road, New Delhi – 110 003, March 2006 Base tables 21 (a) & 28 (a))

Figure: 13.2



Norms for Benchmarking

13.85 Norms for O & M of municipal services available in the sector are fairly old. And have not been revised on a technical assessment basis. Norms being used by various agencies are Zakaria Committee Norms (1963), which updated to 2001-02 prices comes to Rs. 577 per capita and NIUA Norms, which suggests Rs. 185, as per capita at 2001-02 prices. A third category of norms suggested by the Planning Commission is 20-30% of investment requirements. Investment requirements are not available in case of MCD. The per capita expenditure of MCD is fairly high as compared to the Zakaria Committee and NIUA Norms, which are not scientifically updated.

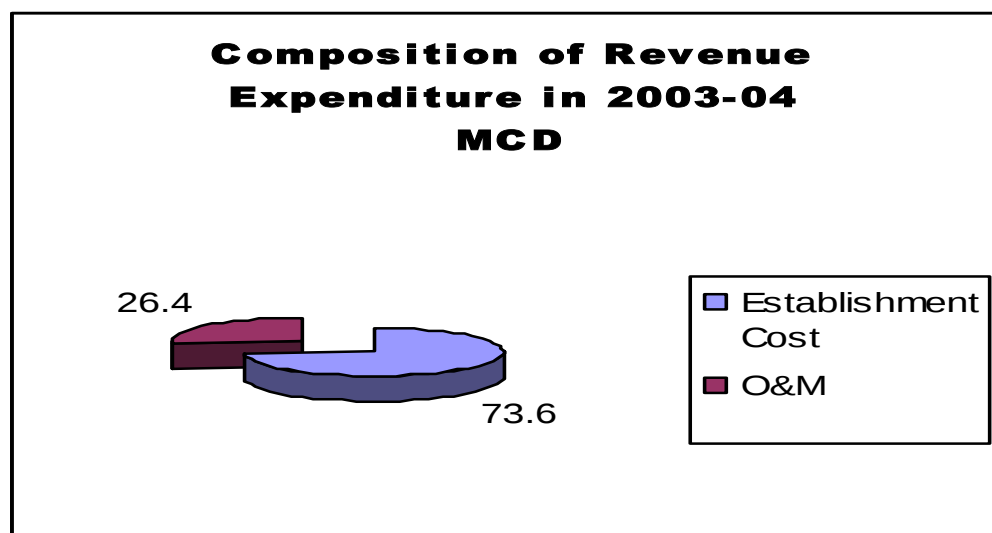
13.86 The composition of revenue expenditure confirms the prevalence of a conventional labour intensive system of municipal services. It is worth noting that nearly three-fourths of revenue expenditure is devoted towards cost on salaries and other establishment related activities such as perks, phone, fax, automation, office space, vehicles, equipments, etc. The non-salary component of municipal expenditure remains around 25 percent of municipal spending which means that in case of any fiscal stress, regular repairs and replacement in services is going to be affected adversely (Table 13.59 and Figure 13.3)

Table 13.59: - Composition of Establishment and O&M Expenditure at MCD (Rupees crore)

Year	Establishment Cost	O&M Cost
1993-94	307 (71.8%)	110
2003-04	1206 (73.6%)	471.73

(Source: MCD Budget)

Figure: 13.3 ACGR of Revenue Receipts and Revenue Expenditure -MCD



- The expenditure on establishment cost in MCD for 2003-04 was 73.6 percent, which is very high. The share of O & M in total revenue expenditure being low is a cause of concern. (Table 13.59)

13.87 Expenditure on individual services, as given in Table 13.60, represents both the establishment as well as O&M costs together under each of the components. The ACGR on roads and bridges is lower than other services.

Table- 13.60 Expenditure on individual services and Elasticity

Items	ACGR (%) (93-04) MCD	Elasticity with respect to GSDP MCD
(i) General Administration	12.43	0.85
(ii) Social Services	13.93	0.96
(iii) Health	12.97	0.89
(iv) Waste Management	13.74	.96
(v) Roads and Bridges	10.54	0.73
(vi) Others	23.6	1.54
Revenue Exp.	14.93	1.02

*Social services at NDMC includes health and waste management

Source: Base tables 22 & 29

13.88 The findings and recommendations of the HSMI study are summarised in Box: 13.7 below:

Box: 13.7-HSMI- Summary of Findings & Recommendations

Findings

- Expenditure planning at MCD and NDMC is purely ad hoc.
- Reliable estimates of fiscal gap are not available at the two civic bodies.
- There is decline in annual compound growth rate (ACGR) of Revenue Receipts and Revenue Expenditure for 1993-04 over 1998-03 for both MCD and NDMC
- Per Capita Revenue Expenditure at both the civic bodies has not grown in line with increase in population and prices
- Establishment cost at both the civic bodies is fairly high being 74% at MCD and 66% at NDMC during 2003-04.
- Expenses on Medical Health (Hospitals) and Education put extra burden on Municipal Finance of MCD.

Recommendations

- Health other than primary health functions (Hospitals) should be transferred to GNCTD.
- Poverty alleviation should be included in municipal list of functions in line with 74th amendment.
- Partnerships may be explored for reducing O&M expenses at both civic bodies.
- Bottom-up approach for expenditure planning should be adopted for systematic assessment of expenditure and participatory funding at both civic bodies.
- Local area planning as initiated by MCD at Vasant Vihar and four other localities should be replicated in wider context at two civic bodies.
- Municipal expenditure on training should be enhanced substantially to meet requirements

**Service
Delivery:
Resource
Management**

13.89 A few select areas are now considered to highlight the following issues: (i) duplication in the performance of functions; (ii) monitoring the utilization of resources; (iii) misuse of resources, and; (iv) the inadequacy of services. The first is highlighted by the scheme for Old Age and/or Widow Pensions in the social welfare sector implemented by both the state government and the local body. The second by resources transferred by the state government in the road sector. The third by the resource transfer for sanitation purposes.

13.89.1 Table 13.61 shows the expenditure on disbursing of old age pension by the GNCTD and the MCD. The duplication of the function is self-evident and the possibility of duplicating the beneficiary cannot be

ruled out. The fact is that a cash strapped organization like the MCD is indulging in extravagance by taking up a welfare measure which the state government is already discharging. MCD would be well advised to give up immediately all such functions that are being performed by the state government.

Table: 13.61-Expenditure on Old Age Pension by the GNCTD and the MCD (Rupees in crore)

Year	Old Age Pension Expenditure (GNCTD)	Old Age Pension Expenditure (MCD)
1994-95	3.37	1.76
1995-96	7.12	1.62
1996-97	8.88	1.47
1997-98	11.60	1.54
1998-99	15.58	2.24
1999-00	17.91	2.97
2000-01	20.86	3.40
2001-02	28.36	7.70
2002-03	39.00	9.69
2003-04	48.92	16.86
2004-05	43.54	NA

13.89.2 The mammoth Engineering Department of the MCD, says the Memorandum of the Corporation, is responsible for construction and maintenance of 15000 kilometres of bitumen road, 4000 kilometres of cement concrete roads, 6000 kilometres of brick paved roads, 2000 kilometres kutchha road, 3000 kilometres of footpaths in urban and rural areas.

13.89.3 During the year 2004-05 itself 6.41 kilometres of roads were widened in rural area against 4.15 kilometres. in urban area. During 2005-06 widening of 18.00 kilometres rural roads and 12.00 kilometres of urban roads was proposed. For this obligatory function MCD does receive plan assistance (loan), but, at a cost as interest has to be paid to GNCTD. Once again, we shall consider the demand for additional resource allocation in the chapter on projections. Here the limited issue is how can the state government ensure proper utilization of the resources it makes available?

13.90 Table 13.62 reports the funds released to the MCD in the eleven year period (1994-1995 to 2004-2005) in the roads sector. In this period the amount released is almost Rupees 1000 crore (Rupees 956.84 crore). However, funds in the road sector are earmarked against large items such as drainage, subways, ROB, RUB, and widening of existing bridges. The annual plan document of the state government does not incorporate sufficient details to facilitate appropriate monitoring of the proposed expenditure and the physical achievements.²⁰

Table: 13.62-Rural –Urban Roads -Approved BE/RE and Expenditure from the year 1994-1995 to 2004-2005 (Rs. in Crore)

Year	BE	RE	Actual Funds Released
1994-1995	75.00	60.00	60.00
1995-1996	90.00	85.75	85.75
1996-1997	110.00	82.50	82.50
1997-1998	81.00	75.00	75.00
1998-1999	93.16	89.84	89.84
1999-2000	111.75	113.25	113.25
2000-2001	97.00	95.00	95.00
2001-2002	90.00	75.00	75.00
2002-2003	90.00	85.50	85.50
2003-2004	95.00	95.00	95.00
2004-2005	100.00	100.00	100.00

**Diversion of Funds:
Conservancy and Sanitation**

13.91 The Conservancy and Sanitation Engineering Department (CSE) is responsible for overall sanitation and hygiene of the area including sweeping, collection and removal of garbage, solid waste management (SWM) and construction, maintenance and de-silting of drains/ nallahs, public latrines and urinals, scavenging within the jurisdiction of the MCD, including rural and urban villages; slum clusters, regularized unauthorized colonies, roads, streets and public conveniences.

13.91.1 MCD is annually incurring 14.98 percent of plan funds and 19.96 percent of non-plan expenditure on an average every year for sanitation and drainage services.

13.91.2 Sweeping of 980 lakh square feet is done by an army of (approximately) 49000 safai karamcharis and 2500 supervisory staff

²⁰ Annual Plan documents for the years 2004-2005 and 2005-2006 Volumes I as examples.

on a daily basis. The MCD area generates 6000-6500 (approx) tonnes of waste per day. Garbage is received at 2500 constructed neighbourhood dhalaos and newly introduced coloured street dustbins of different design and sizes as well as some open sites in some localities. The city garbage is dumped at 3 sanitary land fill sites (SLF) by a fleet of 700 tipper trucks, 100 loaders and 26 bulldozers. Nine Auto Workshops provide maintenance and repair backup. The MCD has constructed and maintains 3950 public urinals (approx) and public toilets having about 26000 seats to meet the requirements of citizens including unauthorized colonies, rural dwellings and inflow of daily workers/passengers.

13.91.3 For disposal of liquid sanitary waste/rain water from residential and institutional/public areas MCD has constructed and maintains 1545 Km length of big nallahs which generate 8.08 lakh tonnes of silt every year and require Rupees 25.32 crore per annum for its removal, which are met out of plan funds.

13.91.4 From the above, the MCD memorandum asks rhetorically, 'the reaction would be, then, why are the citizens of Delhi not satisfied?' It attempts to provide an answer: 'all these services and maintenance thereof have to be provided at a cost, employees have to be paid, equipment has to be purchased, maintained and replaced, drains and nallahs along with public latrines/urinals have to be constructed and maintained. When MCD fails to deliver, PILs are filed in Supreme Court. Further, since the Second DFC, a number of unauthorized colonies have mushroomed in the city encroaching agricultural land. 255 colonies during last 5 years and 44 resettlement colonies have got transferred from DDA to MCD for maintenance. Every day a large number of people enter Delhi seeking jobs and, either add to the population in existing JJ Clusters, or find a place to start a new JJ Cluster. These people do not contribute to taxes but MCD is obligated to provide civic infrastructure and services.

13.91.5 Keeping in view the increasing population growth and almost total urbanization, it is expected that by the year 2024 the generation of waste will increase to 17000 M.T. (approx) per day. Accordingly, it has become environmentally imperative to prepare a holistic and practical master plan for providing modern infrastructure for collection, disposal and treatment of solid waste, otherwise there will be mayhem and we will not know where and how to dispose waste and how to tackle the connected health and hygiene problems. MCD

has proposed Master Plan for municipal solid waste 2005-2024 which requires an investment of Rupees 3773 crore over the next 20 years as detailed in MPD 2021.

- 13.91.6 Despite the inability and difficulty of financing projects from its own sources, and inadequate funds received from the GNCTD, the MCD will, the Memorandum submitted to the Commission says, be implementing 11 projects over the next 5 years. Of these 8 are being implemented, financed and executed on BOT basis and 3 projects at Narela, Bawana and Bhatti Mines landfill sites with Public Private Partnership (PPP). We shall discuss the expenditure projections and revenue needs in the chapter dealing with projections.

13.92 At this stage it will suffice to recall what the First Finance Commission has said in its report at Box 13.8.

Box: 13.8-First DFC: Conclusions and Recommendations from the Interim Report ²¹

Functional Priorities of MCD

An index of relative ranking by importance of various functions performed by a municipality is provided by the relative share that the active take up in the annual expenditure of that body. Judged from this criterion, it is seen that sanitation has over the years come to occupy the first place, having displaced primary education from its earlier ranking as the claimant to the largest share in MCD's total expenditure. Thus, whereas education accounted for 26.34% of the total expenditure of MCD in 1984-85, its share came down to 24.39% in 1995-96 as against sanitation services whose share rose from 20.22% to 26.59% over the 12 year period. This may be a welcome development from the view point of improving day-to-day quality of life of the denizens of the metropolis but the relative decline in the share of primary education should also be regarded, prima facie, a matter of long term concern.

Overall Financial Situation of MCD

The acute financial distress from which the functioning of the MCD is deeply afflicted is unmistakable and beyond the pale of controversy. This is without taking into account the large deficits, which the two utility undertakings of the municipal body are currently running. The legal requirement of MCD having a surplus of Rs. 1 lakh in its annual budget has remained a myth. There is no denying the fact that in order to enable the MCD to perform satisfactorily its assigned obligatory functions, which have intimate bearing on the day to day life of over a crore citizens, the financial position of MCD would need to be bolstered up effectively.

²¹ Interim Report of the First Finance Commission for the National Capital Territory of Delhi, September 1996, Section IV, Conclusions and Recommendations, pages 22-25

Scope for Economy in Municipal Administration

The detailed analysis of MCD's huge demand for additional resources for augmenting sanitation service (vide Appendix to this report and Section III earlier) has established beyond doubt that there is rampant wastage and leakage of valuable resources resulting in very low levels of output and performance. This is entirely due to mismanagement marked by laxity of supervision, lack of systems, inability to enforce discipline and accountability, and prevalence of serious malpractices. The lack of managerial will and skill is writ large on every aspect of solid waste management by MCD Administration. Without the rediscovery of this critical element of managerial will and skill, any further inputs of valuable resources cannot be expected to yield expected results. The stage when additional resources could substitute for lack of management is long past. In a word, the scope for economy in municipal administration is immense and without such economy being brought about, the cost to the civic life in Delhi would be colossal.

Scope for Raising Resources by MCD

Even a cursory examination of Property Tax administration has shown the large scope that exists for tapping this prime source of revenue of the MCD. Unfortunately, in this case as well, the sheer mal-administration has cost the municipality heavily. A staggering amount of Rs. 1896 crore stands in arrears. Even if half of this is recovered, the MCD would be able to meet all its outstanding liabilities to date.

Note must also be taken of the huge amounts lying in Suspense Account. As much as Rs. 152.9 crore has reportedly been drawn from the suspense accounts to meet MCD's current expenses. This raises a serious question about the efficiency of book-keeping in the Corporation. Serious note also needs to be taken of the flagrant violation of the law being committed by the municipality in not depositing with the Provident Fund Commissioner the PF contributions deducted by it from the salaries of its employees.

Recommendations

Clearly, it will not be appropriate to expect the Government of NCT of Delhi to providing the entire amount of gap to the MCD particularly when the MCD is sitting over a pile of resources in the shape of arrears of Property Tax. Considering the difficulties currently faced by the MCD because of its PT administration being in a state of disrepair, and the time available in the current year being limited to six months, the Commission is of the view that half of the deficit alone should be filled by appropriate grants from plan and non-plan heads of the government of NCT of Delhi in the current year. For the next year the MCD must raise at least two-thirds of the projected deficits by tapping its huge PT arrears.

13.92.1 Clearly, the First Commission did not consider it appropriate to expect the government of the NCT of Delhi to provide the entire amount needed for sanitation services and in fact expected the MCD to raise most of the resources itself. This did not happen.

**Inadequate
Service:
Education
and Health**

13.93 The MCD provides free nursery and primary education to 9.34 lakh students in 1833 primary schools having 886 nursery classes and 33 independent nursery schools through 21,000 (approx) teachers and 5500 supporting staff. Besides this, the Education Department is building new schools, demolishing old schools and rebuilding them and providing porta cabin and prefab schools.

13.93.1 These MCD schools provide basic education at the nursery and primary level in unauthorized colonies, slums and JJ clusters, resettlement colonies in rural/urban villages which do not contribute towards tax. The students are provided free uniforms, sweaters, shoes, textbooks computer training as well as nutritional midday meals. Every year 21.66 percent of plan funds and 23.29 percent of non plan expenditure on an average is earmarked for education sector.

13.93.2 Out of 1833 schools approximately 1750 schools have already been provided with permanent buildings/school buildings. Now less than 5 percent are run from tents. Computers have been provided in 1000 schools to impart computer trainings. Students are provided with free uniform, sweaters shoes and socks, textbooks annually. Free mid-day meals are provided to all the students through 11 NGOs/Private Contractors. As per approved scheme, 50 percent cost of mid-day meal is met from plan and 50 percent from non-plan i.e. Rupees 1000 lakh from the MCD's own resources. MCD is also providing 95 percent aid amounting to Rupees 820 lakh from non plan to 44 aided schools. Further double bench tables have been provided to replace tat patties. Keeping in mind the health and environment aspects water purifiers and water coolers are being provided in all the schools at a cost of Rupees 400 lakh.

13.94 Preventive health is provided through 30 Maternity Homes, 240 Maternity and Welfare Centres and 138 sub-Centres for safe motherhood. A separate wing is responsible for anti-malaria/anti larval operations and treatment is provided through 251 fever treatment depots (Hospitals and Dispensaries) and 125 Malaria Clinics. Medicines are distributed free of cost through drug distribution centres in rural areas. Allopathic, Homeopathic, Ayurvedic and Unani curative services are provided through 6 major well equipped Hospitals, 4 colony hospitals, 6 Polyclinics, 5 Primary Health Centres, 52 Allopathic Dispensaries, 16 Mobile Dispensaries, 11 Chest Clinics in addition to 3 Ayurvedic Hospitals, 111 Ayurvedic Dispensaries, 28

Homeopathic Dispensaries and 19 Unani Dispensaries. Specialized services are given through 1 leprosy home and 2 leprosy clinics, VD clinics, 15 anti rabies clinics and 11 TB clinics. As on date the bed strength is 3922. Every year 5.12 percent plan funds and 12.34 percent of non plan expenditure on an average is earmarked for the health sector. These medical/health infrastructure of the MCD caters to lower income groups in unauthorized colonies, slums& JJ clusters, resettlement colonies, rural/urban villages as well as to the daily migration population of Delhi. Whereas MCD is responsible for providing these services it gets no returns and these people do not contribute to taxes.

13.94.1 The MCD health care units provide preventive, curative, promotive (sic) and rehabilitative services in a holistic manner. MCD is a major agency for providing public health as well as medical care in its jurisdiction. Under the e-Governance program, all the 6 major hospitals under MCD are being computerized and a Hospital Information System (HIS) is being implemented at a cost of Rupees 741 lakh obtained as plan loan. The Health Department is also responsible for computerized registration of births and deaths through its 20 Citizen Service Centres.

13.94.2 Based on the explosive population growth, it will be imperative to augment its dispensaries in the next 5 years. The 6 MCD hospitals which have years of medical experience must now be upgraded, modernized with sophisticated and modern equipment for which enormous funds will be required under plan assistance over the next 5 years. The MCD run Rajan Babu TB Hospital and the Infectious Diseases Hospital receive more patients from outside than from Delhi and should be recognized and fully financed as a National Hospital i.e. Rupees 14.12 crore per annum.

13.94.3 The budget provision for health and medical relief is Rupees 3500 lakh under plan and Rupees 31243.62 lakh under non-plan (Public Health Rupees 5970.43 lakh and Medical Relief Rupees 25272.69 lakh). Since, Medical Relief is a state subject, the amount of Rupees 25272.69 lakh per annum should be reimbursed to MCD as a recurring grant by the GNCTD.

13.94.4 MCD controls and runs 58 cremation grounds including 4 electric crematoriums. To reduce pollution/burning of fire wood one cremation ground has been converted to CNG and in 14 conversions to CNG will be completed in the next 5 years at a cost of Rupees 1304 lakh. Being a sensitive social cause and also environmentally friendly, cost of Rupees 1304 lakh should be given as an outright grant to MCD

by GNCTD. Conventional cremation grounds are being managed by NGO's at no cost to MCD.

**Analysis and
some
Conclusions**

13.95 All organizations have functional responsibilities and duties. That indeed is the rationale for their very existence. Discharge of responsibilities and performance of duties require resources. This assumes that the organization is conscious of the necessity for prioritisation among competing objectives and the need to economize, and effect cost and time savings. The organization must be alive to the need to generate resources either by way of additional resource mobilization or by curbing extravagance and profligacy.

13.95.1 The management of expenditure responsibilities is therefore a vital factor in determining the financial health of any organization. There are several aspects that needed to be examined in far greater detail than has been possible given the availability of time and relevant data/information. For an appreciation of efficiency issues: the effectiveness of planning and integration with the budgetary provisions, the achievements against physical needs and targets, or the deficits implied in the provision of infrastructure, services and amenities we would, for instance, have liked to have considered the sector expenditure-volume, pattern, and utilization- in far greater detail. Equally important are matters related to rational resource allocation and utilization: budgeting for priority sectors and needs, equitable availability of resources as between different zones and functions, efficiency as measured in terms of time-cost overruns or ability to utilize budgeted amounts/available resources. The government may consider constituting an Expenditure Reforms Commission specifically for an in depth examination of issues related to the MCD.

13.95.2 However, the disconnect between the levels of the actual and projected revenues is clear as is the disconnect between the actual and projected expenditure. Further, there is no connection between the revenues and the expenditure. We can only speculate about the possible reasons for this.

13.95.3 This would involve an investigation into the reasons and factors responsible for two sets of issues: (i) the revenues being projected much higher than what the track record of the actual receipts suggest would be warranted, and; (ii) similarly, expenditure being projected much higher than the actual receipts.

- 13.95.4 The possible explanation for high expenditure projections are equally high projections for revenue realizations. The reason for shortfall in expenditure could possibly be that projected revenue did not materialize. It is also possible that the projection of expenditure has no linkage to projected or actual revenue realization. Accordingly, actual expenditure has no connection with the projected or actual revenues.
- 13.95.5 Further the steep shortfalls in expenditure suggests the possibility that the Corporation simply lacks absorptive capacity, executive plan, technical ability or the appropriate administrative arrangements for allocating and utilizing funds rationally. In this context, it is worth noting that even despite availability of funds the Corporation is not able to discharge effectively the agency functions. The figures of projected expenditure may also lack the backing of plans and proposals for expenditure in the nature of executive projects.
- 13.95.6 Another fact should worry the city planners and managers: the tendency to equate the volumes of investment with the value of investments. Again the value of investments made is not restricted to the idea of best and most economical use of available funds. The issue of the value of investment additionally involves the idea of valuable and tangible outcomes. There is little evidence to suggest that the Corporation makes any attempt to assess its investments in terms of the value of outcomes.
- 13.95.7 In this context we refer to the fact that resources being transferred from the state government have all along been increasing. Plan funds have grown from Rupees 274.46 crore (1994-1995) to Rupees 652.72 crore (2004-2005), a little less than a two and a half times increase. The non-plan grants have increased from Rupees 72.25 crore (1994-1995) to Rupees 455.25 crore (2004-2005), a 6.3 times increase. The assigned taxes have also increased from Rupees 131.98 crore (1994-1995) to Rupees 347.01 crore (2004-2005), a 2.63 times increase. Simultaneously, reliance on ways and means advances has become a regular annual feature from 1997-1998.
- 13.95.8 Contrast this with the growing liabilities, including loan liabilities, inability to curb non-productive expenditure, and prioritise expenditure or generate surpluses and invest in revenue generating projects. In a situation of run away expenditure- where the only

constraint is the actual availability of funds- no levels of resource transfer can meet the needs of a profligate organization.

- 13.95.9 Similarly, the neglect of advice tendered by the Planning Commission that projects and investments be reviewed to assess their continued worth remains largely unheeded-by both the state government and the local bodies. Consequently, funds continue to be poured into schemes and activities whose worth, at best, is of doubtful utility while functional responsibilities are inadequately discharged or await attention for alleged want of resources. This emphasis on the traditional investment pattern is for no other reason than its being traditional, mental and administrative inertia, and inability to review the needs of a constantly evolving and dynamic socio-economic situation
- 13.95.10 Before we leave this section it is desirable to refer to the expectations generated by the Constitutional amendments which sought a larger and more effective role for the local bodies. It was the hope that being responsible to the citizens the elected representatives would, in their own enlightened interest act responsibly, and ensure effective delivery of services and amenities. One factor constraining the local provision of services was reportedly inadequacy of resources at the disposal of the municipal bodies. This constraint was to be largely resolved through the constitution of a Finance Commission every five years.
- 13.95.11 The two Finance Commissions constituted earlier have made several recommendations for improving the financial position of the municipal bodies. These have included measures to raise additional resources or contain non-productive expenditure. The additional mobilization of resources and the curtailment of expenditure depend on a variety of measures which the Corporation ought to take even if they were not part of the Finance Commission's recommendations. It is evident that the Corporation has not displayed any anxiety to reform its systems, finances or functioning.
- 13.95.12 Indeed, the Corporation appears complacent in its inefficiencies and ineffectiveness as a delivery mechanism. It appears that it cannot be goaded into proper action, rational resource allocation, or efficient utilization. It cannot be expected to respond to the incentive calculus. For instance, there has been no action to avail of

the incentive for larger resource mobilization as recommended by the Finance Commissions. It has to improve performance and be continuously reminded of its statutory obligations, responsibilities, and duties.

- 13.95.13 It may be recalled that in keeping with the logic of the Constitutional amendments, we had made an assumption²² that the Corporation will see the worth of effective functioning in its own interest. There is increasing evidence to show that the citizen rewards performance and good governance. The functioning of the Corporation belies hopes on this score. It is a long litany of common and frequently enumerated shortcomings that continue to characterize its working.
- 13.95.14 Consider just the two reform proposals it has implemented –both half-heartedly and ineffectively. One, on the revenue side (property tax) and the other on the expenditure side (zonal delegation). Zonal delegation was practically scrapped within weeks of its introduction and follow up measures in respect of property tax were simply not taken.
- 13.95.15 In such circumstances can-or should- the state government wash its hands off this situation? There are two ways to improve financial discipline and functional efficiency. Either the institution (in this case the Corporation) exercises self-discipline and restraint or (in the larger public interest) is subject to external management. It appears that the second option needs to be exercised by the state government for at least some years to come.
- 13.95.16 This is more so in respect of resources placed at the disposal of the MCD by the state government. Consider the fact that in the last 11 years the state government have transferred a total of Rupees 10109.28 crore out of the total receipts of Rupees 19237.83 crore that is 52.55 percent of the total receipts (Table 13.63). It has always ranged between 45.00 percent (2003-2004) and 59.00 percent (1995-1996). It has been more than 50 percent of total receipts in eight of eleven years.
- 13.95.17 The total expenditure of the MCD during this eleven year period (1994-1995 to 2004-2005) was Rupees 18976.85 crore. The share of the state government transfers has ranged from 45.00 percent

²² Chapter 1, Approach and Methodology

(2001-20002) to 64 percent (1994-1995). It has been more than 60 percent in three years (1994-1995, 1995-1996, and 2004-2005) and more than 50 percent in four years (1996-1997 to 1999-2000). The share of state transfer as a percentage of the total expenditure during the period was above 50 percent (53.27 percent).

13.95.18 In other words the state government has contributed to more than half of the receipts and expenditure of the Corporations in the eleven year period.

13.95.19 Plan funds of Rupees 5033.54 crore constitute tied grants and loans i.e they are intended to finance specific plan expenditure. Non-plan grants (Rupees 1829.72 crore) are also for specific purposes such as primary education, maintenance of re-settlement colonies, and nutrition. It is incumbent upon the state government to ensure proper utilization of these amounts and it needs to give greater attention to strengthening its own internal procedures to monitor implementation and utilization.

13.95.20 But how can it do so, when as we have seen in the case of roads, the funds are transferred on a bulk basis, without details of various roads (against which expenditure is to be monitored) being available. This means that details of the road construction or maintenance program against which progress of works can be watched are not available with the state government. (Table 13.63)

Table: 13.63-State Government transfers as a Percentage of Total receipts and Total expenditure of MCD-1994-1995 to 2004-2005 (Rupees in crore)

Year	Plan Funds	Non-Plan Grants	Assigned Taxes	Ways & Means Advances	Total State Govt. Transfers	Total receipts of MCD	Total Transfer as Percentage of Total Receipts	Total Exp of MCD	State Transfers as a Percentage of Total Exp.
1994-95	274.46	72.25	131.98	2.00	480.69	847.19	56.74	751.39	63.97
1995-96	379.94	76.96	152.24	0.00	609.14	1034.58	58.88	954.93	63.79
1996-97	370.17	80.30	169.57	0.00	620.04	1113.96	55.66	1104.75	56.12
1997-98	386.76	100.60	95.25	90.00	672.61	1250.14	53.80	1265.97	53.13
1998-99	378.24	111.00	260.35	110.00	859.59	1534.68	56.01	1550.96	55.42
1999-00	449.21	194.75	190.04	180.00	1014.00	1899.51	53.38	1846.67	54.91
2000-01	480.04	157.85	227.55	80.00	945.44	1916.79	49.32	1969.10	48.01

2001-02	499.70	174.80	247.94	60.00	982.44	2016.24	48.73	2183.27	45.00
2002-03	595.30	200.57	296.80	60.00	1152.67	2234.20	51.59	2319.29	49.70
2003-04	567.00	205.39	295.29	0.00	1067.68	2332.50	45.77	2352.57	45.38
2004-05	652.72	455.25	347.01	250.00	1704.98	3058.04	55.75	2677.95	63.67
Total	5033.54	1829.72	2414.02	832.00	10109.28	19237.83	52.55	18976.85	53.27

13.95.21 Two points are involved here. First, ensuring proper use of its resources (i.e. the agency functions of the MCD) should be a top priority of the state government. If one agency does not perform, other more effective agencies have to be found in the interest of implementation of programmes and an exercise in this direction needs to be begun. Second, is the larger issue of ensuring responsible behaviour in an organization that does not exercise self-discipline. This leads us to a corollary. Inducing more responsible behaviour-administrative, functional, and financial- requires government to implement a credible 'no bailout' policy. The Corporation (like the public utilities DTC and DJB) is surely encouraged to behave irresponsibly because it believes that the state government shall come to its rescue. The state government needs to disabuse the Corporation of this notion. This may well turn out to be the most significant policy initiative that would create the enabling circumstances and compulsions for effective financial management in the MCD. With such a credible "perform or perish" policy on the part of the State Govt. the work culture of the MCD is likely to significantly improve as the first casualty of such a policy could be establishment cost and their reduction.

13.95.22 We also need to invite attention to another aspect: the high cost of delivery of services that underlie the resource need projections of the Corporation. On what does the Corporation base its projected resource requirements? Does it claim to have rationally assessed the deficits in infrastructure, amenities, or services plaguing different parts of Delhi? Does it say that it has determined the resource needs to correct the deficits and proposes to raise resource on its own, and seeks additional resources only to the extent of the gap that even its best efforts would not enable it to fill? Is there any evidence that it has sought to cut costs or to curtail avoidable expenditure? The answer to all these cannot but be 'no!' because it does nothing of the kind. Using clichéd parameters large geographical area, substantial and rising population. MCD

proposes step ups in allocations for various functional responsibilities. It is our considered view that this application of macro parameters (of which at least one-the geographical area of responsibility is static) will no longer sustain or justify additional allocations. MCD must show its determination in raising all possible resources (particularly improve property tax collection of current dues and arrears) and make effective utilization of funds.

Chapter 14

NDMC: Resource Management

The 'Raisina Municipal Committee' was established in 1916 to cater to municipal needs of the labour engaged in the construction of the new capital. In 1925, the then Chief Commissioner, Delhi upgraded it to the level of a 'second class' municipality under the Punjab Municipal Act, 1911. Around this time it was known as 'Imperial Delhi Municipal Committee' and in 1932, it became a 'first class' municipality. In May 1994 the NDMC Act, 1994 replaced The Punjab Municipal Act, 1911 and the Committee was renamed as New Delhi Municipal Council.

14.2 The New Delhi Municipal Council is responsible for an area of 42.74 square kilometres. This area includes the seat of the central government, Rashtrapati Bhawan, the Prime Minister's office and residence, central government offices, foreign missions, residences of ministers, members of parliament, diplomats and central government employees. In addition to providing basic civic amenities to its residents, the municipal council also ensures various social, cultural, educational and medical facilities. The territorial boundaries of the NDMC are as in Box 14.0

Box-14.0-Territorial Boundaries of the NDMC

"The junction of the Pusa Road and Upper Ridge Road towards east along the New Link Road, the Panchkuian Road up to its junction with the Old Gurgaon Road; thence towards northeast along the Old Gurgaon Road and Chelmsford Road up to the New Delhi Railway Station; thence towards south and south east along the railway line up to its junction with the Hardings Bridge' thence towards south along the Mathura Road, up to its junction with Lodi Road' thence towards south along the Lodi road; up to its junction with the Ring Railway; thence towards west along the railway line up to its junction with Qutab Road; thence towards south along the Qutab Road upto its junction with Kaushal Nulla; thence towards east along the Kaushak Nulla up to its junction with the Boundary of the Corporation; thence towards south and thence towards west along the boundary of the Corporation and along the south boundary of the Medical Enclave up to its junction with the Ring Road near Gwalior Potteries; thence towards north-west along the Ring Road up to its junction with Kitchner Road, thence towards north along the Upper Ridge Road up to the starting point."

14.3 In accordance with NDMC Act, 1994, an eleven-member council headed by a Chairperson governs the NDMC. Under the NDMC Act, 1994, the Council

consists of a Chairperson, 3 members of the Legislative Assembly of Delhi representing constituencies which comprise wholly or partly New Delhi area, 5 members from amongst the officers of the Central Govt., two members nominated by central government in consultation with the Chief Minister of Delhi amongst lawyers, doctors, chartered accountants, engineers, business and financial consultants, intellectuals, traders, labourers, social workers including social scientists, artists, media persons, sports persons or any other class of persons as may be specified by the central government in this behalf. Besides, the Member of Parliament representing the Constituency, which comprises wholly or partly the New Delhi area is a special invitee to the meetings of the Council but he has no right to vote. Of the 11 members referred to above there have to be at least 3 women members and one belonging to the Scheduled Castes. The constituted Council shall be in office for a period of 5 years as provided in the Act.

14.4 According to the 2001 Census, the static population of the NDMC area, compared to 3.01 lakhs in the year 1991, is 2.93 lakhs only. However, the NDMC estimates that the floating population is 15 lakhs. It attributes this to the fact that there are several commercial complexes and government offices which means that besides foreign dignitaries, tourists both Indian and foreign, and other visitors pass through New Delhi.

14.5 Box 14.1 and 14.1(a) summarize the functional jurisdiction of the NDMC.

Box 14.1- Functional Jurisdiction of the NDMC - Obligatory

Subject to the provisions of this Act and any other law for the time being in force, it shall be incumbent on the Council to make adequate provisions by any means or measures which it may lawfully use or take, for each of the following matters, namely:

-

- (a) the construction, maintenance and cleaning of drains and drainage works and of public latrines, urinals and similar conveniences;
- (b) the construction and maintenance of works and means for providing supply of water for public and private purposes;
- (c) the scavenging, removal and disposal of filth rubbish and other obnoxious or polluted matters;
- (d) the construction or purchase, maintenance, extension, management for-
 - (i) supply and distribution of electricity to the public;
 - (ii) providing a sufficient supply of pure and wholesome water;

- (e) the reclamation of unhealthy localities, the removal of noxious vegetation and generally the abatement of all nuisances;
- (f) the regulation of places for the disposal of the dead and the provision and maintenance of places for the said purpose;
- (g) the registration of births and deaths;
- (h) public vaccination and inoculation;
- (i) measures for preventing and checking the spread of dangerous diseases;
- (j) the establishment and maintenances of dispensaries and maternity and child welfare centres and the carrying out of other measures necessary for public medical relief; and child welfare centres and the carrying out of other measures necessary for public medical relief;
- (k) the construction, the maintenance of municipal markets and regulation of all markets;
- (l) the regulation and abatement of Offensive or dangerous trade or practices;
- (m) the securing or removal of dangerous buildings and places;
- (n) the Construction, maintenance, alteration and improvements of public streets, bridges, culverts, causeways and the like;
- (o) the lighting, watering and cleansing of public streets and other public places;
- (p) the removal of obstructions and projections in the or upon streets, bridges and other public places;
- (q) the naming and numbering of streets and premises;
- (r) the establishment, maintenance of, and aid to, schools for primary educations subject to such grants as may be determined by the Central Government from time to time.
- (s) The maintenance of municipal offices;
- (t) the laying out or the maintenances of public parks, gardens or recreation grounds;
- (u) The maintenances of monuments and memorials vested in any local authority in New Delhi immediately before the commencement of this Act or which may be vested in the Council after such commencement;
- (v) The maintenance and development of the value of all properties vested in or entrusted to be management of the Council;
- (w) The preparation of plans for economic development and social justice;
- (x) The maintenance including the expansion and up gradation of facilities of the hospitals existing on the date of the commencement of this Act;
- (y) Sanction or refuse erection or re-erection of buildings; and
The fulfilment of any other obligation imposed by or under this Act or any other law for the time being in force.

Box 14.1(a)- Functional Jurisdiction of the NDMC - Discretionary

Subject to any general or special order of the Government, or the Central Government from time to time, the Council may provide either wholly or in part for all or any of the following matters, namely: -

- (a) the furtherance of education including cultural and physical, education by measures other than the establishment and maintenance of, and aid to schools for primary education;*
- (b) the establishment and maintenance of, and aid to, libraries, museums, art galleries, botanical or zoological collection;*
- (c) the establishment and maintenance of, and aid to, stadia, gymnasia, akharas and places for sports and games;*
- (d) the planting and care of trees on roadsides and elsewhere;*
- (e) the surveys of buildings and lands;*
- (f) the registration of marriages;*
- (g) the taking of census of population;*
- (h) the provision of housing accommodation for the inhabitants of any area or for any class of inhabitants;*
- (i) the providing of music or their entertainments in public places or places of public resort and the establishment of theatres and cinemas ;*
- (j) the organization and management of fairs and exhibitions;*
- (k) the acquisition of movable or immovable property for any of the purposes before mentioned, including payment of the cost of investigation, surveys or examinations in relation thereto for the construction or adaptation of buildings necessary for such purposes;*
- (l) the construction and maintenance of:*
 - i. rest-houses,*
 - ii. poor-houses,*
 - iii. Infirmaries,*
 - iv. children's homes,*
 - v. houses for the deaf and dumb for disabled and handicapped children,*
 - vi. shelters for destitute and disabled persons,*
 - vii. asylums for persons of unsound mind;*
- (m) the construction and maintenance of cattle pounds;*
- (n) the buildings of purchase and maintenance of dwelling-houses for municipal officers and other municipal employees;*
- (o) any measures for the welfare of the municipal officers and other municipal employees or any class of them including the sanctioning of loans to such officers and employees or any class of them for construction of houses and purchase of vehicles;*
- (p) the organization or management of chemical or bacteriological laboratories for the examination or analysis of water, food and drugs for the detection of diseases or research*

- connected with the public health or medical relief;*
- (q) the provision for relief to destitute and disabled persons;*
 - (r) the establishment and maintenance of veterinary hospitals;*
 - (s) the organization, construction, maintenance and management of swimming pools, public wash houses, bathing places and other institutions designed for the improvement of public health;*
 - (t) the organization and management of farms and dairies within or without New Delhi for the supply, distribution and processing of milk and milk products for the benefit of the residents of New Delhi;*
 - (u) the organization and management of cottage industries, handicraft centers and sales emporia;*
 - (v) the construction and maintenance of warehouses and godowns;*
 - (w) the construction and maintenance of garages sheds and stands for vehicles and cattle biers;*
 - (x) the provision for unfiltered water supply;*
 - (y) the improvement of New Delhi in accordance with improvement schemes approved by the Council;*
 - (z) any measure not hereinbefore specifically mentioned, likely to promote public safety, health, convenience or general welfare.*

**Financial
Operations:
Receipts
Structure**

14.6 Like in the case of the MCD, the evaluation of the resource needs of the New Delhi Municipal Council too can be determined on the basis of several yardsticks depending upon the aspect being investigated: as an estimation of annual needs, as projections of requirements vis-à-vis functions and obligations, liabilities acquired over the years, as resources needed for implementation of projects and programs or for the delivery of infrastructure, services, and amenities. It is also possible to recall the fund requirement projected before the first and second Delhi Finance Commissions. An attempt is made to examine these aspects.

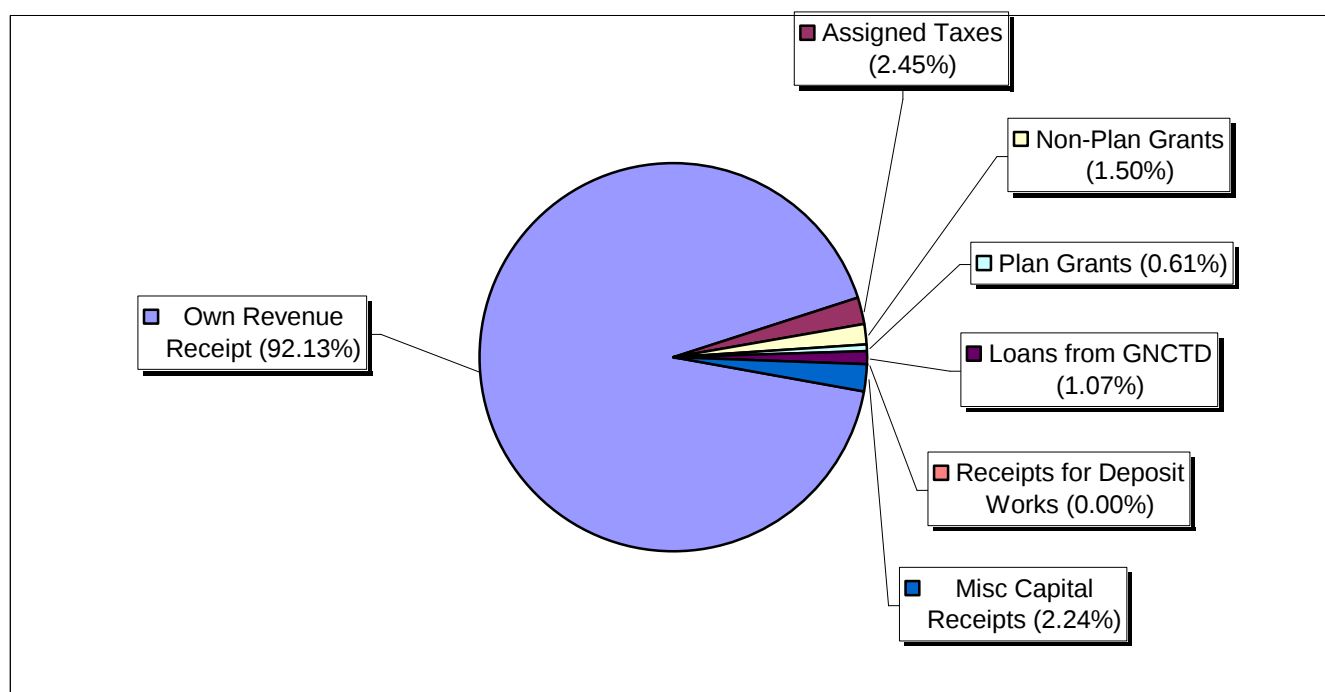
14.7 'Own resources', 'assigned taxes', 'plan and non-plan grants' constitute the revenue receipts of the NDMC. The 'loans from the GNCTD' are the capital receipts. Own resources include the tax and non-tax receipts of the NDMC. The assigned taxes are the share of the Council in the taxes and duties etc levied by the Delhi government and assigned to the local bodies as per the recommendations of the State Finance Commission. The plan grants are released by the Delhi government for the implementation of its plan schemes in public health, roads, and mechanization of sanitation and garbage removal. In this case the NDMC is

acting on behalf of the state government and performing agency functions. The non-plan grants are released under three heads: primary and secondary education, and nutrition. The 'loans' component includes plan loans released for implementation of plan schemes for creation of certain assets.

Total Receipts Structure 14.8 The receipts structure of the NDMC is reflected in Table 14.0 and Figure 14.0 and 14.1. The receipts from 'own resources' have increased from Rupees 318.32 crore (1994-1995) to Rupees 1012.23 crore (2004-2005), representing a percentage increase of 217.99 percent. The assigned taxes grew from Rupees 8.46 crore (1994-1995) to Rupees 11.29 crore (2004-2005). The plan grants increased from Rupees 2.12 crore (1994-1995) to Rupees 3.00 crore (2004-2005). The non-plan grants increased to Rupees 31.05 crore (2004-2005) from Rupees 5.18 crore (1994-1995). The loans from the GNCTD declined from Rupees 3.68 crore (1994-1995) to Rupees 0.75 crore (2000-2001). Thereafter no loans were availed by NDMC.

Table: 14.0-Total Receipts Structure of the NDMC-1994-1995 to 2004-2005
(Rupees in crore)

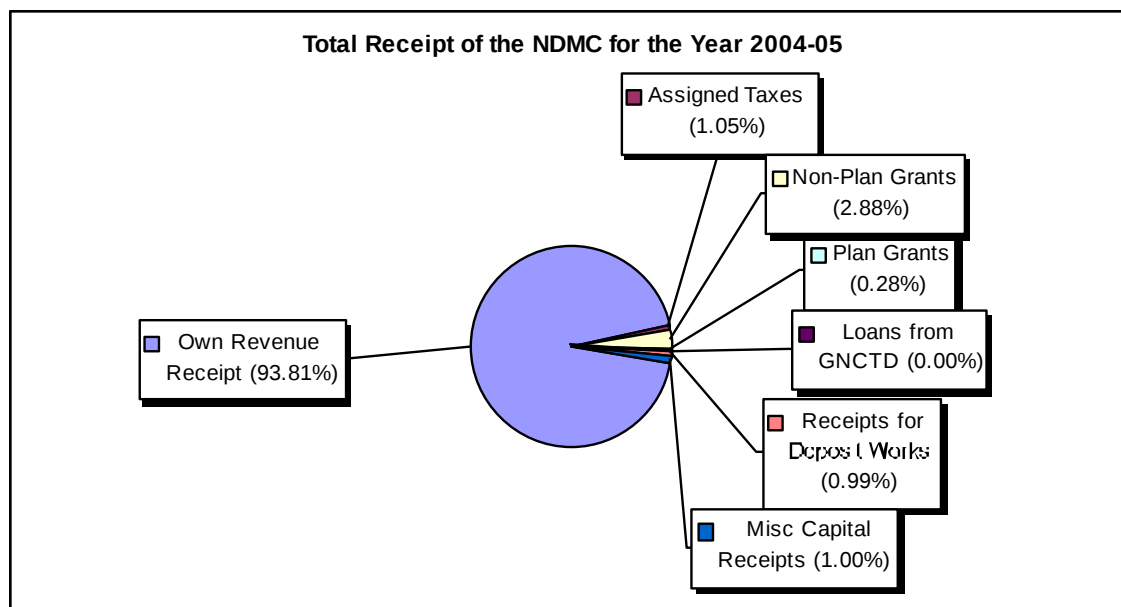
Year	Own Revenue Receipt	Assigned Taxes	Grants (Plan)	Grants (Non-Plan)	Loan from GNCTD	Receipts for deposit works	Misc. capital receipts	Total
1994-1995	318.32	8.46	2.12	5.18	3.68	0	7.75	345.51
1995-1996	340.59	11.42	3.96	6.18	8.54	12.68	0	383.37
1996-1997	360.29	13.14	2.46	6.87	6.48	7.42	0	396.66
1997-1998	460.98	12.47	1.39	10.33	4.09	6.96	6.01	502.23
1998-1999	509.37	6.23	1.69	11.81	4.85	9.04	6.03	549.02
1999-2000	567.35	5.24	1.90	8.77	7.04	12.93	8.47	611.70
2000-2001	699.85	7.54	4.23	11.06	0.75	19.86	6.22	749.51
2001-2002	728.61	8.06	4.07	11.46	0.00	10.66	8.02	770.88
2002-2003	834.89	6.28	3.45	13.65	0.00	18.41	6.72	883.40
2003-2004	819.87	6.39	1.51	14.09	0.00	7.92	13.57	863.35
2004-2005	1012.23	11.29	3.00	31.05	0.00	10.66	10.74	1078.97

Figure: 14.0-Total Receipts Structure of the NDMC – 1994-1995.

- In the receipt structure of the NDMC, all external sources (such as assigned taxes, plan and non-plan grants, loans from the GNCTD), receipt for deposit works and miscellaneous capital receipts play a relatively insignificant role. This is true of the absolute position of the NDMC. It also presents a contrast to the situation of the MCD. This means that the NDMC is less dependent on the state government than is the MCD.
- The own receipts include the tax and non-tax revenues. The NDMC is including the revenue receipts from the sale of electricity and water, gross figures rather than net. This clearly distorts the actual revenues since it does not exclude the expenditure incurred on the provision of these services.
- A comparison of the receipts structure as in 1994-1995 and 2004-2005 shows that the percentage shares of various sources has undergone a marked change. For instance, own revenue receipts, which have constantly been on the higher side, have actually increased their percentage share from 92.43 percent (1994-1995) to 95.15 percent (2004-2005). This represents a percentage point increase of 2.72. This is a significant increase.
- Assigned taxes as a source of revenues have declined from 2.36 percent (1994-1995) to 1.06 percent (2004-2005), a percentage point decline of minus 1.30. This is a fairly sharp fall. Grants (plan and non-plan) have declined

from 4.19 percent (1994-1995) to 3.79 (2004-2005), a percentage point decline of minus 0.40.

Figure: 14.1-Total Receipts Structure of the NDMC-2004-2005



14.9 Table 14.1 depicts the absolute and percentage variation in the receipts of the NDMC over the previous year source wise in the period 1994-1995 to 2004-2005. While the absolute variation in 'own resources' has been from minus Rupees 15.02 crore (2003-2004) to Rupees 192.36 crore (2004-2005), the percentage variation over previous years has ranged between minus 1.80 percent (2003-2004) to 27.95 percent (1997-1998).

**Table 14.1 - Absolute and Percentage Variation over Previous Year
(Rupees in crore) 1994-1995 to 2004-2005**

Year	Own Revenue Receipt		Assigned Taxes		Plan Grants		Non-Plan Grants		Loan from GNCTD	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
1994-95										
1995-96	22.27	7.00	2.96	34.99	1.84	86.79	1.00	19.31	4.86	132.07
1996-97	19.70	5.78	1.72	15.06	-1.50	-37.88	0.69	11.17	-2.06	-24.12
1997-98	100.69	27.95	-0.67	-5.10	-1.07	-43.50	3.46	50.36	-2.39	-36.88
1998-99	48.39	10.50	-6.24	-50.04	0.30	21.58	1.48	14.33	0.76	18.58
1999-00	57.98	11.38	-0.99	-15.89	0.21	12.43	-3.04	-25.74	2.19	45.15
2000-01	132.50	23.35	2.30	43.89	2.33	122.63	2.29	26.11	-6.29	-89.35
2001-02	28.76	4.11	0.52	6.90	-0.16	-3.78	0.40	3.62	-0.75	-100.00
2002-03	106.28	14.59	-1.78	-22.08	-0.62	-15.23	2.19	19.11	0.00	
2003-04	-15.02	-1.80	0.11	1.75	-1.94	-56.23	0.44	3.22	0.00	
2004-05	192.36	23.46	4.90	76.68	1.49	98.68	16.96	120.37	0.00	

Absolute and Percentage Variation over Previous Year (Rupees in crore)
(Contd.)

Year	Receipts for Deposit Works		Misc Capital Receipts		Total Receipts	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
1994-1995						
1995-1996	12.68		-7.75	-100.00	37.86	10.96
1996-1997	-5.26	-41.48	0.00		13.29	3.47
1997-1998	-0.46	-6.20	6.01		105.57	26.61
1998-1999	2.08	29.89	0.02	0.33	46.79	9.32
1999-2000	3.89	43.03	2.44	40.46	62.68	11.42
2000-2001	6.93	53.60	-2.25	-26.56	137.81	22.53
2001-2002	-9.20	-46.32	1.80	28.94	21.37	2.85
2002-2003	7.75	72.70	-1.30	-16.21	112.52	14.60
2003-2004	-10.49	-56.98	6.85	101.93	-20.05	2.27
2004-2005	2.74	34.60	-2.83	-20.85	215.62	24.97

- The absolute change in assigned taxes has been between minus Rupees 6.24 crore (1998-1999) and Rupees 4.90 crore (2004-2005). The percentage variation in assigned taxes has ranged from minus 50.04 percent (1998-1999) to 76.68 percent (2004-2005).
- Similarly, the absolute change in the plan grants have ranged from minus Rupees 1.94 crore (2003-2004) to Rupees 2.33 crore (2000-2001) and non-plan grants have varied from minus Rupees 3.04 crore (1999-2000) to Rupees 16.96 crore (2004-2005). The percentage variation in non-plan grants has ranged between minus 25.74 percent (1999-2000) to 120.37 percent (2004-2005), and plan grants between minus 56.23 percent (2003-2004) to 122.63 percent (2000-2001).
- The absolute variation in loans, representing the capital receipts, has been from minus Rupees 6.29 crore (2000-2001) to Rupees 4.86 crore (1995-1996), and the percentage variation from minus 100 percent (2001-2002) to 132.07 percent (1995-1996).
- The absolute variation in total receipts has varied from minus Rupees 20.05 crore (2003-2004) to Rupees 215.62 crore (2004-2005), while the percentage variation has been from minus 2.27 percent (2003-2004) to 26.61 percent (1997-1998).

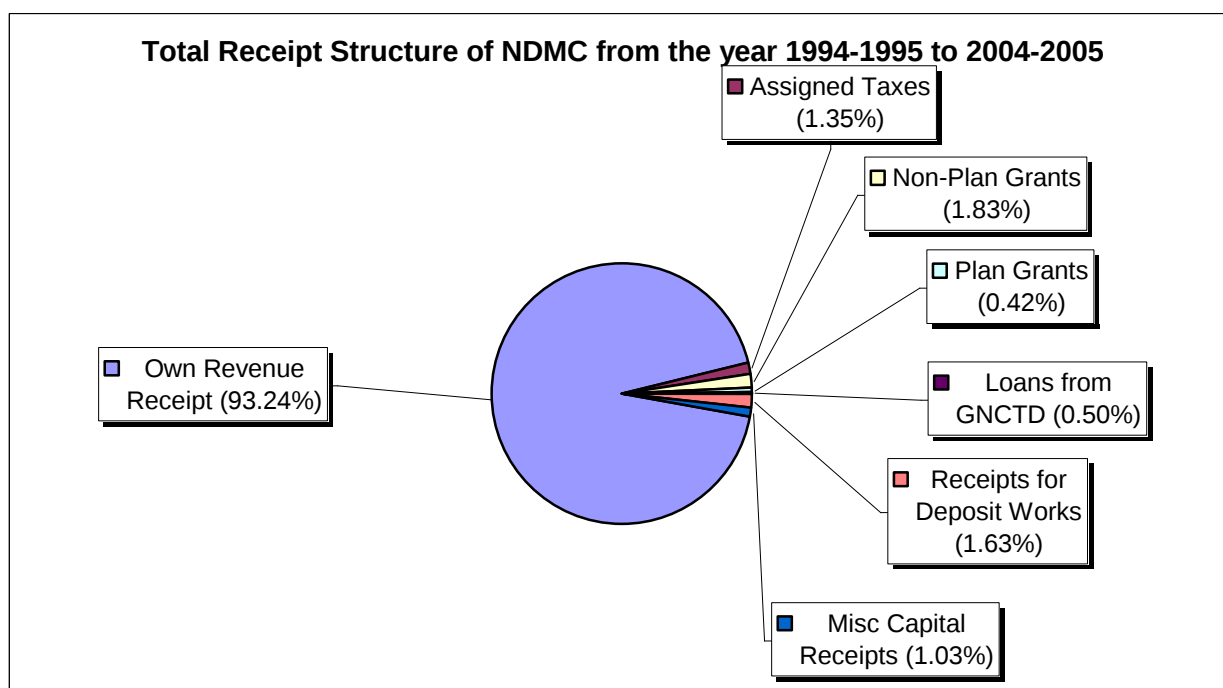
- The trend growth rate of 'own resources' has been 12.60 percent; of assigned taxes has been minus 3.40 percent; of plan grants and non-plan grants have been 1.80 percent and 14.00 percent respectively. There is no clear trend growth rate for loans in the period 1994-1995 to 2004-2005 since no loans have been availed of in the last four years (2001-2002 to 2004-2005). Accordingly, the fastest growing source of external revenues has been non-plan grants, while assigned taxes have been the slowest.
- However, it is worth mentioning that the share in assigned taxes has shown steep variation from minus 50.04 percent (1998-1999) to 43.89 percent (2000-2001). In other years also the variation militates against rational projections and utilization principles. It is understood that fluctuation in some years was the result of recommendations made by the First Finance Commission. Apparently, the amounts due on the basis of the Commission's recommendations were less than the amounts released. This led to recovery of amounts which had become an excess. Even if this is true it will not explain the variation over a large number of years.
 - ✓ Absolute variation in actual over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 10.49 crore (2003-2004) to Rupees 12.68 crore (1995-1996).
 - ✓ Percentage variation in Actual over previous year has been in the range of minus 56.98 percent (2003-2004) to 53.60 percent (2000-2001).
 - ✓ Absolute variation in Actual over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 7.75 crore (1995-1996) to Rupees 6.85 crore (2003-2004).
 - ✓ Percentage variation in Actual over previous year has been in the range of minus 100 percent (1995-1996) to 101.93 percent (2003-2004).

14.10 Figure 14.2 and Table 14.2 depicts percentage of various sources in total receipts. Own revenue receipts form a major part of the resources of the NDMC. They have always been more than 90 percent except in one year (1995-1996) when they were 88.84 percent.

Table 14.2-Various Components of Receipts as a Percentage of Total Revenue
Receipt - 1994-1995 to 2004-2005

Year	Own Revenue Receipt	Assigned Taxes	Non-Plan Grants	Plan Grants	Loan from GNCTD	Receipts for Deposit Works	Misc Capital Receipts
1994-1995	92.13	2.45	1.50	0.61	1.07	0.00	2.24
1995-1996	88.84	2.98	1.61	1.03	2.23	3.31	0.00
1996-1997	90.83	3.31	1.73	0.62	1.63	1.87	0.00
1997-1998	91.79	2.48	2.06	0.28	0.81	1.39	1.20
1998-1999	92.78	1.13	2.15	0.31	0.88	1.65	1.10
1999-2000	92.75	0.86	1.43	0.31	1.15	2.11	1.38
2000-2001	93.37	1.01	1.48	0.56	0.10	2.65	0.83
2001-2002	94.52	1.05	1.49	0.53	0.00	1.38	1.04
2002-2003	94.51	0.71	1.55	0.39	0.00	2.08	0.76
2003-2004	94.96	0.74	1.63	0.17	0.00	0.92	1.57
2004-2005	93.81	1.05	2.88	0.28	0.00	0.99	1.00

Figure: 14.2-Total Receipts Structure of NDMC-1994-1995 to 2004-2005



- ✓ Own revenue receipts have been in the range of 88.84 percent (1995-1996) to 94.96 percent (2003-2004) during the period.
- ✓ Assigned taxes were in the range of 0.71 percent (2002-2003) to 3.31 percent (1996-1997).

- ✓ Non plan grants were from 1.43 percent of total receipts (1999-2000) to 2.88 per cent (2004-2005).
- ✓ Plan grants received from the government of Delhi were in the range of 0.17 per cent (2003-2004) to 1.03 percent (1995-1996).
- ✓ Loans from GNCTD have been from 0.10 percent (2000-01) to 2.23 percent in 1995-1996. NDMC did not avail any loan facilities from GNCTD from 2001-02 onwards.
- ✓ As a percentage of total receipts, the receipt for deposit works has been in the range of 0.92 percent (2003-2004) to 3.31 percent (1995-1996)
- ✓ As a percentage of total receipts, the miscellaneous capital receipts have been in the range of 0.76 percent (2002-2003) to 2.24 percent (1994-1995).
- ✓ On average therefore in the eleven year period, the contribution of own receipts has been 94.66 percent annually, that of assigned taxes 1.45 percent, and of grants (plan and non-plan) 3.39 percent.

14.11 Table 14.3 shows the various sources of revenue as a percentage of total revenue receipts. The data confirm the position reported in Table 14.4 that the own resources of NDMC were the major source of total revenue receipts.

Table:-14.3 Percentage of Various Sources of Total Revenue Receipts-1994-1995 to 2004-2005

Year	Own Revenue receipts	Assigned Taxes	Non-Plan Grants	Plan Grants
1994-1995	95.28	2.53	1.55	0.63
1995-1996	94.05	3.15	1.71	1.09
1996-1997	94.13	3.43	1.79	0.64
1997-1998	95.01	2.57	2.13	0.29
1998-1999	96.27	1.18	2.23	0.32
1999-2000	97.27	0.90	1.50	0.33
2000-2001	96.84	1.04	1.53	0.59
2001-2002	96.86	1.07	1.52	0.54
2002-2003	97.28	0.73	1.59	0.40
2003-2004	97.39	0.76	1.67	0.18
2004-2005	95.71	1.07	2.94	0.28

- ✓ Own revenue receipts as a percentage of total revenue receipts were from 94.05 percent (1995-1996) to 97.39 percent (2003-2004).
- ✓ Own revenue receipts have always been more than 90 percent of total revenue receipts during the period from 1994-1995 to 2004-2005.
- ✓ Assigned taxes have been from 0.73 percent (2002-2003) to 3.43 percent (1996-1997).
- ✓ The sources of revenue receipts other than own revenue receipts in NDMC have been negligible from 0.67 percent plan grants (2002-2003) to 4.25 percent plan grants (1995-1996).

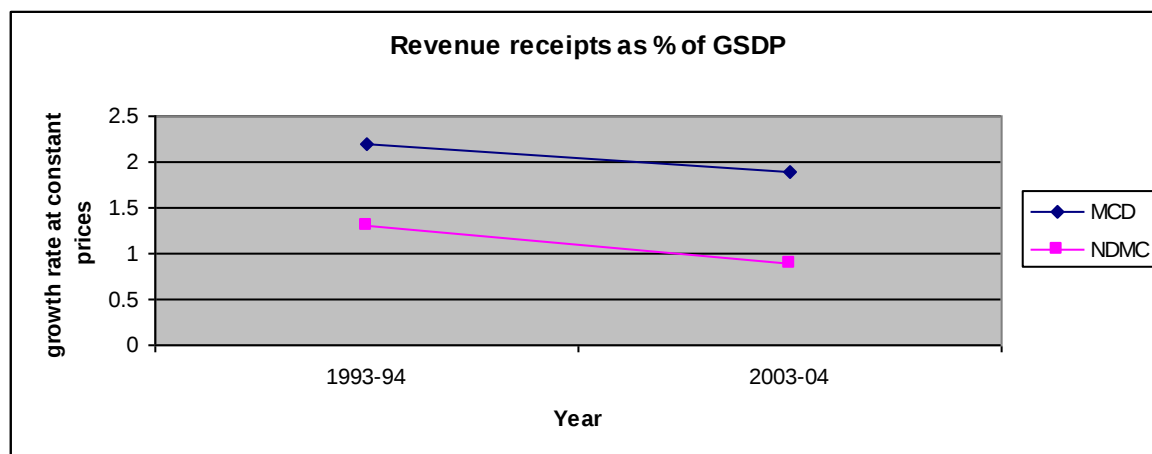
14.12 Revenue receipts as a percentage of GSDP at current and constant prices are given in Table 14.4.

Table: 14.4-Revenue Receipt as % of GSDP - Current and Constant Prices - NDMC

Item	At Current Prices				At Constant Prices			
	MCD		NDMC		MCD		NDMC	
	1993-94	2003-04	1993-94	2003-04	1993-94	2003-04	1993-94	2003-04
Revenue receipts as % of GSDP	2.2	2.2	1.3 (0.44)	1.0 (0.38)	2.2	1.9	1.3 (0.44)	0.9 (0.38)

Note: Figures in parentheses are revenue receipts excluding sale of water & electricity as a percentage of GSDP. Source: Estimated by HSML, New Delhi,

- ✓ As is evident from Table 14.4 and Figure 14.3 at constant prices total revenue receipts as a percentage of GSDP declined from 2.2 percent in 1993-1994 to 1.9 percent in 2003-04 for MCD. At current prices, it remains stationary in case of MCD. In case of NDMC, this percentage has declined at both current and constant prices, which shows that revenue receipts of both the civic bodies have not grown in the same pace as that of GSDP.

Figure 14.3-Revenue Receipts as a percentage of GSDP: MCD and NDMC

(Source: HSMI Report to the Third Delhi Finance Commission, March 2006)

14.13 Table 14.5 gives the per capita revenue receipts at both current and constant prices of the NDMC. The figure shows that the per capita revenue receipts of NDMC have increased substantially. For NDMC the per capita revenue receipts have grown even larger from Rupees 9229.57 in 1993-1994 to Rupees 29892.41 in 2003-2004 at current prices, an increase of 224 percent over the reference period under study with an annual compound growth rate of 12.47 percent.

Table 14.5- Per Capita Total Revenue Receipts
(Per Capita Receipts in Rupees)

Year	NDMC	
	Current Prices	Constant prices
1993-94	9229.57	--
1998-99	17822.26	11125.70
2003-04	29892.41	14840.69
ACGR (93-04)	12.47	4.86
ACGR (98-04)	10.90	5.93

Source: Estimated by HSMI, New Delhi

- ✓ However, in real terms, expressed in constant prices, the growth rate for NDMC has been moderate, annual compound growth rate being 4.86 percent. It is also evident that the pace of per capita revenue growth has slowed down during the last five year period of 1998-

2004 from 12.47 percent to 10.90 percent. At constant prices during the same period, there has been marginal increase.

Analysis of own receipts

14.14 Table 14.6 summarizes the position of own revenue receipt in NDMC between 1994-1995 and 2004-2005 as a percentage of BE and RE.

**Table 14.6 Own Revenue Receipts Actual as a percentage of BE/RE-
1994-1995 to 2004-2005**

Year	Budget Estimate	Revised Estimate	Actual	Actual as a Percentage of BE	Actual as a Percentage of RE
1994-1995	299.34	313.05	318.32	106.34	101.68
1995-1996	340.92	343.77	340.59	99.90	99.07
1996-1997	362.64	373.40	360.29	99.35	96.46
1997-1998	578.99	513.19	460.98	79.62	89.83
1998-1999	548.42	507.76	509.37	92.82	100.32
1999-2000	566.25	579.68	567.35	100.19	97.87
2000-2001	698.48	773.41	699.85	100.20	90.49
2001-2002	782.21	741.48	728.61	93.15	98.26
2002-2003	809.89	827.88	834.89	103.09	100.85
2003-2004	831.47	841.42	819.87	98.60	97.44
2004-2005	946.92	997.39	1012.23	106.90	101.49

- ✓ The actual collection of own revenue receipts as a percentage of BE has been in the range of 79.59 percent (1997-1998) to 106.75 percent (2004-2005).
- ✓ The actual realization as percentage of BE has been more than 100 percent in five out of eleven years and nearly 100 percent in two out of the balance years. In fact it has hovered around 100 percent in most years, the percentage variation being plus or minus 2 to 3 percent. This suggests a far greater degree of accuracy in projecting the revenue yields of each year as compared to the MCD.
- ✓ The actual realization as a percentage of RE has been from 89.83 percent (1997-1998) to 101.68 percent (1994-1995). As a percentage of RE, the actual realization has been more than 100 percent in four out of eleven years and more than 90 percent in six years. The figures of

percentage realization against the revised estimates confirms the impression of there figures against BE- that there is greater realism in there projected and revised estimates.

14.15 Table 14.7 discusses the absolute and percentage variation in BE/RE and actual realizations of own revenue receipts within the year during the period from 1994-1995 to 2004-2005.

Table 14.7: Absolute and Percentage variation in BE/RE/Actual within the Year 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-95	299.34	313.05	318.32	13.71	4.58	18.98	6.34	5.27	1.68
1995-96	340.92	343.77	340.59	2.85	0.84	0.33	-0.10	-3.18	-0.93
1996-97	362.64	373.40	360.29	10.76	2.97	-2.35	-0.65	-13.11	-3.51
1997-98	578.99	513.19	460.98	-65.80	-11.36	-118.01	-20.38	-52.21	-10.17
1998-99	548.42	507.76	509.37	-40.66	-7.41	-39.05	-7.12	1.61	0.32
1999-00	566.25	579.68	567.35	13.43	2.37	1.10	0.19	-12.33	-2.13
2000-01	698.48	773.41	699.85	74.93	10.73	1.37	0.20	-73.56	-9.51
2001-02	782.21	741.48	728.61	-40.73	-5.21	-53.60	-6.85	-12.87	-1.74
2002-03	809.89	827.88	834.89	17.99	2.22	25.00	3.09	7.01	0.85
2003-04	831.47	841.42	819.87	9.95	1.20	-11.60	-1.40	-21.55	-2.56
2004-05	946.92	997.39	1012.23	50.47	5.33	65.31	6.90	14.84	1.49

- ✓ Absolute variation in RE over BE has been in the range of minus Rupees 65.80 crore (1997-1998) to Rupees 74.93 crore (2000-2001).
- ✓ The absolute variation has been negative in three out of eleven years.
- ✓ Percentage variation in RE over BE was from minus 11.36 percent (1997-1998) to 10.73 percent (2000-2001).
- ✓ In this case also the percentage variation was negative in three out of eleven years.
- ✓ Absolute variation in actual realization of own revenue receipts over BE was from minus Rupees 118.01 crore (1997-1998) to Rupees 65.31 crore (2004-05) and the actual were less than BE in five out of eleven years.

- ✓ Percentage variation in actual realization of own revenue receipts over BE was from minus 20.38 percent (1997-1998) to 6.90 percent (2004-2005).
- ✓ Absolute variation in actual realization of own revenue receipts over RE was from minus Rupees 73.56 crore (2000-2001) to Rupees 14.84 crore (2004-2005) and the actual were less than RE in seven out of eleven years.
- ✓ Percentage variation in actual realization of own revenue receipts over RE was from minus 10.17 percent (1997-1998) to 1.68 percent (1994-1995).

14.16 Table 14.8 shows absolute and percentage variation in BE/RE and actual realization of own revenue receipts over the previous years during the period from 1994-1995 to 2004-2005.

Table 14.8 Absolute and Percentage variation in BE/RE/Actual over the Previous Year 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE	Percentage Variation in BE	Absolute Variation in RE	Percentage Variation in RE	Absolute Variation in Actual	Percentage Variation in Actual
1994-95	299.34	313.05	318.32						
1995-96	340.92	343.77	340.59	41.58	13.98	30.72	9.81	22.27	7.00
1996-97	362.64	373.40	360.29	21.72	6.37	29.63	8.62	19.70	5.78
1997-98	578.99	513.19	460.98	216.35	59.66	139.79	37.44	100.69	27.95
1998-99	548.42	507.76	509.37	-30.57	-5.28	-5.43	-1.06	48.39	10.50
1999-00	566.25	579.68	567.35	17.83	3.25	71.92	14.16	57.98	11.38
2000-01	698.48	773.41	699.85	132.23	23.35	193.73	33.42	132.50	23.35
2001-02	782.21	741.48	728.61	83.73	11.99	-31.93	-4.13	28.76	4.11
2002-03	809.89	827.88	834.89	27.68	3.54	86.40	11.65	106.28	14.59
2003-04	831.47	841.42	819.87	21.58	2.66	13.54	1.64	-15.02	-1.80
2004-05	946.92	997.39	1012.23	115.45	13.89	155.97	18.54	192.36	23.46

- ✓ Absolute variation in BE over the previous year was from minus Rupees 30.57 crore (1998-1999) to Rupees 216.35 crore (1997-1998).
- ✓ Percentage variation in BE over the previous year was from minus 5.28 percent (1998-1999) to 59.66 percent (1997-1998).

- ✓ Absolute variation in RE over the previous year was from minus Rupees 31.93 crore (2001-2002) to rupees 193.73 crore (2000-2001).
- ✓ Percentage variation in RE over the previous year has been in the range of minus 4.13 percent (2001-2002) to 33.42 percent (1997-1998).
- ✓ Absolute variation in actual realization over the previous year was in the range of minus Rupees 15.02 crore (2003-2004) to Rupees 192.36 crore (2004-2005).
- ✓ Percentage variation in actual realization of over the previous year was from minus 21.80 percent (2003-04) to 27.95 percent (1997-1998).

14.17 Table 14.9 discusses the position of the actual realization of tax and non-tax revenues in NDMC during the period from 1994-1995 to 2004-2005.

Table 14.9- Absolute and Percentage variation in BE/RE/Actual over the Previous Year 1994-1995 to 2004-2005 (Rupees in crore)

Year	Total Tax Revenue	Total Non-Tax Revenue	Total
1994-1995	23.00	295.32	318.32
1995-1996	27.23	313.36	340.59
1996-1997	32.87	327.42	360.29
1997-1998	38.73	422.25	460.98
1998-1999	48.59	460.78	509.37
1999-2000	75.16	492.19	567.35
2000-2001	96.60	603.25	699.85
2001-2002	116.41	612.20	728.61
2002-2003	138.43	696.46	834.89
2003-2004	135.93	683.94	819.87
2004-2005	160.99	851.24	1012.23
Total	893.94	5758.41	6652.35

- ✓ Total tax revenues realized by NDMC during the period were from Rupees 23.00 crore (1994-1995) to Rupees 160.99 crore (2004-2005).
- ✓ Total non-tax revenues increased from Rupees 295.32 crore (1994-1995) to Rupees 851.24 crore (2004-2005).

- ✓ The non-tax revenues in NDMC have always been more than the tax revenues mainly due to the reason that the NDMC has been treating the revenues received by them on account of supply of electricity and water in the NDMC area as their non tax revenue.
- ✓ Total own revenue receipts of NDMC increased from Rupees 318.32 crore (1994-1995) to Rupees 1012.23 crore (2004-2005).

14.18 Table 14.10 discusses the absolute and percentage variation in actual realization of total tax revenue over the previous year during the period from 1994-1995 to 2004-2005.

Table 14.10: Absolute and percentage variation in actual realization over previous year 1994-1995 to 2004-2005. (Rupees in crore)

Year	Actual Realization of Total Tax Revenue	Absolute Variation over the Previous Year	Percentage Variation over the Previous Year
1994-1995	23.00		
1995-1996	27.23	4.23	18.39
1996-1997	32.87	5.64	20.71
1997-1998	38.73	5.86	17.83
1998-1999	48.59	9.86	25.46
1999-2000	75.16	26.57	54.68
2000-2001	96.60	21.44	28.53
2001-2002	116.41	19.81	20.51
2002-2003	138.43	22.02	18.92
2003-2004	135.93	-2.50	-1.81
2004-2005	160.99	25.06	18.44

- ✓ Absolute variation in actual realization of total tax revenue over the previous year has been in the range of minus Rupees 2.50 crore (2003-2004) to Rupees 26.57 crore (1999-2000).
- ✓ Percentage variation in actual total tax revenue over the previous year was from minus 1.81 percent (2003-2004) to 54.68 percent (1999-2000).

- ✓ Trend growth rate of total tax revenue during the period was 23.7 percent.

14.19 Table 14.11 discusses the actual realization of total tax revenue as a percentage of various revenue parameters.

Table 14.11: Tax Revenue as a percentage of various revenue parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Realization of Total Tax Revenue	Own Revenue Receipt	Total Revenue Receipt	Total Receipt	Percentage of Own Revenue Receipt	Percentage of Total Revenue Receipt	Percentage of Total Receipt
1994-1995	23.00	318.32	334.08	345.51	7.23	6.88	6.66
1995-1996	27.23	340.59	362.15	383.37	7.99	7.52	7.10
1996-1997	32.87	360.29	382.76	396.66	9.12	8.59	8.29
1997-1998	38.73	460.98	485.17	502.23	8.40	7.98	7.71
1998-1999	48.59	509.37	529.10	549.02	9.54	9.18	8.85
1999-2000	75.16	567.35	583.26	611.70	13.25	12.89	12.29
2000-2001	96.60	699.85	722.68	749.51	13.80	13.37	12.89
2001-2002	116.41	728.61	752.20	770.88	15.98	15.48	15.10
2002-2003	138.43	834.89	858.27	883.40	16.58	16.13	15.67
2003-2004	135.93	819.87	841.66	863.35	16.58	16.15	15.74
2004-2005	160.99	1012.23	1057.57	1078.97	15.90	15.22	14.92

- ✓ Actual realization as a percentage of own revenue receipts has been from 7.23 percent (1994-1995) to 16.58 (2002-2003 and 2003-2004).
- ✓ Total tax revenue as a percentage of total revenue receipts was from 6.88 percent (1994-1995) to 16.15 percent (2003-2004).
- ✓ Total tax revenue as a percentage of total receipts of NDMC was from 6.66 percent (1994-1995) to 15.74 percent (2003-2004).

14.20 Table 14.12 discusses the absolute and percentage variation in actual realization of total non-tax revenue over the previous year during the period from 1994-1995 to 2004-2005.

**Table 14.12: Absolute and Percentage Variation in Total Non-Tax Revenue
1994-1995 to 2004-2005 (Rupees in crore)**

Year	Actual Realization of Total Non-Tax Revenue	Absolute Variation over the Previous Year	Percentage Variation over the Previous Year
1994-1995	295.32		
1995-1996	313.36	18.04	6.11
1996-1997	327.42	14.06	4.49
1997-1998	422.25	94.83	28.96
1998-1999	460.78	38.53	9.12
1999-2000	492.19	31.41	6.82
2000-2001	603.25	111.06	22.56
2001-2002	612.20	8.95	1.48
2002-2003	696.46	84.26	13.76
2003-2004	683.94	-12.52	-1.80
2004-2005	851.24	167.30	24.46

- ✓ Absolute variation in actual realization of total non tax revenue over the previous year has been in the range of minus Rupees 12.52 crore (2003-2004) to rupees 167.30 crore (2004-2005).
- ✓ Percentage variation in actual total non tax revenue over the previous year was from minus 1.80 percent (2003-2004) to 24.46 percent (2004-2005).
- ✓ Trend growth rate of total non tax revenue during the period was 11.20 percent.

14.21 Table 14.13 discusses the actual realization of total non-tax revenue as a percentage of various revenue parameters.

Table 14.13: Total Non-Tax Revenue as a percentage of various revenue parameters 1994-1995 to 2004-2005(Rupees in crore)

Year	Actual Realization of Total Non-Tax Revenue	Own Revenue Receipt	Total Revenue Receipt	Total Receipt	Percentage of Own Revenue Receipt	Percentage of Total Revenue Receipt	Percentage of Total Receipt
1994-1995	295.32	318.32	334.08	345.51	92.77	88.40	85.47
1995-1996	313.36	340.59	362.15	383.37	92.01	86.53	81.74
1996-1997	327.42	360.29	382.76	396.66	90.88	85.54	82.54
1997-1998	422.25	460.98	485.17	502.23	91.60	87.03	84.08
1998-1999	460.78	509.37	529.10	549.02	60.46	87.09	83.93
1999-2000	492.19	567.35	583.26	611.70	86.75	84.39	80.46
2000-2001	603.25	699.85	722.68	749.51	86.20	83.47	80.49
2001-2002	612.20	728.61	752.20	770.88	84.02	81.39	79.42
2002-2003	696.46	834.89	858.27	883.40	83.42	81.15	78.84
2003-2004	683.94	819.87	841.66	863.35	83.42	81.24	79.22
2004-2005	851.24	1012.23	1057.57	1078.97	84.10	80.49	78.89

- ✓ Actual realization as a percentage of own revenue receipts has been from 60.46 percent (1998-1999) to 92.77 percent (1994-1995).
- ✓ Total non tax revenue as a percentage of total revenue receipts was from 80.49 percent (2004-2005) to 88.40 percent (1994-1995).
- ✓ Total non tax revenue as a percentage of total receipts of NDMC was from 78.84 percent (2002-2003) to 85.47 percent (1994-1995).

Property Tax

14.22 In the Memorandum submitted to this Commission, the NDMC has stated that as per clause (a) of sub-section (1) of section 60 (which section should be read as section 62) of the NDMC Act 1994, property tax is leviable on all lands and buildings in NDMC area. The property tax is the main source of internal tax revenue of NDMC. The tax is to be levied at a minimum rate of 10 percent and maximum rate of 30 percent of the rateable values. Section 55 (2) of the Act provides that on or before the 15th day of February each year, the Council shall determine the rates at which various municipal taxes, rates and cesses shall be levied in the next following year and save as otherwise provided in the Act, the

rates so fixed shall not be subsequently altered for the year for which they have been fixed. The rates fixed for 2005-2006 are as below (Box 14.2):

Box:14.2-Rates of property tax for the year 2005-06

- ⊙ 20% (where rateable value does not exceed Rupees 10 lakhs)
- ⊙ Rupees 2,00,000/- plus 25 percent of the amount by which the rateable value exceeds Rupees 10 lakhs;
- ⊙ Rupees 450000/- plus 30 percent of the amount by which the rateable value exceeds Rupees 20 lakhs).

- The NDMC has also informed that there are 12136 units of private properties assessed for tax, out of which 9753 are commercial and 2383 are residential in the NDMC area. Further, there are 35650 residential government units, including bungalows, and 380 other government buildings in the NDMC area.
- Sub-section 2 of section-61 provides that the Council may give exemption to properties with rateable value up to Rupees 1000/- and that is the only total exemption given by the Council. The partial exemption is for the self occupied residential properties at 25 percent of the current years' tax liability, if there are no arrears. 25 percent rebates are also available to schools, and 50 percent to aided schools and aided colleges. No other exemption has been granted by the Council.

14.23 Table 14.14 exhibits the position of demand raised and revenues realized in the period 1995-1996 to 2004-05. In the initial years the realizations ranged from 13 to 20 percent (1995-1996 to 1999-2000). Even as recently as 2000-2001 it was 30.71 percent. There is a marked improvement in the actual realizations since 2001-2002. The realizations have been more than 90 percent in two years and more than 80 percent in two years.

**Table 14.14: Property Tax Demand and Collected in NDMC (Rupees in Lakhs)-
1995-1996 to 2004-2005**

Year	Demand Raised	Actual Collection	Unrealised	Actual as a percentage of Demand Raised
1995-1996	15660	2433	13227	15.54
1996-1997	21081	2738	18343	12.99
1997-1998	27332	3666	23666	13.41
1998-1999	30868	4470	26398	14.48
1999-2000	37736	7072	30664	18.70
2000-2001	29134	8946	20188	30.71
2001-2002	12174	11026	1148	90.57
2002-2003	14705	13281	1424	90.32
2003-2004	15851	12789	3062	80.68
2004-2005	16441	14760	1681	89.78

(Source: Memorandum of the NDMC submitted to the
Third Delhi Finance Commission)

14.24 Table 14.15 compares the annual compound growth rate of property tax of NDMC with that of gross state domestic product of Delhi. The growth rate of property tax collection at NDMC has increased significantly during the same period at both the prices- from 19.4 percent to 23.40 percent at current prices and from 8.72 percent to 17.87 percent at constant prices.

Table 14.15-Annual Compound Growth Rate of Property Tax vs GSDP (%)

Item	At Current Prices			At Constant Prices		
	1993-94 to 1998-99	1998-99 to 2003-04	1993-94 to 2003-04	1993-94 to 1998-99	1998-99 to 2003-04	1993-94 to 2003-04
GSDP	--	12.04	14.85		7.02	7.08
NDMC	19.46	23.40	21.42	8.72	17.87	13.20

(Source: Estimated by HSML, New Delhi)

- Further, as was seen in the chapter dealing with the MCD, the growth of property tax of MCD has not been increasing at the same pace as that of the overall economic growth of Delhi whereas the property tax collection at

NDMC is increasing at a faster rate. While the ACGR of MCD has been lower than that of the GSDP in all the reference periods at both current and constant prices, the same for NDMC is significantly higher than that of GSDP of Delhi. It is important to note that share of private residential properties at NDMC is significantly lower than MCD. The higher amount of property tax collection at NDMC is largely due to high profile office complexes at important places like Connaught Place, five-star hotels and other high value non-residential properties.

- Per capita property tax collected at current and constant prices is given in Table 14.16 and Figure 14.4. In comparing the position of per capita receipts from property tax of the MCD and the NDMC, the HSMI has observed that a significant result for MCD was that although at current prices the per capita property tax receipts had increased from Rupees 216 in 1993-94 to Rupees 535 in 2003-2004, the same in real terms (at constant prices) has been declining since 1998-1999, i.e. from Rupees 271 in 1998-99 to Rupees 266 in 2003-04, a decline of 1.85 percent over the 5 year period, at an annual average compound growth rate of (-) 0.37.

Table-14.16: Per Capita Receipts from Property Taxes (Per Capita Receipts in Rupees)

Year	MCD		NDMC	
	Current Prices	Constant prices	Current Prices	Constant prices
1993-94	216	216	610	610
1998-99	437	273	1487	928
2003-04	535	266	4410	2189
ACGR (93-04)(%)	09.49	02.10	21.87	13.63
ACGR (98-04) (%)	04.27	(-) 0.37	24.29	18.72

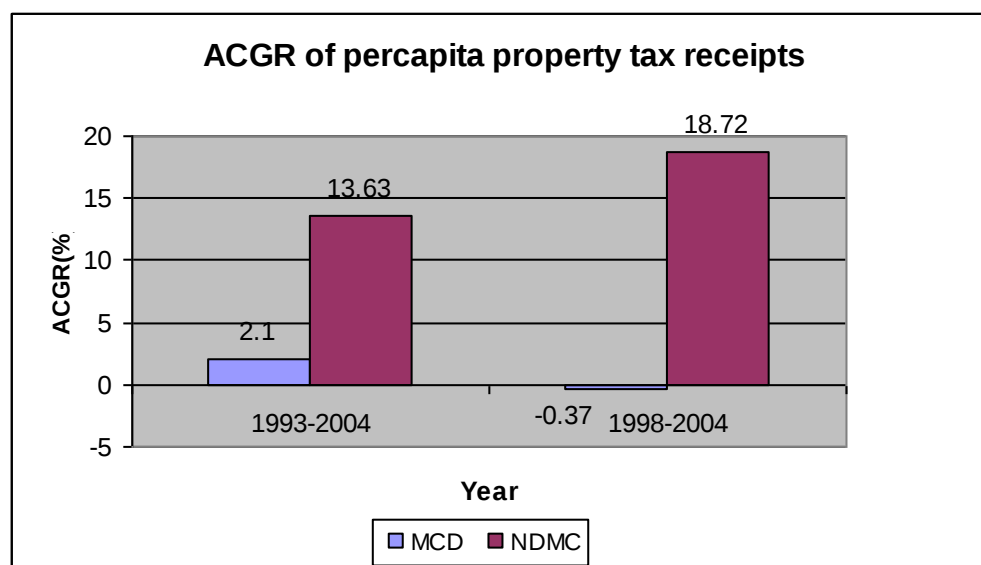
(Source: Estimated by HSMI, New Delhi.)

- The reasons for this decline could be :(i) inability of MCD to cover all properties under property tax net. Out of over 25 lakhs properties only 9.63 lakhs are covered under municipal records at MCD. Out of this, only 3.48 lakhs are placed on computers for detailed data (Table 14.17); (ii) gross inefficiency in the collection of taxes (Table 14.18 for collection efficiency) and collectable demand not worked out properly. Demand-Collection-Balance statements are not available in proper manner failing which

effective and suitable collection drive is not launched; and (iii) the tax rates are determined without fixing a target.

- However, this is not so in case of NDMC in which case there has been steady increase in per capita property tax receipts, from Rupees 610 in 1993-1994 to Rupees 4410 in 2003-2004 at current prices and to Rupees 2189 in 2003-2004 at constant prices at an annual compound growth rate of 21.87 percent at current prices and 13.63 percent in real terms (at constant prices) which is substantially higher than the growth rate of total revenue receipts.

Figure 14.4: ACGR of Per capita Property Tax Receipts-1993--2004



- It is striking to note that, as in the case of the MCD, a vast majority of properties are not under the property tax at NDMC. Table 14.17 shows that of the total number of properties under NDMC, only 14.47 percent properties were assessed during 2003-2004. In so far as the coverage of properties is concerned the position of the NDMC is worse than that of the MCD. In the light of this fact, the 80-90 percent recoveries (Table 14.14 above) may not be all that impressive even though Figure 14.4 above shows a higher ACGR of per capita Property Tax receipts for NDMC.

Table 14.17: Property Tax Assessment

S.No	Item	MCD		NDMC	
		1993-04	2003-04	1993-04	2003-04
1.	No. of Properties	2067409	2536632	81579	83520
2.	No. of Properties Assessed	591368	963119	N.A	12086
3.	Properties under computerized details	--	348000	--	--
4.	% of Properties Assessed	28.6	37.97	--	14.47
5.	% of Assessed Properties under computerized details	--	36.13	--	--

(Source: Estimated by HSMI from Census of India 1991 & 2001 figures; 2. & 3. MCD & NDMC)

- As can be seen from Table 14.17 only a small proportion of property tax potential is utilized. It is also observed that property tax is not growing in real terms during 1998-2004 periods. However, the construction activities in Delhi have shown sizable increase whereby the share of construction industry in GSDP has increased from 7.39 percent in 1998-99 to nearly 11 percent in 2002-03. This needs to be examined for suitable action.
- In addition to the inadequate assessment, the collection shows further negligence of civic bodies particularly in the case of the MCD. The collection efficiency as shown in Table 14.18 and Figures 14.5 (a-c) indicates that only 15 percent of total demand is collected. In this case, particularly the collection of arrears is abnormally low, being only 5.65 percent. Collection at NDMC is significantly better. Though the HSMI feels that the performance of the NDMC is significantly better, the real position can be determined only on an examination of much more extensive data rather on the basis of figures for one year.

Table 14.18- Collection Efficiency

Property Tax Collection as a percentage of demand						
Year	MCD			NDMC		
	Current	Arrear	Total	Current	Arrear	Total
1993-94	39.11	3.20	10.06	N.A.	N.A.	N.A.
1998-99	67.02	5.87	17.54	N.A.	N.A.	N.A.
2003-04	44.54	5.65	14.66	75.17	101.71	80.68

(Source: HSMI based on MCD & NDMC Data)

Figure 14.5 (a)

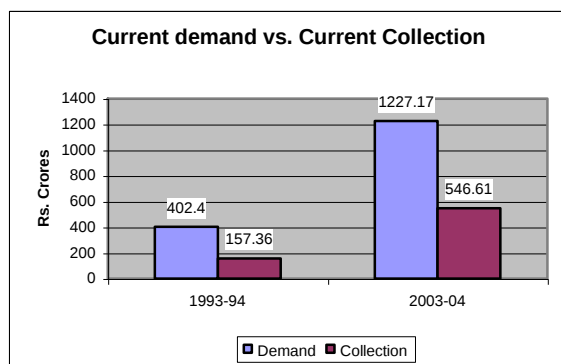


Figure 14.5 (b)

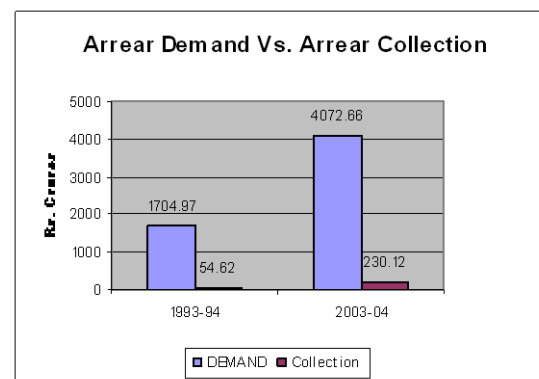
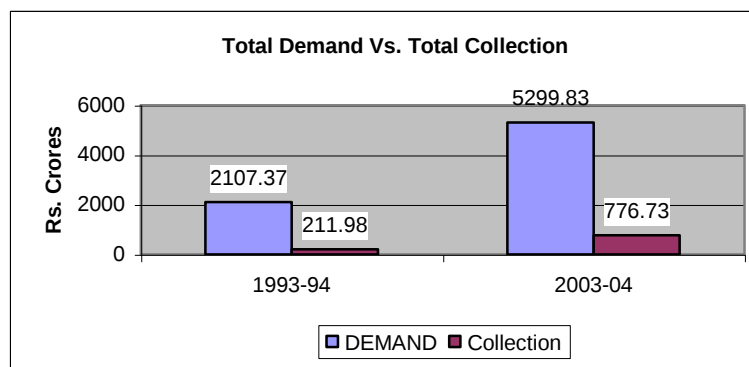


Figure 14.5 (c)



Revenues Source wise

14.25 Table 14.19 depicts the position of the budget estimates and the revised estimates besides the actual realizations of property tax in the period 1994-1995 to 2004-2005. The budget estimates have ranged from Rupees 14.95 crore (1994-1995) to Rupees 115.00 crore (2003-2004).

- The revised estimates have increased from Rupees 20 crore in 1994-1995 to Rupees 133 crore in 2004-2005. While the budget estimates have fluctuated, the revised estimates have always gone up compared to the budget estimates of any given year as also the revised estimates of the previous year, with the exception of 2001-2002 when the revised estimate was less than the RE of the previous year.
- The actual realizations have been more than the BE and the RE of each year. The realizations have been from Rupees 21.44 crore (1994-1995) to Rupees 147.60 crore (2004-2005).
- The trend growth rate against BE has been 22.22 percent and against RE has been 22.40 percent. Against the actual realizations the trend growth rate has

been 24.30 percent i.e., more than the growth rate vis-à-vis the budget and revised estimates. This seems to suggest that the revenue potential of the property tax has been underestimated.

Table 14.19: Property Tax 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual
1994-1995	14.95	20.00	21.44
1995-1996	24.00	24.00	24.33
1996-1997	27.00	27.00	27.38
1997-1998	42.00	32.00	36.66
1998-1999	44.00	44.00	44.70
1999-2000	70.00	67.55	70.72
2000-2001	65.65	79.00	89.46
2001-2002	85.00	75.25	110.26
2002-2003	97.00	104.10	132.81
2003-2004	115.00	120.50	127.89
2004-2005	113.50	133.00	147.60

14.26 Table 14.20 reports the position of the BE/RE and actual of property tax within a year. The revised estimates were less than the budget estimates in three years (1997-1998, 1999-2000 and 2001-2002). There was no change in Re over the BE in three years (1995-1996, 1996-1997 and 1998-1999). The increase in RE over BE was less than Rupees 10 crore in three years (1994-1995, 2002-2003 and 2003-2004), and more than Rupees 10 crore in two years (2000-2001 and 2004-2005).

- The percentage variation follows the pattern of the absolute variation. It was negative in three years, zero in three years, and less than 10 percent in two years (2002-2003 and 2003-2004) and more than 17 percent in three years (1994-1995, 200-2001, and 2004-2005). The highest increase in RE over BE was of 33.78 percent in 1994-1995.
- The absolute variation in actual over the BE was from minus Rupees 5.34 crore (1997-1998) to Rupees 35.81 crore (2002-2003). It was less than the BE in just one year (1997-1998). It was more than the BE by less than Rupees 1 crore in four years (1995-1996, 1996-1997, 1998-1999, and 1999-2000). It was less than Rupees 20 crore in two years (1994-1995 and 2003-2004) and more than Rupees 20 crore in four years (2000-2001, 2001-2002, 2002-2003, and

2004-2005). The highest absolute increase over the BE was Rupees 35.81 crore in 2002-2003.

- The percentage variation in the actual collections over the BE were from minus 12.71 percent (1997-1998) to 43.41 percent (1994-1995). It was negative in 1997-1998. In four years the increase was less than 2 percent (1995-1996, 1996-1997, 1998-1999, and 1999-2000). In the balance years there have been substantial fluctuations in the actual collection over the BE.
- The absolute variation in the actual over the RE has been from Rupees 0.33 crore (1995-1996) to Rupees 35.01 crore (2001-2002). The difference was less than Rupees 8.00 crore in five years. The variation was more than Rupees 10 crore in two years (2000-2001 and 2004-2005) and more than Rupees 20 crore also in two years (2001-2002 and 2002-2003).
- The percentage variation in the actual over the RE has been from 1.37 percent (1995-1996) to 46.52 percent (2001-2002). It has been less than 2 percent in three years, less than 10 percent in three years, 10 to 15 percent in three years, and more than 25 percent in three years. The maximum percentage variation of 46.52 percent was in 2001-2002.
- There is a clear linkage between the budget and the revised estimates and the track record of actual collections in the first three years (1994-1995 to 1996-1997). This linkage is rather weak in the subsequent years. The budget estimates do not appear to take cognizance of the trend of actual realizations in the previous years: this appears to be true of the position from 1997-1998 onward except in 1998-1999 and 1999-2000.

Table 14.20: Absolute & Percentage Variation in BE/RE/Actual with in the year 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE Over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-95	14.95	20.00	21.44	5.05	33.78	6.49	43.41	1.44	7.20
1995-96	24.00	24.00	24.33	0.00	0.00	0.33	1.37	0.33	1.37
1996-97	27.00	27.00	27.38	0.00	0.00	0.38	1.41	0.38	1.41
1997-98	42.00	32.00	36.66	-10.00	-23.81	-5.34	-12.71	4.66	14.56
1998-99	44.00	44.00	44.70	0.00	0.00	0.70	1.59	0.70	1.59
1999-00	70.00	67.55	70.72	-2.45	-3.50	0.72	1.03	3.17	4.69
2000-01	65.65	79.00	89.46	13.35	20.34	23.81	36.27	10.46	13.24
2001-02	85.00	75.25	110.26	-9.75	-11.47	25.26	29.72	35.01	46.52
2002-03	97.00	104.10	132.81	7.10	7.32	35.81	36.92	28.71	27.58
2003-04	115.00	120.50	127.89	5.50	4.78	12.89	11.21	7.39	6.13
2004-05	113.50	133.00	147.60	19.50	17.18	34.10	30.04	14.60	10.98

14.27 Table 14.21 discusses the absolute and percentage variation in BE/RE and actual realizations of the property tax over the previous year in the period 1994-1995 to 2004-2005. The budget estimates have ranged from Rupees 14.95 crore (1994-1995) to Rupees 115.00 crore (2003-2004). Between 1994-1995 and 1998-1999, the budget estimates varies from Rupees 14.95 crore to Rupees 44.00 crore. This reflects a 193.33 percent increase, giving an annual average increase of 38.67 percent in the five year period. In the years 1999-2000 to 2004-2005, the budget estimates of property tax ranged from Rupees 65.65 crore (2000-2001) to 115.00 crore (2003-2004). This reflects a 75.27 percent increase, giving an annual average increase of 12.53 percent in the six year period. Thus the property tax growth has slowed down in the latter half of the eleven year period.

Table 14.21- Property Tax - Absolute and Percentage Variation in Property Tax Revenues 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	14.95	20.00	21.44						
1995-96	24.00	24.00	24.33	9.05	60.54	4.00	20.00	2.89	13.48
1996-97	27.00	27.00	27.38	3.00	12.50	3.00	12.50	3.05	12.54
1997-98	42.00	32.00	36.66	15.00	55.56	5.00	18.52	9.28	33.89
1998-99	44.00	44.00	44.70	2.00	4.76	12.00	37.50	8.04	21.93
1999-00	70.00	67.55	70.72	26.00	59.09	23.55	53.52	26.02	58.21
2000-01	65.65	79.00	89.46	-4.35	-6.21	11.45	16.95	18.74	26.50
2001-02	85.00	75.25	110.26	19.35	29.47	-3.75	-4.75	20.80	23.25
2002-03	97.00	104.10	132.81	12.00	14.12	28.85	38.34	22.55	20.45
2003-04	115.00	120.50	127.89	18.00	18.56	16.40	15.75	-4.92	-3.70
2004-05	113.50	133.00	147.60	-1.50	-1.30	12.50	10.37	19.71	15.41

- The absolute annual variation in property tax projections at the budget estimates stage has varied from minus Rupees 4.35 crore (2000-2001) to Rupees 26.00 crore (1999-2000). The absolute variation was less than Rupees 10 crore in five years and around Rupees 12 to 15 crore in two years. In three years it varies from Rupees 18 to 26 crore. Thus in five years the absolute annual variation was on the lower side, in two years it was moderate, and in three years it was on the higher side.

- The percentage annual variation in the budget estimates stage was from minus 6.21 percent (2000-2001) to 60.54 percent (1995-1996). It was less than 10 percent in three years, moderate in another three years, and on the higher side in four years.
- The revised projections have been from Rupees 20.00 crore (1994-1995) to Rupees 133 crore (2004-2005). In the period 1994-1995 to 2004-2005, it has been from Rupees 20.00 crore to Rupees 44.00 crore, reflecting a 120 percent increase. This represents an annual average increase of 24 percent in the five year period. Similarly, in the period 1999-2000 to 2004-2005, the range has been from 67.55 crore to Rupees 133 crore, reflecting a 96.89 percent increase, which makes for an annual average increase of 16.15 percent in the latter half.
- The projections of the property tax at revised estimates stage have varied in absolute terms from minus Rupees 3.75 crore (2001-2002) to Rupees 28.85 crore (2002-2003). The annual variation up to Rupees 5 crore has been in four years, from Rupees 11 crore to Rupees 16 crore in another years, and above Rupees 20 crore in two years.
- The annual percentage variation in the revised estimates has been from minus 4.75 percent (2001-2002) to 53.52 percent (1999-2000). It has been from minus 4.75 percent to 20 percent in seven out of eleven years and above 35 percent in three years.
- The actual realizations have been from Rupees 21.44 crore (1994-1995) to Rupees 147.60 crore in (2004-2005). In the years 1994-1995 it has ranged from Rupees 21.44 crore to Rupees 44.70 crore. This represents a 108.49 percent increase in the five years and reflects an annual average increase of 21.70 percent. In the next six years (1999-2000 to 2004-2005) it increased from Rupees 70.72 crore to Rupees 147.60 crore. This means a 108.71 percent and an annual average increase of 18.12 percent.
- The absolute variation in actual property tax collections have been form minus Rupees 4.92 crore (2003-2004) to Rupees 26.02 crore (1999-2000). The absolute increase has been less than Rupees 10 crore in five years and more than Rupees 18.74 crore in five years.
- In the period 1994-1995 to 1998-1999 the increase was from Rupees 21.44 crore to Rupees 44.70 crore. This means an increase of Rupees 23.26 crore reflecting a percentage increase of 108.49 percent and an annual average increase of 21.70 percent. In the next six years, the increase was from

Rupees 760.72 crore to Rupees 147.60 crore, reflecting an increase of Rupees 76.88 crore. This represents a 108.71 percent increase with an annual average increase of 18.12.

- The percentage increase has varied from minus 3.70 percent (2003-2004) to 58.21 percent (1999-2000). It has been up to 20 percent in four years and more than 20 percent in six years.

14.28 Table 14.22 compares the percentage growth of property tax projections and realizations in two phases. Both the lateral and vertical comparisons will tell us about different aspects of the trends. The lateral comparison, for instance, suggests a declining trend in the first phase and an increasing trend in the second phase. In the first phase (1994-1995 to 1998-1999) there is a clear decline from the budget to the revised and from the revised to the actual figures. In the second phase, the trend is the opposite. The RE figure is more than the BE and the actual collection figure is more than the RE.

- The vertical comparison will, however, reverse this trend. There is a decline in the BE projections as between the two phases. This is reflected in the RE stage and actual. For example, the projections are lower in the second phase by 26.14 percentage points. The RE is lower by 7.85 percentage points, and the actual by 3.58 percentage points. In other words there is a steep downward trend in both the projections and the actual collections. This is a cause for concern. The NDMC would do well to examine the reasons for the shrinking of the projections base in the latter half and determine the measures required to widen the said base.

Table 14.22: Growth rate of Property Tax Projections Vs Actual- 1994-1995 to 2004-2005

Period	BE	RE	Actual
1994-1995 to 1998-1999	38.67	24.00	21.70
1999-2000 to 2004-2005	12.53	16.15	18.12

- The trend growth rate of property tax has been 24.30 percent during the period 1994-1995 to 2004-2005.
- Property tax has an overwhelming contribution to the revenues of the NDMC. As a percentage of total tax revenues, the contribution has always been over 90 percent-the exceptions being 1995-1996 and 1996-1997.

14.29 Table 14.23 shows the property tax as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

Table 14.23 : Property Tax as Percentage of Revenue Parameters

Year	Actual	Total Tax Revenue	Percentage of Total Tax Revenue	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	21.44	23.00	93.22	334.08	6.42	345.51	6.21
1995-1996	24.33	27.23	89.35	362.15	6.72	383.37	6.35
1996-1997	27.38	32.87	83.30	382.76	7.15	396.66	6.90
1997-1998	36.66	38.73	94.66	485.17	7.56	502.23	7.30
1998-1999	44.70	48.59	91.99	529.10	8.45	549.02	8.14
1999-2000	70.72	75.16	94.09	583.26	12.12	611.70	11.56
2000-2001	89.46	96.60	92.61	722.68	12.38	749.51	11.94
2001-2002	110.26	116.41	94.72	752.20	14.66	770.88	14.30
2002-2003	132.81	138.43	95.94	858.27	15.47	883.40	15.03
2003-2004	127.89	135.93	94.09	841.66	15.19	863.35	14.81
2004-2005	147.60	160.99	91.68	1057.57	13.96	1078.97	13.68

- The property tax as a percentage of total tax revenue has been in the range of 83.30 percent 1996-1997 to 95.94 percent 2002-2003.
- As a percentage of total tax revenue, the property tax has always been more than 90 percent with the exception of two years (1995-1996 and 1996-1997).
- As a percentage of total revenue receipts, the property tax has been from 6.42 per cent (1994-1995) to 15.47 per cent (2002-2003).
- As a percentage of total revenue receipts, the property tax has been less than 10 percent in first five years and more than 10 percent in remaining six years.
- As a percentage of total receipts, the property tax has been in the range of 6.21 per cent (1994-1995) to 15.03 per cent (2002-2003).
- As a percentage of total receipts, the property tax has been less than 10 percent in first five years and more than 10 percent in remaining six years.

14.30 Table 14.24 discusses the absolute and percentage variation in the property tax collection over the average collection.

- The average collection of property tax during the years 1994-1995 to 2004-2005 was rupees 75.75 crore.
- The absolute variation in the property tax over the average collection has been from minus rupees 54.31 crore (1994-1995) to rupees 71.85 crore (2004-2005).
- The absolute variation has been negative in first six years and was positive of remaining five years.
- Percentage variation in the property tax collection over the average collection has been in the range of minus 71.70 percent (1994-1995) to 94.85 percent (2004-2005).

**Table 14.24: Variation in Property Tax Collection from Average Collection
(Rupee in crore)**

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	21.44	75.75	-54.31	-71.70
1995-1996	24.33	75.75	-51.42	-67.88
1996-1997	27.38	75.75	-48.37	-63.85
1997-1998	36.66	75.75	-39.09	-51.60
1998-1999	44.70	75.75	-31.05	-40.99
1999-2000	70.72	75.75	-5.03	-6.64
2000-2001	89.46	75.75	13.71	18.10
2001-2002	110.26	75.75	34.51	45.56
2002-2003	132.81	75.75	57.06	75.33
2003-2004	127.89	75.75	52.14	68.83
2004-2005	147.60	75.75	71.85	94.85

14.31 Table 14.25 depicts BE and RE and Actual collection of duty on transfer of property during the period from 1994-1995 to 2004-2005.

- Budget estimates for transfer duty have been from Rupees 1.35 crore (1994-1995) to Rupees 7.50 crore (2004-2005).
- Revised estimates were from Rupees 1.35 crore (1994-1995) to Rupees 12.00 crore (2004-2005)

- Actual collection of transfer duty during the period was from Rupees 1.26 crore (1994-1995) to Rupees 13.28 crore (2004-2005).
- The actual collections have been nearer to the revised estimates and not to budget estimates.
- The budget estimates have always been less than Rupees 10 crore and the RE and Actual were less than rupees 10 crore in 10 out of 11 years. In one year i.e. 2004-2005 the RE and Actual were more than rupees 10 crore.
- The actual collection has always been higher than the projections in BE and RE except in three years (1994-1995, 1995-1996 and 1997-1998).
- The trend growth rate of actual collection on transfer duty was 19.4 percent.

Table 14.25 : Transfer Duty (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual
1994-1995	1.35	1.35	1.26
1995-1996	1.35	2.50	2.47
1996-1997	2.50	2.50	5.15
1997-1998	3.00	3.00	2.00
1998-1999	3.00	3.20	3.81
1999-2000	3.00	3.20	4.34
2000-2001	4.10	6.00	7.10
2001-2002	5.00	4.00	6.10
2002-2003	3.00	2.00	5.58
2003-2004	5.00	7.50	7.95
2004-2005	7.50	12.00	13.28

14.32 Table 14.26 shows the absolute and percentage variation in BE, RE and Actual collection of duty on transfer of property within the year.

Table: 14.26- Absolute and Percentage Variation in BE/RE/Actual within the Year

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-95	1.35	1.35	1.26	0.00	0.00	-0.09	-6.67	-0.09	-6.67
1995-96	1.35	2.50	2.47	1.15	85.19	1.12	82.96	-0.03	-1.20
1996-97	2.50	2.50	5.15	0.00	0.00	2.65	106.00	2.65	106.00
1997-98	3.00	3.00	2.00	0.00	0.00	-1.00	-33.33	-1.00	-33.33
1998-99	3.00	3.20	3.81	0.20	6.67	0.81	27.00	0.61	19.06
1999-00	3.00	3.20	4.34	0.20	6.67	1.34	44.67	1.14	35.63
2000-01	4.10	6.00	7.10	1.90	46.34	3.00	73.17	1.10	18.33
2001-02	5.00	4.00	6.10	-1.00	-20.00	1.10	22.00	2.10	52.50
2002-03	3.00	2.00	5.58	-1.00	-33.33	2.58	86.00	3.58	179.00
2003-04	5.00	7.50	7.95	2.50	50.00	2.95	59.00	0.45	6.00
2004-05	7.50	12.00	13.28	4.50	60.00	5.78	77.07	1.28	10.67

- There was no variation in RE over BE in three years (1994-1995, 1996-1997 and 1997-1998).
- RE was less than BE in two years (2001-2002 and 2002-2003).
- The variation was less than Rupees 1 crore in two years (1998-99 and 1999-2000) and more than Rupees 1 crore in remaining four years.
- There was no percentage variation in RE over BE in three years (1994-1995, 1996-1997 and 1997-1998).
- Percentage variation was negative in two years (2001-2002 and 2002-2003).
- The percentage variation was less than 10 percent in two years (1998-1999 and 1999-2000).
- Percentage variation in RE over BE was in the range of 45 percent to 60 percent in three years (2000-2001, 2003-2004 and 2004-2005). The percentage variation in 1995-1996 was 85.19 percent.
- Absolute variation in actual collection of transfer duty over BE was negative in two years 1994-1995 and 1997-1998.
- Absolute variation was less than Rupees 1 crore in 1998-1999 within Rupees 1 crore to Rupees 5 crore in 7 years and more than Rupees 5 crore in 1 year 2004-2005.

- Percentage variation in actual over BE was in the range of minus 33.33 percent (1997-1998) to 106.00 percent (1996-1997).
- Percentage variation in actual over BE was negative in two years (1994-1995 and 1997-1998) between 20 to 30 percent in two years (1998-1999 and 2001-2002), 50 to 80 percent in 3 years (2000-2001, 2003-2004 and 2004-2005) and more than 80 percent in 2 years (1995-1996 and 2002-2003) percentage variation was more than 100 percent in 1996-1997.
- Absolute variation in actual over RE was in the range of minus Rupees 1.00 crore (1997-1998) to rupees 3.58 crore (2002-2003).
- The Absolute variation was negative in three years and has always been less than rupees 4 crore in the remaining years.
- Percentage variation in actual over RE was in the range of minus 33.33 percent (1997-1998) to 179.00 percent (2002-2003).
- Percentage variation was negative in three years, from 5 to 20 percent in four years (1998-1999, 2000-2001, 2003-2004 and 2004-2005), from 35 to 55 percent in two years (1999-2000 and 2001-2002) and more than 100 percent in two years (1996-1997 and 2002-2003).

14.33 Table 14.27 shows absolute and percentage variation in Duty on Transfer of property over the previous year during the period from 1994-1995 to 2004-2005.

Table 14.27 - Absolute and Percentage Variation in Duty on Transfer of Property over the previous year during the period from 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	1.35	1.35	1.26						
1995-96	1.35	2.50	2.47	0.00	0.00	1.15	85.19	1.21	96.03
1996-97	2.50	2.50	5.15	1.15	85.19	0.00	0.00	2.68	108.50
1997-98	3.00	3.00	2.00	0.50	20.00	0.50	20.00	-3.15	-61.17
1998-99	3.00	3.20	3.81	0.00	0.00	0.20	6.67	1.81	90.50
1999-00	3.00	3.20	4.34	0.00	0.00	0.00	0.00	0.53	13.91
2000-01	4.10	6.00	7.10	1.10	36.67	2.80	87.50	2.76	63.59
2001-02	5.00	4.00	6.10	0.90	21.95	-2.00	-33.33	-1.00	-14.08
2002-03	3.00	2.00	5.58	-2.00	-40.00	-2.00	-50.00	-0.52	-8.52
2003-04	5.00	7.50	7.95	2.00	66.67	5.50	275.00	2.37	42.47
2004-05	7.50	12.00	13.28	2.50	50.00	4.50	60.00	5.33	67.04

- There has been no variation in BE over the previous year in three years (1995-1996, 1998-1999 and 1999-2000). In other years the absolute variation was in the range of minus rupees 2.00 crore (2002-2003) to rupees 2.50 crore (2004-2005).
- There was no percentage variation in three years as in the case of absolute variation. The percentage variation was from minus 40 percent (2002-2003) to 85.19 percent (1996-1997). The percentage variation in three years (1997-1998, 2000-2001 and 2001-2002) was between 20 to 40 percent and 50 percent and above in three years (1996-1997, 2003-2004 and 2004-2005).
- There was no variation in RE over previous year in two years (1996-1997 and 1999-2000). The absolute variation in other years was from minus 2.00 crore (2001-2002 and 2002-2003) to rupees 5.50 crore (2003-2004).
- The variation was less than rupees 1.00 crore in two years (1997-1998 and 1998-1999) below rupees 5.00 crore in three years (1995-1996, 2000-2001 and 2004-2005). The variation was more than 5.00 crore in 2003-2004.
- Percentage variation in RE over previous year was in the range of minus 50.00 percent (2002-2003) to 275.00 percent (2003-2004). There was no variation in two years (1996-1997 and 1999-2000).
- The absolute variation in actual over previous year was from minus rupees 3.15 crore (1997-1998) to rupees 5.33 crore (2004-2005). The absolute variation was negative in three years (1997-1998, 2001-2002 and 2002-2003).
- Percentage variation in actual over previous year was from minus 61.17 percent (1997-1998) to 108.50 percent (1996-1997). The percentage variation was negative in three years (1997-1998, 2001-2002 and 2002-2003).

14.34 Table 14.28 shows transfer duty as a percentage of various revenue parameters 1994-1995 to 2004-2005.

Table 14.28: Transfer Duty as a Percentage of various revenue parameters 1994-1995 to 2004-2005

Year	Actual	Total Tax Revenue	Percentage of Total Tax Revenue	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	1.26	23.00	5.48	334.08	0.38	345.51	0.36
1995-1996	2.47	27.23	9.07	362.15	0.68	383.37	0.64
1996-1997	5.15	32.87	15.67	382.76	1.35	396.66	1.30
1997-1998	2.00	38.73	5.16	485.17	0.41	502.23	0.40

1998-1999	3.81	48.59	7.84	529.10	0.72	549.02	0.69
1999-2000	4.34	75.16	5.77	583.26	0.74	611.70	0.71
2000-2001	7.10	96.60	7.35	722.68	0.98	749.51	0.95
2001-2002	6.10	116.41	5.24	752.20	0.81	770.88	0.79
2002-2003	5.58	138.43	4.03	858.27	0.65	883.40	0.63
2003-2004	7.95	135.93	5.85	841.86	0.94	863.35	0.92
2004-2005	13.28	160.99	8.25	1057.57	1.26	1078.97	1.23

- Transfer duty as a percentage of total tax revenue has been in the range of 4.03 percent (2002-2003) to 15.67 percent (1996-1997).
- The transfer duty has always been less than 10 percent of total tax revenue except in the year 1996-1997.
- As a percentage of total revenue receipts, the transfer duty has been in the range of 0.38 percent (1994-1995) to 1.35 percent (1996-1997). The transfer duty has been less than 1 percent of total revenue receipts in 9 out of 11 years. Transfer duty was more than 1 percent in two years (1996-1997 and 2004-2005).
- The position of transfer duty as a percentage of total receipts is the same as in the case of total revenue receipts. As a percentage of total receipts, the transfer duty has been in the range of 0.36 percent (1994-1995) to 1.30 percent (1996-1997). The transfer duty has been less than 1 percent of total receipts in 9 out of 11 years. Transfer duty was more than 1 percent in two years (1996-1997 and 2004-2005).

14.35 Table 14.29 shows absolute/ percentage variation in duty on transfer of property over the actual average revenue during the period from 1994-1995 to 2004-2005.

Table 14.29: Absolute/ percentage variation in duty on transfer of property over the actual average revenue 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	1.26	5.37	-4.11	-76.52
1995-1996	2.47	5.37	-2.90	-53.98
1996-1997	5.15	5.37	-0.22	-4.05
1997-1998	2.00	5.37	-3.37	-62.74
1998-1999	3.81	5.37	-1.56	-29.01
1999-2000	4.34	5.37	-1.03	-19.14
2000-2001	7.10	5.37	1.73	32.28
2001-2002	6.10	5.37	0.73	13.65
2002-2003	5.58	5.37	0.21	3.96
2003-2004	7.95	5.37	2.58	48.12
2004-2005	13.28	5.37	7.91	147.43

- The absolute variation in transfer duty over the actual average collection was from minus rupees 4.11 crore (1994-1995) to rupees 7.91 crore (2004-2005).
- The absolute variation has been negative in six out of eleven years and in two years the absolute variation was less than rupees 1.00 crore (2001-2002 and 2002-2003). Rupees 1.00 crore to rupees 3.00 crore in two years (2000-2001 and 2003-2004). In 2004-2005 the variation was rupees 7.91 crore.
- The percentage variation over the actual average was from minus 76.52 percent (1994-1995) to 147.43 percent (2004-2005).
- The percentage variation was negative in six out of eleven years. In 2002-2003 it was less than 4 percent. In three years (2000-2001, 2001-2002 and 2003-2004) it was between 10 to 50 percent. The percentage variation was 147.43 in 2004-2005.

14.36 Table 14.30 shows BE, RE and actual collection of advertisement/show /theatre tax during the years from 1994-1995 to 2004-2005.

- The BE during the period has been in the range of 0.04 crore (2004-2005) to 0.53 crore (1996-1997 and 1997-1998).

- The RE has been in the range of 0.05 crore to rupees 0.48 crore.
- The actual collections during the period have been from 0.04 crore (2000-2001 and 2002-2003) to 0.43 crore (1995-1996).
- The BE/RE and Actual of the tax have generally shown a declining trend.
- The trend growth rate of actual collection of advertisement tax was minus 15.9 percent.

Table 14.30- BE, RE and Actual collection of Advertisement/show /theatre tax during the years from 1994-1995 to 2004-2005.

Year	Budget Estimate	Revised Estimate	Actual
1994-1995	0.50	0.28	0.30
1995-1996	0.10	0.48	0.43
1996-1997	0.53	0.44	0.34
1997-1998	0.53	0.09	0.07
1998-1999	0.14	0.14	0.08
1999-2000	0.14	0.10	0.10
2000-2001	0.10	0.09	0.04
2001-2002	0.09	0.05	0.05
2002-2003	0.06	0.05	0.04
2003-2004	0.06	0.05	0.09
2004-2005	0.04	0.07	0.11

14.37 Table 14.31 discusses the absolute and percentage variation in BE/RE and actual collection of advertisement /show /theatre tax in NDMC during the period 1994-1995 to 2004-2005.

Table 14.31: Absolute and Percentage Variation in BE/RE/Actual within the Year

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-95	0.50	0.28	0.30	-0.22	-44.00	-0.20	-40.00	0.02	7.14
1995-96	0.10	0.48	0.43	0.38	380.00	0.33	330.00	-0.05	-10.42
1996-97	0.53	0.44	0.34	-0.09	-16.98	-0.19	-35.85	-0.10	-22.73
1997-98	0.53	0.09	0.07	-0.44	-83.02	-0.46	-86.79	-0.02	-22.22
1998-99	0.14	0.14	0.08	0.00	0.00	-0.06	-42.86	-0.06	-42.86
1999-00	0.14	0.10	0.10	-0.04	-28.57	-0.04	-28.57	0.00	0.00
2000-01	0.10	0.09	0.04	-0.01	-10.00	-0.06	-60.00	-0.05	-55.56
2001-02	0.09	0.05	0.05	-0.04	-44.44	-0.04	-44.44	0.00	0.00
2002-03	0.06	0.05	0.04	-0.01	-16.67	-0.02	-33.33	-0.01	-20.00
2003-04	0.06	0.05	0.09	-0.01	-16.67	0.03	50.00	0.04	80.00
2004-05	0.04	0.07	0.11	0.03	75.00	0.07	175.00	0.04	57.14

- Absolute variation in RE over BE was from minus Rupees 0.44 crore (1997-1998) to Rupees 0.38 crore (1995-1996).
- There was no variation in RE over BE in the year 1998-1999.
- The variation was negative in eight out of eleven years and in two years the variation was Rupees 0.38 crore (1995-1996) and Rupees 0.03 crore 2004-2005.
- Percentage variation in RE over BE was from minus 83.02 percent (1997-1998) to 380 percent (1995-1996).
- The absolute variation in actual over BE was from minus Rupees 0.46 Crore (1997-1998) to Rupees 0.33 Crore (1995-1996).
- The actual collection was less than BE in eight out of eleven years and it was more than BE in three years. The variation was Rupees 0.03 Crore (2003-2004) and Rupees 0.07 Crore (2004-2005) and Rupees 0.33 Crore (1995-1996).
- Percentage in actual over BE was from minus 86.79 percent (1997-1998) to 330 percent (1995-1996).
- Absolute variation in actual over RE was in the range of minus Rupees 0.10 crore (1996-1997) to Rupees 0.04 Crore (2003-2004 and 2004-2005).
- The actual collection was less than the RE in six out of eleven years. There was no variation in two years (1999-2000 and 2001-2002). The actual collection was Rupees 0.02 Crore more than RE in 1994-1995 and Rupees 0.04 Crore in the years 2003-2004 and 2004-2005.
- Percentage variation in actual over RE was from minus 55.56 percent (2000-2001) to 80 percent (2003-2004).

14.38 Table 14.32 shows absolute and percentage variation in BE, RE and Actual of Advertisement tax over the previous year 1994-1995 to 2004-2005.

**Table 14.32: Advertisement Tax - Absolute and Percentage Variation in
Advertisement Tax over the Previous Year 1994-1995 to 2004-2005**

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	0.50	0.28	0.30						
1995-96	0.10	0.48	0.43	-0.40	-80.00	0.20	71.43	0.13	43.33
1996-97	0.53	0.44	0.34	0.43	430.00	-0.04	-8.33	-0.09	-20.93
1997-98	0.53	0.09	0.07	0.00	0.00	-0.35	-79.55	-0.27	-79.41
1998-99	0.14	0.14	0.08	-0.39	-73.58	0.05	55.56	0.01	14.29
1999-00	0.14	0.10	0.10	0.00	0.00	-0.04	-28.57	0.02	25.00
2000-01	0.10	0.09	0.04	-0.04	-28.57	-0.01	-10.00	-0.06	-60.00
2001-02	0.09	0.05	0.05	-0.01	-10.00	-0.04	-44.44	0.01	25.00
2002-03	0.06	0.05	0.04	-0.03	-33.33	0.00	0.00	-0.01	-20.00
2003-04	0.06	0.05	0.09	0.00	0.00	0.00	0.00	0.05	125.00
2004-05	0.04	0.07	0.11	-0.02	-33.33	0.02	40.00	0.02	22.22

- Absolute variation in BE over previous year was from minus Rupees 0.40 Crore (1995-1996) to Rupees 0.43 Crore (1996-1997).
- The BE was less than previous year in six. There was no variation in three years (1997-1998, 1999-2000 and 2003-2004). BE was higher by Rupees 0.43 Crore in 1996-1997 over the previous year.
- Percentage variation in BE over previous year was from minus 80 percent (1995-1996) to 430 percent (1996-1997).
- The RE of previous year in five out of eleven years and there was no variation in two years (2002-2003 and 2003-2004). The RE was higher than the RE of the previous year in three years (1995-1996, 1998-1999 and 2004-2005).
- Percentage variation in RE over previous year was in the range of minus 79.55 percent (1997-1998) to 71.43 percent (1995-1996).
- Absolute variation in actual over previous year was from Rupees 0.27 Crore (1997-1998) to Rupees 0.13 Crore (1995-1996).
- The actual collection was less than previous year in four out of eleven years and in remaining years it was marginally higher.
- Percentage variation in actual over previous year was from minus 79.41 percent (1997-1998) to 125 percent (2003-2004).

14.39 Table 14.33 shows advertisement tax as a percentage of various revenue parameters during 1994-1995 to 2004-2005.

Table 14.33 Advertisement Tax as a Percentage 1994-1995 to 2004-2005

Year	Actual	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year	Total Tax Revenue	Percentage of Total Tax Revenue	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	0.30			23.00	1.30	334.08	0.09	345.51	0.09
1995-1996	0.43	0.13	43.33	27.23	1.58	362.15	0.12	383.37	0.11
1996-1997	0.34	-0.09	-20.93	32.87	1.03	382.76	0.09	396.66	0.09
1997-1998	0.07	-0.27	-79.41	38.73	0.18	485.17	0.01	502.23	0.01
1998-1999	0.08	0.01	14.29	48.59	0.16	529.10	0.02	549.02	0.01
1999-2000	0.10	0.02	25.00	75.16	0.13	583.26	0.02	611.70	0.02
2000-2001	0.04	-0.06	-60.00	96.60	0.04	722.68	0.01	749.51	0.01
2001-2002	0.05	0.01	25.00	116.41	0.04	752.20	0.01	770.88	0.01
2002-2003	0.04	-0.01	-20.00	138.43	0.03	858.27	0.00	883.40	0.00
2003-2004	0.09	0.05	125.00	135.93	0.07	841.86	0.01	863.35	0.01
2004-2005	0.11	0.02	22.22	160.99	0.07	1057.57	0.01	1078.97	0.01

- The advertisement tax collection as a percentage of total tax revenue was in the range of 0.03 percent (2002-2003) to 1.58 percent (1995-1996).
- The advertisement tax collection was less than one percent of total tax revenue in eight years and less than two percent in remaining three years.
- The advertisement tax collection was less than one percent of total revenue receipts throughout the period.
- The advertisement tax collection was in the range of 0.01 to 0.02 percent of total revenue receipt in seven out of eleven years, in three years it was less than one percent and in one year (2002-2003), the percentage could not be worked out as the actual collection was very negligible.
- The advertisement tax collection as percentage of total receipts was in the range of 0.01 to 0.02 percent in seven out of eleven years and in remaining 3 years it was in the range of 0.08 percent to 0.11 percent and there was no variation in one year (2002-2003).

14.40 Table 14.34 shows the absolute and percentage variation in the actual collection of advertisement tax over the average collection during the period 1994-1995 to 2004-2005.

Table 14.34 Advertisement Tax

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	0.30	0.15	0.15	100.00
1995-1996	0.43	0.15	0.28	186.67
1996-1997	0.34	0.15	0.19	126.67
1997-1998	0.07	0.15	-0.08	-53.33
1998-1999	0.08	0.15	-0.07	-46.67
1999-2000	0.10	0.15	-0.05	-33.33
2000-2001	0.04	0.15	-0.11	-73.33
2001-2002	0.05	0.15	-0.10	-66.67
2002-2003	0.04	0.15	-0.11	-73.33
2003-2004	0.09	0.15	-0.06	-40.00
2004-2005	0.11	0.15	-0.04	-26.67

- The average collection of advertisement tax was Rupees 0.15 Crore.
- The absolute variation over the average collection was in the range of minus Rupees 0.11 Crore (2000-2001 and 2002-2003) to Rupees 0.28 Crore (1995-1996).
- The actual collection was less than the average collection in eight out of eleven years (from 1997-1998 to 2004-2005). In remaining three years the absolute variation was from Rupees 0.15 Crore to Rupees 0.28 Crore.
- Percentage variation over the average was from minus 73.33 percent (2000-2001 and 2002-2003) to 186.67 percent (1995-1996).

14.41 Table 14.35 shows BE, RE and actual realization of interest on investment during the period 1994-1995 to 2004-2005.

- BE during the period was in the range of Rupees 9 Crore (1994-1995 to 1996-1997) to Rupees 178.73 Crore (2004-2005).
- The BE was less than Rupees 10.00 Crore in three years, less than Rupees 50.00 crore in two years, less than Rupees 100.00 Crore in four years and

less than Rupees 200.00 Crore in two years. The budget estimates did not show any specific trend.

- The revised estimates were in the range of Rupees 7.70 Crore (1994-1995) to 178.73 Crore (2004-2005).
- The RE was less than Rupees 10.00 Crore in two years (1994-1995 and 1995-1996), less than Rupees 50.00 crore in three years (1996-1997, 1998-1999 and 1999-2000), less than Rupees 100.00 crore in four years (1997-1998, 2001-2002, 2002-2003 and 2003-2004) and less than Rupees 200.00 Crore in two years (2000-2001 and 2004-2005). The RE did not show any specific trend.
- There was no realization of interest on investment in three years (1997-1998 to 1999-2000) though there were specific provisions in BE and RE. The collection was only Rupees 0.10 Crore (1996-1997), less than Rupees 10.00 Crore (1994-1995 and 1995-1996) less than Rupees 50.00 Crore in four years (from 2000-2001 to 2003-2004) and Rupees 178.74 Crore (2004-2005).

Table 14.35- Interest on Investment

Year	Budget Estimate	Revised Estimate	Actual
1994-1995	9.00	7.70	6.80
1995-1996	9.00	9.00	7.31
1996-1997	9.00	43.31	0.10
1997-1998	48.49	53.22	0.00
1998-1999	56.27	28.00	0.00
1999-2000	29.00	29.00	0.00
2000-2001	140.85	141.50	30.00
2001-2002	93.00	94.17	24.54
2002-2003	94.08	94.08	32.29
2003-2004	69.56	69.60	27.28
2004-2005	178.73	178.73	178.74

14.42 Table 14.36 shows absolute and percentage variation in BE/ RE and actual realization of interest on investment during the period 1994-1995 to 2004-2005.

**Table 14.36- Interest on Investment - Absolute and Percentage Variation in
BE/RE/Actual within the Year**

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-95	9.00	7.70	6.80	-1.30	-14.44	-2.20	-24.44	-0.90	-11.69
1995-96	9.00	9.00	7.31	0.00	0.00	-1.69	-18.78	-1.69	-18.78
1996-97	9.00	43.31	0.10	34.31	381.22	-8.90	-98.89	-43.21	-99.77
1997-98	48.49	53.22	0.00	4.73	9.75	-48.49	-100.00	-53.22	-100.00
1998-99	56.27	28.00	0.00	-28.27	-50.24	-56.27	-100.00	-28.00	-100.00
1999-00	29.00	29.00	0.00	0.00	0.00	-29.00	-100.00	-29.00	-100.00
2000-01	140.85	141.50	30.00	0.65	0.46	-110.85	-78.70	-111.50	-78.80
2001-02	93.00	94.17	24.54	1.17	1.26	-68.46	-73.61	-69.63	-73.94
2002-03	94.08	94.08	32.29	0.00	0.00	-61.79	-65.68	-61.79	-65.68
2003-04	69.56	69.60	27.28	0.04	0.06	-42.28	-60.78	-42.32	-60.80
2004-05	178.73	178.73	178.74	0.00	0.00	0.01	0.01	0.01	0.01

- There was no variation in BE and RE in four out of 11 years in two years 1994-1995 and 1998-1999 RE was less than BE and was more than BE in five years. The variation was up to Rupees.5.00 crore in 4 years and Rupees.34.31 crore in 1996-1997. Negative variation was in two years minus Rupees 1.30 crore (1994-1995) and minus Rupees 28.27 crore (1998-1999).
- There was no percentage variation in BE and RE in four out of 11 years, in two years 1994-1995 and 1998-1999 RE was less than BE and was more than BE in five years. The variation was less than one percent in two years 2000-2001 and 2003-2004. It was less than 10 percent in two years 1997-1998 and 2001-2002. The percentage variation was very high in the 1996-19997 when it was 381.22 percent over BE. Negative variation was minus 14.44 percent in 1994-1995 and minus 50.24 percent in 1998-1999.
- Absolute variation in actual over BE was in the range of minus Rupees 110.85 crore (2000-2001) to Rupees 0.01 crore in 2004-2005 which shows that the actual realization of interest on investment as all along been less than the BE except in the year 2004-2005 when it was higher than the BE by only Rupees 0.01 crore. Maximum negative variation was of minus Rupees 110.85 crore in 2000-2001.
- Percentage variation in actual over BE was in the range of minus 100 percent (1997-1998 to 1999-2000) to 0.01 percent (2004-2005). Minus 100 percent in three years shows that there was no realization of interest on

investment in three years whereas the NDMC had projected Rupees 28.00 crore to Rupees 56.27 crore in BE and RE for the same. The reasons for no realization of interest during this period need to be investigated. In most of the years there has been no linkage in actual collection with the BE and RE.

- Absolute variation in actual over RE has been from minus Rupees 111.50 crore to Rupees 0.01 crore. The position/trend in this case is also more or less the same in the case of actual over the BE.
- Percentage variation in actual over RE has been from minus 100.00 percent (1997-1998 to 1999-2000) to 0.01 percent (2004-2005). The position/trend in this case also more or less the same as in the case of actual over the BE.

14.43 Table 14.37 shows absolute and percentage variation in realization of interest on investment over the previous year BE, RE and actual during the period 1994-1995 to 2004-2005.

Table 14.37: Interest on Investment - Absolute and Percentage Variation over the Previous Year 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	9.00	7.70	6.80						
1995-96	9.00	9.00	7.31	0.00	0.00	1.30	16.88	0.51	7.50
1996-97	9.00	43.31	0.10	0.00	0.00	34.31	381.22	-7.21	-98.63
1997-98	48.49	53.22	0.00	39.49	438.78	9.91	22.88	-0.10	-100.00
1998-99	56.27	28.00	0.00	7.78	16.04	-25.22	-47.39	0.00	00.00
1999-00	29.00	29.00	0.00	-27.27	-48.46	1.00	3.57	0.00	00.00
2000-01	140.85	141.50	30.00	111.85	385.69	112.50	387.93	30.00	00.00
2001-02	93.00	94.17	24.54	-47.85	-33.97	-47.33	-33.45	-5.46	-18.20
2002-03	94.08	94.08	32.29	1.08	1.16	-0.09	-0.10	7.75	31.58
2003-04	69.56	69.60	27.28	-24.52	-26.06	-24.48	-26.02	-5.01	-15.52
2004-05	178.73	178.73	178.74	109.17	156.94	109.13	156.80	151.46	555.21

- There was no variation in BE over previous year in two year 1995-1996 and 1996-1997. The variation was in the range of minus Rupees 47.85 (2001-2002) crore to Rupees 111.85 crore (2000-2001). BE was less than previous year by Rupees 27.27 crore (1999-2000), Rupees 47.85 crore (2001-2002) and Rupees 24.52 crore (2003-2004). The variation up to Rupees 10.00 crore was

into two years (Rupees 7.78 crore 1998-1999 and Rupees 1.08 crore 2002-2003). BE was up by Rupees 111.85 crore in 2000-2001.

- Percentage variation in the years from 1997-1998 to 2004-2005 was from minus 48.46 percent in 1999-2000 to 438.78 percent (1997-1998). In the years 1995-1996 and 1996-1997 there was no percentage variation over previous year. The percentage variation was less than 20 percent in two years 1998-1999 and 2002-2003 more than 100 percent and less than 500 percent in three years (1997-1998, 2000-2001 and 2004-2005).
- Absolute variation in RE over previous year was from minus Rupees 47.33 crore (2001-2002) to Rupees 112.50 crore (2000-2001). The variation was negative in four years with the range of minus Rupees 0.09 to minus Rupees 47.33 crore. It was less than Rupees 10 crore in three years. It was less than Rupees 50 crore in one year (1996-1997) and more than Rupees 100 crore in two years (2000-2001 and 2004-2005).
- Percentage variation in RE over previous year was from minus 47.39 percent (1998-1999) to 387.93 percent (2000-2001). It was negative in four years up to 25 percent in three years and more than 100 percent in three years.
- There was no variation in actual realization over previous year in two years (1998-1999 and 1999-2000). The actual realization was less than previous year in four years. The absolute variation was less than Rupees 30 crore in three year and Rupees 151.46 crore in 2004-2005.
- As there was no realization of interest on investment in three years (1997-1998 to 1999-2000), no percentage variation could be worked out for three years (1998-1999 to 2000-2001). The percentage variation was negative in four years and positive from 7.50 percent (1995-1996) to 555.21 percent (2004-2005).

14.44 Table 14.38 shows the interest on investment as a percentage of variation revenue parameters during 1994-1995 to 2004-2005.

Table 14.38: Interest on Investment as a Percentage 1994-1995 to 2004-2005

Year	Actual	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year	Total Non-Tax Revenue	Percentage of Total Non-Tax Revenue	Own Revenue Receipt	Percentage of Own Revenue Receipt	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-95	6.80			295.32	2.30	318.32	2.14	334.08	2.04	345.51	1.97
1995-96	7.31	0.51	7.50	313.36	2.33	340.59	2.15	362.15	2.02	383.37	1.91
1996-97	0.10	-7.21	-98.63	327.42	0.03	360.29	0.03	382.76	0.03	396.66	0.03
1997-98	0.00	-0.10	-100.00	422.25	0.00	460.98	0.00	485.17	0.00	502.23	0.00
1998-99	0.00	0.00	00.00	460.78	0.00	509.37	0.00	529.10	0.00	549.02	0.00
1999-00	0.00	0.00	00.00	492.19	0.00	567.35	0.00	583.26	0.00	611.70	0.00
2000-01	30.00	30.00	00.00	603.25	4.97	699.85	4.29	722.68	4.15	749.51	4.00
2001-02	24.54	-5.46	-18.20	612.20	4.01	728.61	3.37	752.20	3.26	770.88	3.18
2002-03	32.29	7.75	31.58	696.46	4.64	834.89	3.87	858.27	3.76	883.40	3.66
2003-04	27.28	-5.01	-15.52	683.94	3.99	819.87	3.33	841.86	3.24	863.35	3.16
2004-05	178.74	151.46	555.21	851.24	21.00	1012.23	17.66	1057.57	16.90	1078.97	16.57

- Interest on investment as a percentage of total non tax revenue was in the range of 0.03 percent (1996-1997) to 21.00 percent (2004-2005). Percentage was zero percent in three years (1997-1998 to 1999-2000) as there was no realization of interest on investment in these years. The percentage was less than 5 percent in 7 out of remaining years. In the year 2004-2005 it was 21.00 percent of total non tax revenue.
- As there was no realization of interest on investment in three years (1997-1998 to 1999-2000), the percentage of own revenue receipt in this case was NIL. In remaining 8 years the percentage was in the range of 0.03 percent 1996-1997 to 17.66 percent (2004-005). The Percentage was less than 5 percent in 7 out of years.
- Interest on investment as a percentage of total revenue receipt was in the range of 0.03 percent (1996-1997) to 16.90 percent (2004-2005). Percentage was zero percent in three years (1997-1998 to 1999-2000) as there was no realization of interest on investment in these years. The percentage was less than 5 percent in 7 out of remaining years. In the year 2004-2005 it was 16.90 percent of total revenue receipt.

- Interest on investment as a percentage of total receipt was in the range of 0.03 percent (1996-1997) to 16.57 percent (2004-2005). Percentage was zero percent in three years (1997-1998 to 1999-2000) as there was no realization of interest on investment in these years. The percentage was less than 5 percent in 7 out of remaining years. In the year 2004-2005 it was 16.57 percent of total receipt.

14.45 Table 14.39 discusses the absolute percentage variation in interest on investment with average realization during the period 1994-1995 to 2004-2005.

Table 14.39: Absolute /percentage variation in interest on investment on average collection during the period 1994-1995 to 2004-2005

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	6.80	27.91	-21.11	-75.64
1995-1996	7.31	27.91	-20.60	-73.81
1996-1997	0.10	27.91	-27.81	-99.64
1997-1998	0.00	27.91	-27.91	-100.00
1998-1999	0.00	27.91	-27.91	-100.00
1999-2000	0.00	27.91	-27.91	-100.00
2000-2001	30.00	27.91	2.09	7.47
2001-2002	24.54	27.91	-3.37	12.09
2002-2003	32.29	27.91	4.38	15.67
2003-2004	27.28	27.91	-0.63	-2.27
2004-2005	178.74	27.91	150.83	540.31

- The average realization during the period 1994-1995 to 2004-2005 on investment was Rupees 27.91 crore.
- The absolute variation over realization was from minus Rupees 27.91 crore (1997-1998 to 1999-2000) to Rupees 150.83 crore (2004-2005). The variation of minus Rupees 27.91 crore in three years was because of the fact that there was no realization of interest during these years.
- The percentage variation over the average realization was from minus 100 percent (1997-1998 to 1999-2000) to 540.31 percent (2004-2005). Percentage

variation was negative in seven out of eleven years and was positive in remaining four years.

14.46 Table 14.40 shows BE, RE and actual realization on account of sale of electricity by NDMC during the period 1994-1995 to 2004-2005.

Table 14.40: Sale of Electricity

Year	Budget Estimate	Revised Estimate	Actual
1994-1995	205.00	220.00	230.35
1995-1996	235.00	237.34	236.38
1996-1997	246.34	226.00	258.20
1997-1998	380.00	340.00	353.30
1998-1999	350.00	356.00	396.01
1999-2000	364.75	384.75	415.84
2000-2001	384.75	434.00	467.77
2001-2002	459.83	462.83	480.96
2002-2003	500.00	505.00	531.88
2003-2004	520.00	525.00	532.53
2004-2005	525.00	540.00	533.99

- BE during the period was in the range of Rupees 205.00 Crore (1994-1995) to Rupees 525.00 Crore (2004-2005).
- The revised estimates were in the range of Rupees 220.00 Crore (1994-1995) to 540.00 Crore (2004-2005).
- The actual realization towards the sale of electricity was from Rupees 230.35 crore (1994-1995) to Rupees 533.99 crore (2004-2005).

14.47 Table 14.41 shows the absolute and percentage variation in BE/RE and actual realization on account of sale of electricity during the period 1994-1995 to 2004-2005.

Table 14.41 : Absolute and Percentage Variation in BE/RE/Actual within the Year

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-95	205.00	220.00	230.35	15.00	7.32	25.35	12.37	10.35	4.70
1995-96	235.00	237.34	236.38	2.34	1.00	1.38	0.59	-0.96	-0.40
1996-97	246.34	226.00	258.20	-20.34	-8.26	11.86	4.81	32.20	14.25
1997-98	380.00	340.00	353.30	-40.00	-10.53	-26.70	-7.03	13.30	3.91
1998-99	350.00	356.00	396.01	6.00	1.71	46.01	13.15	40.01	11.24
1999-00	364.75	384.75	415.84	20.00	5.48	51.09	14.01	31.09	8.08
2000-01	384.75	434.00	467.77	49.25	12.80	83.02	21.58	33.77	7.78
2001-02	459.83	462.83	480.96	3.00	0.65	21.13	4.60	18.13	3.92
2002-03	500.00	505.00	531.88	5.00	1.00	31.88	6.38	26.88	5.32
2003-04	520.00	525.00	532.53	5.00	0.96	12.53	2.41	7.53	1.43
2004-05	525.00	540.00	533.99	15.00	2.86	8.99	1.71	-6.01	-1.11

- Absolute variation in RE over BE was from minus Rupees 40.00 crore (1997-1998) to Rupees 49.25 crore (2000-2001).
- The variation was negative in two years (minus Rupees 20.34 crore in 1996-1997 and minus Rupees 40.00 crore 1997-1998). Absolute variation was less than Rupees 10.00 crore in 5 years and within 15 crore to 20 crore in 1994-1995, 1999-2000 and 2004-2005. The variation of Rupees 49.25 crore was the year 2000-2001.
- Percentage variation in RE over BE was from minus 10.53 percent (1997-1998) to 12.80 percent (2000-2001). Percentage variation was less than 5 percent in 6 years and up to 13 percent in 3 years. The percentage variation was negative (1996-1997 and 1997-1998).
- The absolute variation in actual over BE was from minus Rupees 26.70 Crore (1997-1998) to Rupees 83.02 Crore (2000-2001).
- The actual collection was less than BE in the year 1997-1998 and more than BE in rest of the years.
- Percentage in actual over BE was from minus 7.03 percent (1997-1998) to 21.58 percent (2000-2001). Percentage variation was less than 10 percent in 6 years, 10 to 15 percent in three years and more than 20 percent in the year 2000-2001.
- Absolute variation in actual over RE was in the range of minus Rupees 6.01 crore (2004-2005) to Rupees 40.01 Crore (1998-1999). Actual realization was

less than the RE in two years and was above RE by Rupees 7.53 crore to Rupees 40.01 crore in the remaining years.

- Percentage variation in actual over RE was from minus 1.11 percent (2004-2005) to 14.25 percent (1996-1997).

14.48 Table 14.42 shows absolute and percentage variation in BE, RE and Actual realization on account of the sale of electricity over the previous year 1994-1995 to 2004-2005.

Table 14.42- Sale of Electricity - Absolute and Percentage Variation over the Previous Year 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	205.00	220.00	230.35						
1995-96	235.00	237.34	236.38	30.00	14.63	17.34	7.88	6.03	2.62
1996-97	246.34	226.00	258.20	11.34	4.83	-11.34	-4.78	21.82	9.23
1997-98	380.00	340.00	353.30	133.66	54.26	114.00	50.44	95.10	36.83
1998-99	350.00	356.00	396.01	-30.00	-7.89	16.00	4.71	42.71	12.09
1999-00	364.75	384.75	415.84	14.75	4.21	28.75	8.08	19.83	5.01
2000-01	384.75	434.00	467.77	20.00	5.48	49.25	12.80	51.93	12.49
2001-02	459.83	462.83	480.96	75.08	19.51	28.83	6.64	13.19	2.82
2002-03	500.00	505.00	531.88	40.17	8.74	42.17	9.11	50.92	10.59
2003-04	520.00	525.00	532.53	20.00	4.00	20.00	3.96	0.65	0.12
2004-05	525.00	540.00	533.99	5.00	0.96	15.00	2.86	1.46	0.27

- Absolute variation in BE over previous year was from minus Rupees 30.00 Crore (1998-1999) to Rupees 133.66 Crore (1997-1998).
- The BE was less than previous year in only one year (1998-1999) in rest of years the BE was higher than the previous year.
- Percentage variation in BE over previous year was from minus 7.89 percent (1998-1999) to 54.26 percent (1997-1998).
- The absolute variation in RE over previous year was from minus Rupees 11.34 crore (1996-1997) to Rupees 114.00 crore (1997-1998). The variation was up to Rupees 20.00 crore in four years and up to Rupees 50.00 crore in other four years. The variation was to the extent of Rupees 114.00 crore (1997-1998).

- Percentage variation in RE over previous year was in the range of minus 4.78 percent (1996-1997) to 50.44 percent (1997-1998). The variation was less than 15 percent in 8 out of 10 years and in one year i.e. 1997-1998 it was 50.44 percent
- Absolute variation in actual over previous year was from Rupees 0.65 Crore (2003-2004) to Rupees 95.10 Crore (1997-1998).
- Percentage variation in actual over previous year was from 0.12 percent (2003-2004) to 36.83 percent (1997-1998).

14.49 Table 14.43 shows sale of electricity as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

Table 14.43 : Sale of Electricity as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005

Year	Actual	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year	Total Non-Tax Revenue	Percentage of Total Non-Tax Revenue	Own Revenue Receipt	Percentage of Own Revenue Receipt	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-95	230.35			295.32	78.00	318.32	72.36	334.08	68.95	345.51	66.67
1995-96	236.38	6.03	2.62	313.36	75.43	340.59	69.40	362.15	65.27	383.37	61.66
1996-97	258.20	21.82	9.23	327.42	78.86	360.29	71.66	382.76	67.46	396.66	65.09
1997-98	353.30	95.10	36.83	422.25	83.67	460.98	76.64	485.17	72.82	502.23	70.35
1998-99	396.01	42.71	12.09	460.78	85.94	509.37	77.75	529.10	74.85	549.02	72.13
1999-00	415.84	19.83	5.01	492.19	84.49	567.35	73.30	583.26	71.30	611.70	67.98
2000-01	467.77	51.93	12.49	603.25	77.54	699.85	66.84	722.68	64.73	749.51	62.41
2001-02	480.96	13.19	2.82	612.20	78.56	728.61	66.01	752.20	63.94	770.88	62.39
2002-03	531.88	50.92	10.59	696.46	76.37	834.89	63.71	858.27	61.97	883.40	60.21
2003-04	532.53	0.65	0.12	683.94	77.86	819.87	64.95	841.86	63.26	863.35	61.68
2004-05	533.99	1.46	0.27	851.24	62.73	1012.23	52.75	1057.57	50.49	1078.97	49.49

- As a matter of fact the sale of electricity is not a source of non-tax revenue. It is simply the recovery of the expenditure already incurred by NDMC on the purchase of electricity. At best, the difference, if any, between the sale price and purchase price could have been taken as a part of non-tax revenue.
- As a percentage of total non-tax revenue, sale of electricity was within the range of 62.73 percent (2004-2005) to 85.63 percent (1998-1999).
- Sale of electricity as a percentage of own revenue receipts has been in the range of 52.60 percent (2004-2005) to 85.94 percent (1998-1999)..

- As a percentage of total revenue receipts, the sale of electricity has been in the range of 50.04 percent (2004-2005) to 73.55 percent (1998-1999).
- Sale of electricity as a percentage of total receipts was from 50.49 percent (2004-2005) to 74.85 percent (1998-1999).
- Since 1998-1999 there has been a declining trend in the sale of electricity as a percentage of various revenue parameters.

14.50 Table 14.44 shows Absolute/ percentage variation in sale of electricity over the average realization 1994-1995 to 2004-2005.

Table 14.44 :Absolute/ percentage variation in sale of electricity over the average realization 1994-1995 to 2004-2005.

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	230.35	403.38	-173.03	-42.90
1995-1996	236.38	403.38	-167.00	-41.40
1996-1997	258.20	403.38	-145.18	-35.99
1997-1998	353.30	403.38	-50.08	-12.42
1998-1999	396.01	403.38	-7.37	-1.83
1999-2000	415.84	403.38	12.46	3.09
2000-2001	467.77	403.38	64.39	15.96
2001-2002	480.96	403.38	77.58	19.23
2002-2003	531.88	403.38	128.50	31.86
2003-2004	532.53	403.38	129.15	32.02
2004-2005	533.99	403.38	130.61	32.38

- The average collection during the period from 1994-1995 to 2004-2005 from the sale of electricity was Rupees 403.38 Crore.
- The actual collection was less than the average collection in first five years and higher than the average collection in the remaining years.
- The absolute variation in sale of electricity over the average collection has been from minus Rupees 173.03 crore (1994-1995) to Rupees 130.61 crore (2004-2005).

- The percent age variation during the period was in the range of minus 42.90 percent (1994-1995) to 32.38 percent (2004-2005).

14.51 Table 14.45 shows BE, RE and actual realization on account of sale of water by NDMC during the period 1994-1995 to 2004-2005.

Table 14.45: BE, RE and actual realization from Sale of Water during the year 1994-1995 to 2004-2005.

Year	Budget Estimate	Revised Estimate	Actual
1994-1995	14.00	11.00	11.88
1995-1996	14.00	12.00	12.22
1996-1997	13.00	8.25	0.89
1997-1998	16.25	12.00	0.79
1998-1999	12.00	13.32	1.69
1999-2000	14.50	14.50	0.01
2000-2001	14.50	14.50	0.00
2001-2002	14.50	14.50	2.02
2002-2003	14.50	14.50	0.00
2003-2004	14.50	14.50	15.00
2004-2005	14.50	14.50	14.32

- BE during the period was in the range of Rupees 12.00 Crore (1998-1999) to Rupees 16.25 Crore (1997-1998).
- The budget estimates on this account were stagnant at Rupees 14.50 crore during the period from 1999-2000 to 2004-2005.
- The revised estimates were in the range of Rupees 8.25 Crore (1996-1997) to Rupees 14.50 Crore (1999-2000 to 2004-2005).
- The actual realization towards the sale of water was from Rupees 0.01 crore (1999-2000) to Rupees 15.00 crore (2003-2004). There was no realization on this account in two years (2000-2001 and 2002-2003).
- There has been wide gap in BE/RE and the actual realization from sale of water during the years from 1996-1997 to 2002-2003.

14.52 Table 14.46 shows Absolute and Percentage Variation in BE,RE and actual realization from the sale of water during 1994-1995 to 2004-2005.

Table 14.46: Absolute and Percentage Variation in BE, RE and actual realization from the sale of water during 1994-1995 to 2004-2005.

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-1995	14.00	11.00	11.88	-3.00	-21.43	-2.12	-15.14	0.88	8.00
1995-1996	14.00	12.00	12.22	-2.00	-14.29	-1.78	-12.71	0.22	1.83
1996-1997	13.00	8.25	0.89	-4.75	-36.54	-12.11	-93.15	-7.36	-89.21
1997-1998	16.25	12.00	0.79	-4.25	-26.15	-15.46	-95.14	-11.21	-93.42
1998-1999	12.00	13.32	1.69	1.32	11.00	-10.31	-85.92	-11.63	-87.31
1999-2000	14.50	14.50	0.01	0.00	0.00	-14.49	-99.93	-14.49	-99.93
2000-2001	14.50	14.50	0.00	0.00	0.00	-14.50	-100.00	-14.50	-100.00
2001-2002	14.50	14.50	2.02	0.00	0.00	-12.48	-86.07	-12.48	-86.07
2002-2003	14.50	14.50	0.00	0.00	0.00	-14.50	-100.00	-14.50	-100.00
2003-2004	14.50	14.50	15.00	0.00	0.00	0.50	3.45	0.50	3.45
2004-2005	14.50	14.50	14.32	0.00	0.00	-0.18	-1.24	-0.18	-1.24

- There has been no variation in BE and RE during the years from 1999-2000 to 2004-2005. The absolute variation during the remaining years was from minus Rupees 4.75 crore (1996-1997) to Rupees 1.32 crore (1998-1999).
- There has been no percentage variation in BE and RE during the years from 1999-2000 to 2004-2005. The percentage variation during the remaining years was from minus 36.54 percent (1996-1997) to 11.00 percent (1998-1999).
- Absolute variation in actual over BE during the period has been from minus Rupees 15.46 crore (1997-1998) to Rupees 0.50 crore (2003-2004).
- The actual realization has throughout been less than the BE except in the year 2003-2004 when it was higher by a margin of only Rupees 0.50 crore.
- Percentage variation in actual over BE was from minus 100 percent (2000-2001 and 2002-2003) to 3.45 percent (2003-2004). Percentage variation has been negative in all the years except in the year 2003-2004.
- The absolute variation in actual over RE has been from minus 14.50 crore (2000-2001 and 2002-2003) to Rupees 0.88 crore (1994-1995). The actual realization has been less than RE in seven out of eleven years.
- Percentage variation in actual over RE during the period was from minus 100 percent (2000-2001 and 2002-2003) to 8.00 percent (1994-1995).

14.53 Table 14.47 depicts Absolute and Percentage Variation in BE, RE and actual from sale of water over the Previous Year during 1994-1995 to 2004-2005.

Table 14.47 :Absolute and Percentage Variation in BE, RE and actual from sale of water over the Previous Year 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	14.00	11.00	11.88						
1995-96	14.00	12.00	12.22	0.00	0.00	1.00	9.09	0.34	2.86
1996-97	13.00	8.25	0.89	-1.00	-7.14	-3.75	-31.25	-11.33	-92.72
1997-98	16.25	12.00	0.79	3.25	25.00	3.75	45.45	-0.10	-11.24
1998-99	12.00	13.32	1.69	-4.25	-26.15	1.32	11.00	0.90	113.92
1999-00	14.50	14.50	0.01	2.50	20.83	1.18	8.86	-1.68	-99.41
2000-01	14.50	14.50	0.00	0.00	0.00	0.00	0.00	-0.01	-100.00
2001-02	14.50	14.50	2.02	0.00	0.00	0.00	0.00	2.02	
2002-03	14.50	14.50	0.00	0.00	0.00	0.00	0.00	-2.02	-100.00
2003-04	14.50	14.50	15.00	0.00	0.00	0.00	0.00	15.00	
2004-05	14.50	14.50	14.32	0.00	0.00	0.00	0.00	-0.68	-4.53

- There has been no variation in BE over previous year in six years. In four years the variation was from minus Rupees 4.25 crore (1998-1999) to Rupees 2.50 crore (1999-2000). In two years (1996-1997 and 1998-1999) the BE was less than the previous years and in other two years (1997-1998 and 1999-2000) it was higher than the previous year.
- There has been no percentage variation in BE over previous year in six years. In four years the variation was from minus 26.15 percent (1998-1999) to 25 percent (1998-1999).
- There has been no variation in RE over previous year in five out eleven years. In five years the variation was from minus Rupees 3.75 crore (1996-1997) to Rupees 3.75 crore (1997-1998).
- There has been no percentage variation in RE over previous year in five years. In five years the variation was from minus 31.25 percent (1996-1997) to 45.45 percent (1997-1998). The variation was less than 15 percent in three years (1995-1996, 1998-1999 and 1999-2000). The variation was more than 45 percent in 1997-1998.
- The absolute variation in actual realization from sale of water over the previous was in the range of minus Rupees 11.33 crore (1996-1997) to Rupees 15.00 crore (2003-2004). The actual collection was less than previous year in seven years and it was more than previous year in three years

- Percentage variation in actual over the previous year was from minus 100 percent (2000-2001 and 2002-2003) to 113.92 percent (1998-1999).

14.54 Table 14.48 shows sale of water as a percentage of various revenue parameters during 1994-1995 to 2004-2005.

Table 14.48: Sale of Water as a Percentage of various revenue parameters during 1994-1995 to 2004-2005.

Year	Actual	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year	Total Non-Tax Revenue	Percentage of Total Non-Tax Revenue	Own Revenue Receipt	Percentage of Own Revenue Receipt	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	11.88			295.32	4.02	318.32	3.73	334.08	3.56	345.51	3.44
1995-1996	12.22	0.34	2.86	313.36	3.90	340.59	3.59	362.15	3.37	383.37	3.19
1996-1997	0.89	-11.33	-92.72	327.42	0.27	360.29	0.25	382.76	0.23	396.66	0.22
1997-1998	0.79	-0.10	-11.24	422.25	0.19	460.98	0.17	485.17	0.16	502.23	0.16
1998-1999	1.69	0.90	113.92	460.78	0.37	509.37	0.33	529.10	0.32	549.02	0.31
1999-2000	0.01	-1.68	-99.41	492.19	0.00	567.35	0.00	583.26	0.00	611.70	0.00
2000-2001	0.00	-0.01	-100.00	603.25	0.00	699.85	0.00	722.68	0.00	749.51	0.00
2001-2002	2.02	2.02		612.20	0.33	728.61	0.28	752.20	0.27	770.88	0.26
2002-2003	0.00	-2.02	-100.00	696.46	0.00	834.89	0.00	858.27	0.00	883.40	0.00
2003-2004	15.00	15.00		683.94	2.19	819.87	1.83	841.86	1.78	863.35	1.74
2004-2005	14.32	-0.68	-4.53	851.24	1.68	1012.23	1.41	1057.57	1.35	1078.97	1.37

- As there was no receipt on this account during the year 2000-2001 and 2002-2003, the sale of water as a percentage of various revenue parameters during these years was nil. As a percentage of total non-tax revenue the sale of water has been in the range of 0.19 percent (1997-1998) to 4.02 percent (1994-1995).
- No percentage could be worked out for the year 1999-2000 as the actual revenue on this account was negligible i.e. Rupees 0.01 crore in this year.
- As a percentage of own revenue receipts, the sale of water has been in the range of 0.17 percent (1997-1998) to 3.73 percent (1994-1995).
- Sale of water as a percentage of total revenue receipts was from 0.16 percent (1997-1998) to 3.56 percent (1994-1995).
- Sale of water as a percentage of total receipts was from 0.16 percent (1997-1998) to 3.44 percent (1994-1995).

- Sale of water as a percentage of various revenue parameters never exceeded 5 percent.

14.55 Table 14.49 shows absolute/percentage variation in sale of water over the average collection during the period from 1994-1995 to 2004-2005..

Table 14.49: Absolute/percentage variation in sale of water over the average collection during the period from 1994-1995 to 2004-2005

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	11.88	5.35	6.53	122.17
1995-1996	12.22	5.35	6.87	128.53
1996-1997	0.89	5.35	-4.46	-83.36
1997-1998	0.79	5.35	-4.56	-85.23
1998-1999	1.69	5.35	-3.66	-68.40
1999-2000	0.01	5.35	-5.34	-99.81
2000-2001	0.00	5.35	-5.35	-100.00
2001-2002	2.02	5.35	-3.33	-62.22
2002-2003	0.00	5.35	-5.35	-100.00
2003-2004	15.00	5.35	9.65	180.52
2004-2005	14.32	5.35	8.97	167.80

- The average collection on this account during this period was Rupees 5.35 crore.
- The actual collection was less than the average collection in seven out of eleven years and higher in remaining four years.
- Absolute variation during the period was in the range of minus Rupees 5.35 crore (2000-2001 and 2002-2003) to Rupees 9.65 crore (2003-2004).
- Percentage variation in sale of water over the average collection was from minus 100 percent (2000-2001 and 2002-2003) to 180.52 percent (2003-2004).
- Percentage variation in 2000-2001 and 2002-2003 was minus 100 percent due to the reason that there was no collection on this account during these years.

14.56 Table 14.50 shows BE, RE and actual collection on account of rent/ license fee during the period from 1994-1995 to 2004-2005.

Table 14.50- BE/ RE and actual collection on account of rent/ license fee during the period from 1994-1995 to 2004-2005.

Year	Budget Estimate	Revised Estimate	Actual
1994-1995	42.25	42.37	23.34
1995-1996	45.35	46.28	44.46
1996-1997	48.28	50.62	52.91
1997-1998	72.70	57.73	52.73
1998-1999	65.90	45.00	45.08
1999-2000	60.00	54.00	53.59
2000-2001	60.00	77.00	34.44
2001-2002	99.00	67.00	27.62
2002-2003	75.00	77.00	39.27
2003-2004	77.00	75.00	35.92
2004-2005	75.00	80.00	40.71

- The BE on this account has been from Rupees 42.25 crore (1994-1995) to Rupees 99.00 crore (2001-2002).
- RE has been from Rupees 42.37 crore (1994-1995) to Rupees 80.00 crore (2004-2005).
- The actual collection on this account during the period has been from Rupees 23.34 crore (1994-1995) to Rupees 53.59 crore (1999-2000).
- There was no specific trend either in BE / RE or the actual collection.

14.57 Table 14.51 shows absolute and percentage variation in BE, RE and actual collection of rent/ license fee during the period from 1994-1995 to 2004-2005.

Table 14.51 - Absolute and Percentage Variation in BE/RE/Actual in Rent/License/Fees within the Year (1994-1995 to 2004-2005)

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-95	42.25	42.37	23.34	0.12	0.28	-18.91	-44.76	-19.03	-44.91
1995-96	45.35	46.28	44.46	0.93	2.05	-0.89	-1.96	-1.82	-3.93
1996-97	48.28	50.62	52.91	2.34	4.85	4.63	9.59	2.29	4.52
1997-98	72.70	57.73	52.73	-14.97	-20.59	-19.97	-27.47	-5.00	-8.66
1998-99	65.90	45.00	45.08	-20.90	-31.71	-20.82	-31.59	0.08	0.18
1999-00	60.00	54.00	53.59	-6.00	-10.00	-6.41	-10.68	-0.41	-0.76
2000-01	60.00	77.00	34.44	17.00	28.33	-25.56	-42.60	-42.56	-55.27
2001-02	99.00	67.00	27.62	-32.00	-32.32	-71.38	-72.10	-39.38	-58.78
2002-03	75.00	77.00	39.27	2.00	2.67	-35.73	-47.64	-37.73	-49.00
2003-04	77.00	75.00	35.92	-2.00	-2.60	-41.08	-53.35	-39.08	-52.11
2004-05	75.00	80.00	40.71	5.00	6.67	-34.29	-45.72	-39.29	-49.11

- Absolute variation in RE over BE was from minus Rupees 32.00 crore (2001-2002) to Rupees 17.00 crore (2000-2001). The variation was less than Rupees 10 crore in five years, less than BE in five years and more than rupees 15 crore in one year i.e. 2000-2001.
- Percentage variation in RE over BE has been in the range of minus 32.32 percent (2001-2002) to 28.33 percent (2000-2001). The percentage variation was negative in five years, was less than 10 percent in another five years and more than 25 percent in one year i.e. 2000-2001.
- Absolute variation in actual over BE was from minus Rupees 71.38 crore (2001-2002) to Rupees 4.63 crore (1996-1997). The actual collection has always been lower than the BE except in the year 1996-1997 when it exceeded by Rupees 4.63 crore. The negative variation in actual over BE has been from minus Rupees 71.38 crore (2001-2002) to minus Rupees 0.89 crore (1995-1996).
- Percentage variation in actual over BE was from minus 72.10 percent (2001-2002) to 9.59 percent (1996-1997). Percentage variation has always been in the negative except in the year 1996-1997 when it was 9.59 percent. The negative percentage variation in actual over BE has been from minus 72.10 percent (2001-2002) to minus 1.96 percent (1995-1996).
- Absolute variation in actual over RE during the period was from minus Rupees 42.56 crore (2000-2001) to Rupees 2.29 crore (1996-1997). The actual realization has been lower than RE in nine out of eleven years and higher in just two years that too only by Rupees 2.29 crore (1996-1997) and Rupees 0.08 crore (1998-1999).
- Similar is the position in the case of percentage variation in actual over RE. Percentage variation in actual over RE during the period was from minus 58.78 percent (2001-2002) to 4.52 percent (1996-1997). The percentage variation has been negative in nine out of eleven years and positive in just two years that too only by 0.18 percent (1998-1999) and 4.52 percent (1996-1997).

14.58 Table 14.52 shows the absolute and percentage variation in BE, RE and actual collection of rent/ license fee over the previous year during the period from 1994-1995 to 2004-2005.

Table 14.52- Rent Fee - Absolute and Percentage Variation in BE/RE/Actual over the Previous Year 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	42.25	42.37	23.34						
1995-96	45.35	46.28	44.46	3.10	7.34	3.91	9.23	21.12	90.49
1996-97	48.28	50.62	52.91	2.93	6.46	4.34	9.38	8.45	19.01
1997-98	72.70	57.73	52.73	24.42	50.58	7.11	14.05	-0.18	-0.34
1998-99	65.90	45.00	45.08	-6.80	-9.35	-12.73	-22.05	-7.65	-14.51
1999-00	60.00	54.00	53.59	-5.90	-8.95	9.00	20.00	8.51	18.88
2000-01	60.00	77.00	34.44	0.00	0.00	23.00	42.59	-19.15	-35.73
2001-02	99.00	67.00	27.62	39.00	65.00	-10.00	-12.99	-6.82	-19.80
2002-03	75.00	77.00	39.27	-24.00	-24.24	10.00	14.93	11.65	42.18
2003-04	77.00	75.00	35.92	2.00	2.67	-2.00	-2.60	-3.35	-8.53
2004-05	75.00	80.00	40.71	-2.00	-2.60	5.00	6.67	4.79	13.34

- Absolute variation in BE over the previous year was from minus Rupees 24.00 crore (2002-2003) to Rupees 39.00 crore (2001-2002). The absolute variation was less than Rupees 10.00 crore in three out of eleven years, negative in four years and more than Rupees 20.00 crore in two years (1997-1998 and 2001-2002). There was no variation in the year 2000-2001.
- There was no percentage variation in BE over previous year in the year 2000-2001. In the remaining years the percentage variation was from minus 24.24 percent (2002-2003) to 65.00 percent (2001-2002).
- Absolute variation in RE over previous year was from minus Rupees 12.73 crore (1998-1999) to Rupees 23.00 crore (2000-2001).
- The absolute variation was negative in three years, up to Rupees 10.00 crore in six years and more than Rupees 20.00 crore in one year i.e. 2000-2001.
- Percentage variation in RE over previous year was from minus 22.05 percent (1998-1999) to 42.59 percent (2000-2001).
- Absolute variation in actual over previous year was from minus Rupees 19.15 crore (2000-2001) to Rupees 21.12 crore (1995-1996).
- Percentage variation in actual over previous year was from minus 35.73 percent (2000-2001) to 90.49 percent (1995-1996).

14.59 Table 14.53 shows the rent / license fee as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

**Table 14.53 : Rent Fee as Percentage of various Revenue parameters-
1994-1995 to 2004-2005**

Year	Actual	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year	Total Non-Tax Revenue	Percentage of Total Non-Tax Revenue	Own Revenue Receipt	Percentage of Own Revenue Receipt	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	23.34			295.32	7.90	318.32	7.33	334.08	6.99	345.51	6.76
1995-1996	44.46	21.12	90.49	313.36	14.19	340.59	13.05	362.15	12.28	383.37	11.60
1996-1997	52.91	8.45	19.01	327.42	16.16	360.29	14.69	382.76	13.82	396.66	13.34
1997-1998	52.73	-0.18	-0.34	422.25	12.49	460.98	11.44	485.17	10.87	502.23	10.50
1998-1999	45.08	-7.65	-14.51	460.78	9.78	509.37	8.85	529.10	8.52	549.02	8.21
1999-2000	53.59	8.51	18.88	492.19	10.89	567.35	9.45	583.26	9.19	611.70	8.76
2000-2001	34.44	-19.15	-35.73	603.25	5.71	699.85	4.92	722.68	4.77	749.51	4.60
2001-2002	27.62	-6.82	-19.80	612.20	4.51	728.61	3.79	752.20	3.67	770.88	3.58
2002-2003	39.27	11.65	42.18	696.46	5.64	834.89	4.70	858.27	4.58	883.40	4.45
2003-2004	35.92	-3.35	-8.53	683.94	5.25	819.87	4.38	841.86	4.27	863.35	4.16
2004-2005	40.71	4.79	13.34	851.24	4.78	1012.23	4.02	1057.57	3.85	1078.97	3.77

- As a percentage of total non-tax revenue the rent/license fee has been in the range of 4.51 percent (2001-2002) to 16.16 percent (1996-1997).
- As a percentage of own revenue receipts, the rent / license fee has been in the range of 3.79 percent (2001-2002) to 14.69 percent (1996-1997).
- Rent/license fee as a percentage of total revenue receipts was from 3.67 percent (2001-2002) to 13.82 percent (1996-1997).
- Rent/license fee as a percentage of total receipts was from 3.58 percent (2001-2002) to 13.34 percent (1996-1997).

14.60 Table 14.54 shows absolute/percentage variation in rent / license fee over the average collection during the period from 1994-1995 to 2004-2005.

**Table 14.54- Absolute/Percentage Variation over the average-Rent/license Fees
(Rupees in crore)**

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	23.34	40.92	-17.58	-42.96
1995-1996	44.46	40.92	3.54	8.65
1996-1997	52.91	40.92	11.99	29.30
1997-1998	52.73	40.92	11.81	28.86
1998-1999	45.08	40.92	4.16	10.17
1999-2000	53.59	40.92	12.67	30.96
2000-2001	34.44	40.92	-6.48	-15.84
2001-2002	27.62	40.92	-13.30	-32.50
2002-2003	39.27	40.92	-1.65	-4.03
2003-2004	35.92	40.92	-5.00	-12.22
2004-2005	40.71	40.92	-0.21	-0.51

- The average collection on this account during this period was Rupees 40.92 crore.
- The actual collection was less than average collection in six out of eleven years and higher in remaining five years.
- Absolute variation during the period was in the range of minus Rupees 17.58 crore (1994-1995) to Rupees 12.67 crore (1999-2000).
- Percentage variation in rent/license fee over the average collection was from minus 42.96 percent (1994-1995) to 30.96 percent (1999-2000).

14.61 Table 14.55 shows BE, RE and actual collection on account of other miscellaneous receipts during the period from 1994-1995 to 2004-2005.

Table 14.55: BE, RE and actual collection on account of other miscellaneous receipts-1994-1995 to 2004-2005.

Year	Budget Estimate	Revised Estimate	Actual
1994-1995	12.29	10.35	22.95
1995-1996	12.12	12.17	12.99
1996-1997	15.99	15.28	15.32
1997-1998	16.02	15.15	15.43
1998-1999	17.11	18.10	18.00
1999-2000	24.86	26.58	22.75

2000-2001	28.53	21.32	71.04
2001-2002	25.79	23.68	77.06
2002-2003	26.25	31.15	93.02
2003-2004	30.35	29.27	73.21
2004-2005	32.65	39.09	83.48

- The BE on this account has been from Rupees 12.12 crore (1995-1996) to Rupees 32.65 crore (2004-2005). The BE was below Rupees 20.00 crore in five years from 1994-1995 to 1998-1999 and in the remaining years it was in the range of Rupees 24.86 crore to Rupees 32.65 crore.
- RE has been from Rupees 10.35 crore (1994-1995) to Rupees 39.09 crore (2004-2005). The RE was below Rupees 20.00 crore in five years from 1994-1995 to 1998-1999, Rupees 20.00 crore to Rupees 30.00 crore in two years 1998-1999 and 2001-2002 and in the remaining years it was in the range of Rupees 20.00 crore to Rupees 40.00 crore
- The actual collection on this account during the period has been from Rupees 12.99 crore (1995-1996) to Rupees 93.02 crore (2002-2003). The actual was below Rupees 20.00 crore in four years from 1995-1996 to 1998-1999, Rupees 22.75 crore (1999-2000) from 2000-2001 onward the actual collection was between Rupees 70.00 crore to Rupees 100.00 crore.
- There was wide variation during the period in BE / RE and actual.
- There was no specific trend either in BE / RE or the actual collection.

14.62 Table 14.56 shows absolute and percentage variation in BE, RE and actual collection of other miscellaneous receipts during the period from 1994-1995 to 2004-2005.

Table 14.56- Other Misc Receipt - Absolute and Percentage Variation in BE/RE/Actual within the Year-1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-95	12.29	10.35	22.95	-1.94	-15.79	10.66	86.74	12.60	121.74
1995-96	12.12	12.17	12.99	0.05	0.41	0.87	7.18	0.82	6.74
1996-97	15.99	15.28	15.32	-0.71	-4.44	-0.67	-4.19	0.04	0.26
1997-98	16.02	15.15	15.43	-0.87	-5.43	-0.59	-3.68	0.28	1.85
1998-99	17.11	18.10	18.00	0.99	5.79	0.89	5.20	-0.10	-0.55

1999-00	24.86	26.58	22.75	1.72	6.92	-2.11	-8.49	-3.83	-14.41
2000-01	28.53	21.32	71.04	-7.21	-25.27	42.51	140.00	49.72	233.21
2001-02	25.79	23.68	77.06	-2.11	-8.18	51.27	198.80	53.38	225.42
2002-03	26.25	31.15	93.02	4.90	18.67	66.77	254.36	61.87	198.62
2003-04	30.35	29.27	73.21	-1.08	-3.56	42.86	141.22	43.94	150.12
2004-05	32.65	39.09	83.48	6.44	19.72	50.83	155.68	44.39	113.56

- Absolute variation in RE over BE was from minus Rupees 7.21 crore (2000-2001) to Rupees 6.44 crore (2004-2005). The variation was negative in six out of eleven years and in other years when it was positive, it was less than Rupees 1.00 crore in two years (1995-1996 and 1998-1999) and less than Rupees 10.00 crore in other two years (1999-2000 and 2002-2003).
- Percentage variation in RE over BE has been in the range of minus 25.27 percent (2000-2001) to 19.72 percent (2004-2005). The percentage variation was negative in six out of eleven years, was less than 5 percent in one year (1995-1996) and 5 to 20 percent in four years. Negative variation was highest in 200-2001.
- Absolute variation in actual over BE was from minus Rupees 0.67 crore (1996-1997) to Rupees 66.77 crore (2002-2003). The actual collection was lower than the BE in three years and higher in remaining six years. The absolute variation was of the order of Rupees 10.66 crore in 1994-1995 and from Rupees 40.00 to Rupees 70.00 crore in five years.
- Percentage variation in actual over BE was from minus 8.49 percent (1999-2000) to 254.36 percent (2002-2003). Percentage variation was negative in three out of eleven years and in remaining years it was in the range of 86.74 percent (1995-1996) to 254.36 percent (2002-2003). The percentage variation was more than 100 percent in four years (2000-2001 to 2002-2003 and 2004-2005).
- Absolute variation in actual over RE during the period was from minus Rupees 3.83 crore (1999-2000) to Rupees 61.87 crore (2000-2001). The actual realization has been lower than RE in three out of eleven years and higher in remaining years.
- Percentage variation in actual over RE during the period was from minus 14.41 percent (1999-2000) to 233.21 percent (2000-2001). The percentage variation has been negative in two out of eleven years and positive in remaining years from 0.26 percent (1996-1997) to 233.21 percent (2000-2001).

14.63 Table 14.57 shows the absolute and percentage variation in BE, RE and actual collection of other miscellaneous receipts over the previous year during the period from 1994-1995 to 2004-2005.

Table 14.57: Other Misc. Receipt - Absolute and Percentage Variation over the Previous Year 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	12.29	10.35	22.95						
1995-96	12.12	12.17	12.99	-0.17	-1.38	1.82	17.58	-9.96	-43.30
1996-97	15.99	15.28	15.32	3.87	31.93	3.11	25.55	2.33	17.94
1997-98	16.02	15.15	15.43	0.03	0.19	-0.13	-0.85	0.11	0.72
1998-99	17.11	18.10	18.00	1.09	6.80	2.95	19.47	2.57	16.66
1999-00	24.86	26.58	22.75	7.75	45.30	8.48	46.85	4.75	26.39
2000-01	28.53	21.32	71.04	3.67	14.76	-5.26	-19.79	48.29	212.26
2001-02	25.79	23.68	77.06	-2.74	-9.60	2.36	11.07	6.02	8.47
2002-03	26.25	31.15	93.02	0.46	1.78	7.47	31.55	15.96	20.71
2003-04	30.35	29.27	73.21	4.10	15.62	-1.88	-6.04	-19.81	-21.30
2004-05	32.65	39.09	83.48	2.30	7.58	9.82	33.55	10.27	14.03

- Absolute variation in BE over the previous year was from minus Rupees 2.76 crore (2000-2001) to Rupees 7.75 crore (1999-2000). The absolute variation was negative in two years and the maximum was minus Rupees 2.76 crore (2000-2001). In remaining years the absolute variation was positive and in the range of Rupees 0.46 crore (2002-2003) to Rupees 7.75 crore (1999-2000).
- Percentage variation in BE over the previous year was from minus 9.60 percent (2001-2002) to 45.30 percent (1999-2000).
- Absolute variation in RE over previous year was from minus Rupees 5.26 crore (2000-2001) to Rupees 9.82 crore (2004-2005).
- The absolute variation was negative in three years and the positive variation was from Rupees 1.82 crore (1995-1996) to 9.82 crore (2004-2005).
- Percentage variation in RE over previous year was from minus 19.79 percent (2000-2001) to 46.85 percent (1999-2000).

- Absolute variation in actual over previous year was from minus Rupees 9.96 crore (1995-1996) to Rupees 19.81 crore (2003-2004). Negative variation was in two years from minus Rupees 14.88 crore (1997-1998) to Rupees 24.04 crore (1995-1996) and positive variation was in eight years.
- Percentage variation in actual over previous year was from minus 43.30 percent (1995-1996) to 212.26 percent (2000-2001).

14.64 Table 14.58 shows the other miscellaneous receipts as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

Table 14.58 :Other Miscellaneous Receipt as Percentage of various revenue parameters 1994-95 to 2004-05

Year	Actual	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year	Total Non-Tax Revenue	Percentage of Total Non-Tax Revenue	Own Revenue Receipt	Percentage of Own Revenue Receipt	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	22.95			295.32	7.77	318.32	7.21	334.08	6.87	345.51	6.64
1995-1996	12.99	-9.96	-43.30	313.36	4.15	340.59	3.81	362.15	3.59	383.37	3.39
1996-1997	15.32	2.33	17.94	327.42	4.68	360.29	4.25	382.76	4.00	396.66	3.86
1997-1998	15.43	0.11	0.72	422.25	3.65	460.98	3.35	485.17	3.18	502.23	3.07
1998-1999	18.00	2.57	16.66	460.78	3.91	509.37	3.53	529.10	3.40	549.02	3.28
1999-2000	22.75	4.75	26.39	492.19	4.62	567.35	4.01	583.26	3.90	611.70	3.72
2000-2001	71.04	48.29	212.26	603.25	11.78	699.85	10.15	722.68	9.83	749.51	9.48
2001-2002	77.06	6.02	8.47	612.20	12.59	728.61	10.58	752.20	10.24	770.88	10.00
2002-2003	93.02	15.96	20.71	696.46	13.36	834.89	11.14	858.27	10.84	883.40	10.53
2003-2004	73.21	-19.81	-21.30	683.94	10.70	819.87	8.93	841.86	8.70	863.35	8.48
2004-2005	83.48	10.27	14.03	851.24	9.81	1012.23	8.25	1057.57	7.89	1078.97	7.74

- As a percentage of total non-tax revenue the other miscellaneous receipts has been in the range of 3.65 percent (1997-1998) to 13.36 percent (2002-2003). The other miscellaneous receipts were less than 10 percent of non-tax revenue in seven years and between 10 to 15 percent in four years.
- As a percentage of own revenue receipts, the other miscellaneous receipts has been in the range of 3.35 percent (1997-1998) to 11.14 percent (2002-2003). It was less than 10 percent in eight years and in the range of 10 to 12 percent in remaining three years.
- Other miscellaneous receipts as a percentage of total revenue receipts were from 3.18 percent (1997-1998) to 10.84 percent (2002-2003). The other miscellaneous receipts were less than 10 percent of total revenue receipts in

nine out of eleven years and in remaining two years it was approximately 10 to 11 percent.

- Other miscellaneous receipts as a percentage of total receipts were from 3.07 percent (1997-1998) to 10.53 percent (2002-2003). It was less than 10 percent in nine years and 10 to 11 percent in two years.

14.65 Table 14.59 shows absolute/percentage variation in other miscellaneous receipts over the average collection during the period from 1994-1995 to 2004-2005.

Table 14.59: Absolute/percentage variation in other miscellaneous receipts over the average collection during the period from 1994-1995 to 2004-2005 (Rs. in Crore)

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	22.95	45.93	-22.98	-50.03
1995-1996	12.99	45.93	-32.94	-71.72
1996-1997	15.32	45.93	-30.61	-66.65
1997-1998	15.43	45.93	-30.50	-66.41
1998-1999	18.00	45.93	-27.93	-60.81
1999-2000	22.75	45.93	-23.18	-50.47
2000-2001	71.04	45.93	25.11	54.66
2001-2002	77.06	45.93	31.13	67.77
2002-2003	93.02	45.93	47.09	102.52
2003-2004	73.21	45.93	27.28	59.39
2004-2005	83.48	45.93	37.55	81.75

- The average collection on this account during this period was Rupees 45.93 crore.
- The actual collection was less than average collection in six out of eleven years and higher in remaining five years.
- Absolute variation during the period was in the range of minus Rupees 32.94 crore (1995-1996) to Rupees 47.09 crore (2002-2003).
- Percentage variation in other miscellaneous receipts over the average collection was from minus 77.72 percent (1995-1996) to 102.52 percent (2002-2003).

14.66 Table 14.60 shows the non-tax revenue as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

Table 14.60 :Non Tax Revenue as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

Year	Total Non-Tax Revenue	Absolute Variation over Previous Year	Percentage Variation over Previous Year	Own Revenue Receipt	Percentage of Own Revenue Receipt	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	295.32			318.32	92.77	334.08	88.40	345.51	85.47
1995-1996	313.36	18.04	6.11	340.59	92.01	362.15	86.53	383.37	81.74
1996-1997	327.42	14.06	4.49	360.29	90.88	382.76	85.54	396.66	82.54
1997-1998	422.25	94.83	28.96	460.98	91.60	485.17	87.03	502.23	84.08
1998-1999	460.78	38.53	9.12	509.37	90.46	529.10	87.09	549.02	83.93
1999-2000	492.19	31.41	6.82	567.35	86.75	583.26	84.39	611.70	80.46
2000-2001	603.25	111.06	22.56	699.85	86.20	722.68	83.47	749.51	80.49
2001-2002	612.20	8.95	1.48	728.61	84.02	752.20	81.39	770.88	79.42
2002-2003	696.46	84.26	13.76	834.89	83.42	858.27	81.15	883.40	78.84
2003-2004	683.94	-12.52	-1.80	819.87	83.42	841.86	81.24	863.35	79.22
2004-2005	851.24	167.30	24.46	1012.23	84.10	1057.57	80.49	1078.97	78.89

- As a percentage of own revenue receipts, the non-tax revenue has been in the range of 83.42 percent (2001-2002 and 2003-04) to 92.77 percent (1994-1995). It has been within 80 percent to 90 percent in six years from 1999-2000 to 2004-2005 and 90 to 93 percent in remaining five years.
- Non-tax revenue as a percentage of total revenue receipts was from 80.49 percent (2004-2005) to 88.40 percent (1994-1995).
- Non-tax revenue as a percentage of total receipts was from 88.89 percent (2004-2005) to 85.47 percent (1994-1995).
- Non tax revenue as a percentage of various revenue parameters has been declining all along.

14.67 Table 14.61 shows the assigned taxes as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

**Table 14.61: Assigned Taxes as a percentage of various revenue parameters
during the period from 1994-1995 to 2004-2005**

Year	Assigned Taxes	Absolute Variation over the Previous Year	Percentage Variation over the Previous Year	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	8.46			334.08	2.53	345.51	2.45
1995-1996	11.42	2.96	34.99	362.15	3.15	383.37	2.98
1996-1997	13.14	1.77	15.06	382.76	3.43	396.66	3.31
1997-1998	12.47	-0.67	-5.10	485.17	2.57	502.23	2.48
1998-1999	6.23	-6.24	-50.04	529.10	1.18	549.02	1.13
1999-2000	5.24	-0.99	-15.89	583.26	0.90	611.70	0.86
2000-2001	7.54	2.30	43.89	722.68	1.04	749.51	1.01
2001-2002	8.06	0.52	6.90	752.20	1.07	770.88	1.05
2002-2003	6.28	-1.78	-22.08	858.27	0.73	883.40	0.71
2003-2004	6.39	0.11	1.75	841.86	0.76	863.35	0.74
2004-2005	11.29	4.90	76.68	1057.57	1.07	1078.97	1.05

- Assigned taxes as a percentage of total revenue receipts were from 0.73 percent (2002-2003) to 3.43 percent (1996-1997). The assigned tax declined from 2.53 percent (1994-1995) to 1.05 percent (2004-2005).
- Assigned taxes as a percentage of total receipts were from 0.71 percent (2002-2003) to 3.31 percent (1996-1997).
- Assigned taxes as a percentage of various revenue parameters have been declining.

14.68 Table 14.62 shows the non-plan grants as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

Table 14.62: Non Plan Grants as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005

Year	Non-Plan Grant from GNCTD	Absolute Variation over the Previous Year	Percentage Variation over the Previous Year	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	5.18			334.08	1.55	345.51	1.50
1995-1996	6.18	1.00	19.31	362.15	1.71	383.37	1.61
1996-1997	6.87	0.69	11.17	382.76	1.79	396.66	1.73
1997-1998	10.33	3.46	50.36	485.17	2.13	502.23	2.06
1998-1999	11.81	1.48	14.33	529.10	2.23	549.02	2.15
1999-2000	8.77	-3.04	-25.74	583.26	1.50	611.70	1.43
2000-2001	11.06	2.29	26.11	722.68	1.53	749.51	1.48
2001-2002	11.46	0.40	3.62	752.20	1.52	770.88	1.49
2002-2003	13.65	2.19	19.11	858.27	1.59	883.40	1.55
2003-2004	14.09	0.44	3.22	841.86	1.67	863.35	1.63
2004-2005	31.05	16.96	120.37	1057.57	2.94	1078.97	2.88

- Non-plan grants as a percentage of total revenue receipts was from 1.50 percent (1999-2000) to 2.94 percent (2004-2005).
- Non-plan grants as a percentage of total receipts was from 1.43 percent (1999-2000) to 2.88 percent (2004-2005).
- Non-plan grants as a percentage of various revenue parameters has been more or less static during the period except in three years (1997-1998, 1998-1999 and 2004-2005) when it crossed 2 percent.

14.69 Table 14.63 shows the plan grants as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

Table 14.63: Plan Grants as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005

Year	Plan Grant from GNCTD	Absolute Variation over the Previous Year	Percentage Variation over the Previous Year	Total Revenue Receipt	Percentage of Total Revenue Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	2.12			334.08	0.63	345.51	0.61
1995-1996	3.96	1.84	86.79	362.15	1.09	383.37	1.03
1996-1997	2.46	-1.50	-37.88	382.76	0.64	396.66	0.62
1997-1998	1.39	-1.07	-43.50	485.17	0.29	502.23	0.28
1998-1999	1.69	0.30	21.58	529.10	0.32	549.02	0.31
1999-2000	1.90	0.21	12.43	583.26	0.33	611.70	0.31
2000-2001	4.23	2.33	122.63	722.68	0.59	749.51	0.56
2001-2002	4.07	-0.16	-3.78	752.20	0.54	770.88	0.53
2002-2003	3.45	-0.62	-15.23	858.27	0.40	883.40	0.39
2003-2004	1.51	-1.94	-56.23	841.86	0.18	863.35	0.17
2004-2005	3.00	1.49	98.68	1057.57	0.28	1078.97	0.28

- Plan grants as a percentage of total revenue receipts was from 0.88 percent (2004-2005) to 4.25 percent (1995-1996).
- Plan grants as a percentage of total receipts was from 0.67 percent (2002-2003) to 4.16 percent (1995-1996).
- Plan grants as a percentage of various revenue parameters have been declining in three years (1995-1996, 1999-2000 and 2003-2004). Plan grants as a percentage of total revenue receipts declined from 2.78 percent (1994-1995) to 0.88 percent (2004-2005) and as a percentage of total receipt declined from 2.75 percent (1994-1995) to 0.88 percent (2004-2005).

14.70 Table 14.64 shows the absolute and percentage variation in BE/RE/Actual of receipts for deposit works within the year during the period from 1994-1995 to 2004-2005.

Table 14.64 : Absolute and Percentage Variation in BE/RE/Actual of Receipts for Deposit works with in the year during the period from 1994-1995 to 2004-2005
(Rs. in Crore)

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-1995	0.00	0.00	0.00	0.00		0.00		0.00	
1995-1996	13.23	11.70	12.68	-1.53	-11.56	-0.55	-4.16	0.98	8.38
1996-1997	9.58	9.03	7.42	-0.55	-5.74	-2.16	-22.55	-1.61	-17.83
1997-1998	6.76	6.18	6.96	-0.58	-8.58	0.20	2.96	0.78	12.62
1998-1999	12.01	10.51	9.04	-1.50	-12.49	-2.97	-24.73	-1.47	-13.99
1999-2000	8.08	9.39	12.93	1.31	16.21	4.85	60.02	3.54	37.70
2000-2001	6.05	11.14	19.86	5.09	84.13	13.81	228.26	8.72	78.28
2001-2002	6.65	11.39	10.66	4.74	71.28	4.01	60.30	-0.73	-6.41
2002-2003	12.75	13.42	18.41	0.67	5.25	5.66	44.39	4.99	37.18
2003-2004	15.15	4.71	7.92	-10.44	-68.91	-7.23	-47.72	3.21	68.15
2004-2005	9.05	6.41	10.66	-2.64	-29.17	1.61	17.79	4.25	66.30

- There has been no BE, RE or Actual receipts for deposit works during the year 1994-1995.
- During the period of 1995-1996 to 2004-2005 the BE has been in the range of Rupees 6.05 crore (2000-2001) to Rupees 15.15 crore (2003-2004).
- During the period from 1995-1996 to 2004-2005 the RE has been in the range of Rupees 4.71 crore (2003-2004) to Rupees 13.42 crore (2002-2003).
- Actual Receipts for deposit works during the period from 1995-1996 to 2004-2005 were from Rupees 6.96 crore (1997-1998) to Rupees 18.41 crore (2002-2003).
- Absolute variation in RE over BE during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 10.44 crore (2003-2004) to Rupees 5.09 crore (2000-2001).
- RE was less than BE in 6 out of 11 years and higher in remaining 5 years.
- Percentage variation in RE over BE during the period from 1995-1996 to 2004-2005 has been in the range of minus 68.91 percent (2003-2004) to 84.13 percent (2000-2001).

- Percentage variation in RE over BE were negative in 6 years and positive in remaining 4 years.
- Absolute variation in Actual over BE during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 7.23 crore (2003-2004) to Rupees 13.81 crore (2000-2001).
- Percentage variation in Actual over BE during the period from 1995-1996 to 2004-2005 has been in the range of minus 47.72 percent (2003-2004) to 228.26 percent (2000-2001).
- Absolute variation in Actual over RE during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 1.61 crore (1996-1997) to Rupees 8.72 crore (2000-2001).
- Percentage variation in Actual over RE during the period from 1995-1996 to 2004-2005 has been in the range of minus 17.83 percent (1996-1997) to 78.28 percent (2000-2001).

14.71 Table 14.65 shows the absolute and percentage variation in BE/RE/Actual of Receipts for deposit works over the pervious year during the period from 1994-1995 to 2004-2005.

Table 14.65: Absolute/Percentage Variation in BE/RE/Actual of Receipts for Deposit Works over the Previous Year during the Period from 1994-1995 to 2004-2005 (Rs in Crore)

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-1995	0.00	0.00	0.00						
1995-1996	13.23	11.70	12.68	13.23		11.70		12.68	
1996-1997	9.58	9.03	7.42	-3.65	-27.59	-2.67	-22.82	-5.26	-41.48
1997-1998	6.76	6.18	6.96	-2.82	-29.44	-2.85	-31.56	-0.46	-6.20
1998-1999	12.01	10.51	9.04	5.25	77.66	4.33	70.06	2.08	29.89
1999-2000	8.08	9.39	12.93	-3.93	-32.72	-1.12	-10.66	3.89	43.03
2000-2001	6.05	11.14	19.86	-2.03	-25.12	1.75	18.64	6.93	53.60
2001-2002	6.65	11.39	10.66	0.60	9.92	0.25	2.24	-9.20	-46.32
2002-2003	12.75	13.42	18.41	6.10	91.73	2.03	17.82	7.75	72.70
2003-2004	15.15	4.71	7.92	2.40	18.82	-8.71	-64.90	-10.49	-56.98
2004-2005	9.05	6.41	10.66	-6.10	-40.26	1.70	36.09	2.74	34.60

- Absolute variation in BE over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 6.10 crore (2004-2005) to Rupees 13.23 crore (1995-1996).
- Percentage variation in BE over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus 40.26 percent (2004-2005) to 91.73 percent (2002-2003).
- Absolute variation in RE over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 8.71 crore (2003-2004) to Rupees 11.70 crore (1995-1996).
- Percentage variation in RE over previous year was negative in 4 years and positive in 5 years. Percentage variation was in the range of minus 64.90 percent (2003-2004) to 70.06 percent (1998-1999).
- Absolute variation in Actual over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 10.49 crore (2003-2004) to Rupees 12.68 crore (1995-1996).
- Percentage variation in Actual over previous year has been in the range of minus 56.98 percent (2003-2004) to 53.60 percent (2000-2001).

14.72 Table 14.66 shows the receipts for deposit works as percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

Table 14.66- Receipts for Deposit Works as a Percentage of Various Revenue Parameters (Rs. in Crore)

Year	Actual	Total Capital Receipt	Percentage of Total Capital Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	0.00	11.43	0.00	345.51	0.00
1995-1996	12.68	21.22	59.75	383.37	3.31
1996-1997	7.42	13.90	53.38	396.66	1.87
1997-1998	6.96	17.06	40.80	502.23	1.39
1998-1999	9.04	19.92	45.38	549.02	1.65
1999-2000	12.93	28.44	45.46	611.70	2.11
2000-2001	19.86	26.83	74.02	749.51	2.65
2001-2002	10.66	18.68	57.07	770.88	1.38
2002-2003	18.41	25.13	73.26	883.40	2.08
2003-2004	7.92	21.49	36.85	863.35	0.92
2004-2005	10.66	21.40	49.81	1078.97	0.99

- As a percentage of total capital receipts, receipts for deposit works has been in the range of 36.85 percent (2003-2004) to 74.02 percent (2000-2001)
- As a percentage of total receipts, the receipts for deposit works have been in the range of 0.92 percent (2003-2004) to 3.31 percent (1995-1996).

14.73 Table 14.67 shows absolute/percentage variation in Receipts for Deposit Works over Actual Average Receipts during the period 1994-1995 to 2004-2005

Table 14.67- Absolute/Percentage Variation in Receipts for Deposit Works over Actual Average Receipts during the period 1994-1995 to 2004-2005 (Rupees in Crore)

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	0.00	0.00	0.00	0.00
1995-1996	12.68	10.59	2.09	19.68
1996-1997	7.42	10.59	-3.17	-29.96
1997-1998	6.96	10.59	-3.63	-34.31
1998-1999	9.04	10.59	-1.55	-14.67
1999-2000	12.93	10.59	2.34	22.04
2000-2001	19.86	10.59	9.27	87.45
2001-2002	10.66	10.59	0.07	0.62
2002-2003	18.41	10.59	7.82	73.77
2003-2004	7.92	10.59	-2.67	-25.24
2004-2005	10.66	10.59	0.07	0.62

- Average actual collection during the period was Rupees 10.59 crore.
- Absolute variation over the average collection during the period was from minus Rupees 10.59 crore (1994-1995) to Rupees 9.27 crore (2000-2001).
- Percentage variation over the average collection during the period was from minus 100 percent (1994-1995) to 87.45 percent (2000-2001).

14.74 Table 14.68 shows the absolute and percentage variation in BE/RE/Actual of miscellaneous capital receipts within the year during the period from 1994-1995 to 2004-2005.

Table 14.68: Absolute and Percentage Variation in BE/RE/Actual of Miscellaneous Capital Receipts with in the year during the period from 1994-1995 to 2004-2005 (Rs. in Crore)

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-1995	14.18	7.51	7.75	-6.67	-47.04	-6.43	-45.35	0.24	3.20
1995-1996	0.00	0.00	0.00	0.00		0.00		0.00	
1996-1997	0.00	0.00	0.00	0.00		0.00		0.00	
1997-1998	0.00	6.50	6.01	6.50		6.01		-0.49	-7.54
1998-1999	7.40	6.50	6.03	-0.90	-12.16	-1.37	-18.51	-0.47	-7.23
1999-2000	8.85	8.49	8.47	-0.36	-4.07	-0.38	-4.29	-0.02	-0.24
2000-2001	8.25	9.57	6.22	1.32	16.00	-2.03	-24.61	-3.35	-35.01
2001-2002	13.13	12.27	8.02	-0.86	-6.55	-5.11	-38.92	-4.25	-34.64
2002-2003	12.25	10.59	6.72	-1.66	-13.55	-5.53	-45.14	-3.87	-36.54
2003-2004	11.44	14.27	13.57	2.83	24.74	2.13	18.62	-0.70	-4.91
2004-2005	11.89	12.20	10.74	0.31	2.61	-1.15	-9.67	-1.46	-11.97

- There has been no BE, RE or Actual during the year 1995-1996 and 1996-1997.
- There was no provision in BE 1997-1998 for miscellaneous capital receipts.
- During the period from 1994-1995 to 2004-2005, in the remaining years the BE has been in the range of Rupees 7.40 crore (1998-1999) to Rupees 14.18 crore (1994-1995).
- During the period from 1994-1995 to 2004-2005, the RE has been in the range of Rupees 6.50 crore (1997-1998 and 1998-1999) to Rupees 14.27 crore (2003-2004).
- Actual miscellaneous capital receipts during the period from 1994-1995 to 2004-2005 were from Rupees 6.01 crore (1997-1998) to Rupees 13.57 crore (2003-2004).
- Absolute variation in RE over BE during the period from 1994-1995 to 2004-2005 has been in the range of minus Rupees 6.67 crore (1994-1995) to Rupees 6.50 crore (1997-1998). RE was less than BE in 5 out of 11 years and higher in 4 years. There was no variation in RE over BE in 1995-1996 and 1996-1997.

- Percentage variation in RE over BE during the period from 1994-1995 to 2004-2005 has been in the range of minus 47.04 percent (1994-1995) to 24.74 percent (2003-2004).
- Percentage variation in RE over BE was negative in 5 years and positive in 4 years.
- Absolute variation in Actual over BE during the period from 1994-1995 to 2004-2005 has been in the range of minus Rupees 6.43 crore (1994-1995) to Rupees 6.01 crore (1997-1998). Actual receipts were less than BE in 7 years out of 11 years and higher in 2 years 1997-1998 and 2003-2004. There was no variation in Actual over BE in 1995-1996 and 1996-1997.
- Percentage variation in Actual over BE during the period from 1994-1995 to 2004-2005 has been in the range of minus 45.35 percent (1994-1995) to 18.62 percent (2003-2004). Percentage variation was negative in 7 years and positive in only 1 year i.e. 2003-2004.
- Absolute variation in Actual over RE during the period from 1994-1995 to 2004-2005 has been in the range of minus Rupees 4.25 crore (2001-2002) to Rupees 0.24 crore (1994-1995). The actual receipts were less than RE in 7 years and more than RE in only 1 year i.e. 1994-1995 and the margin in actual over RE was very negligible (Rupees 0.24 crore).
- Percentage variation in Actual over RE during the period from 1994-1995 to 2004-2005 has been in the range of minus 36.54 percent (2002-2003) to 3.20 percent (1994-1995). The percentage variation was negative in 7 years and was positive in only 1 year i.e. 1994-1995.

14.75 Table 14.69 shows the absolute and percentage variation in BE/RE/Actual of miscellaneous capital receipts over the previous year during the period from 1994-1995 to 2004-2005.

Table 14.69 - Absolute/Percentage Variation in BE/RE/Actual of Miscellaneous Capital Receipts over the Previous Year during the Period from 1994-1995 to 2004-2005 (Rs in Crore)

Year	Budget Estimate	Revised Estimate	Actual	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-1995	14.18	7.51	7.75						
1995-1996	0.00	0.00	0.00	-14.18	-100.00	-7.51	-100.00	-7.75	-100.00
1996-1997	0.00	0.00	0.00	0.00		0.00		0.00	
1997-1998	0.00	6.50	6.01	0.00		6.50		6.01	
1998-1999	7.40	6.50	6.03	7.40		0.00	0.00	0.02	0.33
1999-2000	8.85	8.49	8.47	1.45	19.59	1.99	30.62	2.44	40.46
2000-2001	8.25	9.57	6.22	-0.60	-6.78	1.08	12.72	-2.25	-26.56
2001-2002	13.13	12.27	8.02	4.88	59.15	2.70	28.21	1.80	28.94
2002-2003	12.25	10.59	6.72	-0.88	-6.70	-1.68	-13.69	-1.30	-16.21
2003-2004	11.44	14.27	13.57	-0.81	-6.61	3.68	34.75	6.85	101.93
2004-2005	11.89	12.20	10.74	0.45	3.93	-2.07	-14.51	-2.83	-20.85

- Absolute variation in BE over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 14.18 crore (1995-1996) to Rupees 7.40 crore (1998-1999).
- Percentage variation in BE over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus 100 percent (1995-1996) to 19.59 percent (1999-2000).
- Absolute variation in RE over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 7.51 crore (1995-1996) to Rupees 6.50 crore (1997-1998).
- Percentage variation in RE over previous year was negative in 3 years and positive in 4 years. Percentage variation was in the range of minus 100 percent (195-1996) to 30.62 percent (1999-2000).
- Absolute variation in Actual over previous year during the period from 1995-1996 to 2004-2005 has been in the range of minus Rupees 7.75 crore (1995-1996) to Rupees 6.85 crore (2003-2004).
- Percentage variation in Actual over previous year has been in the range of minus 100 percent (1995-1996) to 101.93 percent (2003-2004).

14.76 Table 14.70 shows the miscellaneous capital receipts as a percentage of various revenue parameters during the period from 1994-1995 to 2004-2005.

Table 14.70-Miscellaneous Capital Receipts as a Percentage of Various Revenue Parameters during the period 1994-1995 to 2004-2005 (Rs. in Crore)

Year	Actual	Total Capital Receipt	Percentage of Total Capital Receipt	Total Receipt	Percentage of Total Receipt
1994-1995	7.75	11.43	67.80	345.51	2.24
1995-1996	0.00	21.22	0.00	383.37	0.00
1996-1997	0.00	13.90	0.00	396.66	0.00
1997-1998	6.01	17.06	35.23	502.23	1.20
1998-1999	6.03	19.92	30.27	549.02	1.10
1999-2000	8.47	28.44	29.78	611.70	1.38
2000-2001	6.22	26.83	23.18	749.51	0.83
2001-2002	8.02	18.68	42.93	770.88	1.04
2002-2003	6.72	25.13	26.74	883.40	0.76
2003-2004	13.57	21.49	63.15	863.35	1.57
2004-2005	10.74	21.40	50.19	1078.97	1.00

- As a percentage of total capital receipts, receipts for deposit works has been in the range of 23.18 percent (2000-2001) to 67.80 percent (1994-1995)
- As a percentage of total receipts, the miscellaneous capital receipts have been in the range of 0.76 percent (2002-2003) to 2.24 percent (1994-1995).

14.77 Table 14.71 shows absolute/percentage variation in miscellaneous capital receipts over actual average receipts during the period 1994-1995 to 2004-2005

Table 14.71- Absolute/Percentage Variation in Miscellaneous Capital Receipts over Actual Average Receipts during the period 1994-1995 to 2004-2005 (Rs. in Crore)

Year	Actual	Average Collection during the period	Absolute Variation over the Average Collection	Percentage Variation over the Average Collection
1994-1995	7.75	6.68	1.07	15.94
1995-1996	0.00	6.68	-6.68	-100.00
1996-1997	0.00	6.68	-6.68	-100.00
1997-1998	6.01	6.68	-0.67	-10.09
1998-1999	6.03	6.68	-0.65	-9.79
1999-2000	8.47	6.68	1.79	26.71
2000-2001	6.22	6.68	-0.46	-6.95
2001-2002	8.02	6.68	1.34	19.98
2002-2003	6.72	6.68	0.04	0.53
2003-2004	13.57	6.68	6.89	103.01
2004-2005	10.74	6.68	4.06	60.67

- Average actual collection during the period was Rupees 6.68 crore.
- Absolute variation over the average collection during the period was from minus Rupees 6.68 crore (1995-1996 and 1996-1997) to Rupees 6.89 crore (2003-2004).
- Percentage variation over the average collection during the period was from minus 100 percent (1995-1996 and 1996-1997) to 103.01 percent (2003-2004).

Memorandum of the NDMC 14.78 The Memorandum of the NDMC¹ made to the Commission will help to assess the Council's position on various issues. The starting point is the reference to a vision of Delhi. Accordingly,

- The vision for the city of Delhi says the NDMC has been projected in many different ways and through different policy documents and various study reports by the research groups of government as well as industrial/ social organizations. From these the 'vision of Delhi' that emerges can be spelt out as follows:

¹ New Delhi Municipal Council Memorandum (Revised) for 3rd Delhi Finance Commission vide D.O.letter No. F.99/Budget/SA-111/629/Fin(B) dated November 11, 2005 from Shri B.B. Pandit, Financial Advisor, NDMC.

- a well managed, clean and dynamic world city serving its citizens, the nation and the world.
- a truly global city, with focus on development of infrastructure in the core sectors, power being one of the priority areas.
- the NCR be planned as an economically vibrant, spatially equitable entity where development opportunities for all are available.

This vision of Delhi, it may be recalled harks back to the vision enunciated in 2001. In the absence of any other version it will presumably have to do till the parameters of a global Delhi have been spelt out in greater detail than appears to have been possible so far.

- If Delhi has been the gateway to India, NDMC area has been country's show-window to the world. For almost half a century NDMC's unique selling proposition, apart from being the hub of various economic, political, social and cultural activities, has been high quality of civic services, particularly in sanitation and distribution of electricity and water.
- Keeping in view the obligatory and discretionary functions as entrusted to the Council by the Parliament through NDMC Act, 1994 and in the framework of over-all vision for the metropolis of Delhi the vision of New Delhi Municipal Council can be summed up as a "Clean and Green" New Delhi, as a cosmopolitan city with state-of-the-art civic amenities attracting high-end economic, social and cultural activities.
- The key areas of focus envisioned by the NDMC are: public health and sanitation providing high standards of hygiene, spotlessly clean toilets, etc; civic infrastructure comprising smooth and widened roads, smart and intelligent street furniture, ample parking facilities; economic development through development of consumer/ user friendly high standard commercial shopping centres; electricity, financial, management of future liabilities including accounting reforms; and organization rationalization and administrative reforms.

14.79 The Council invited attention to the sources of revenue as below:

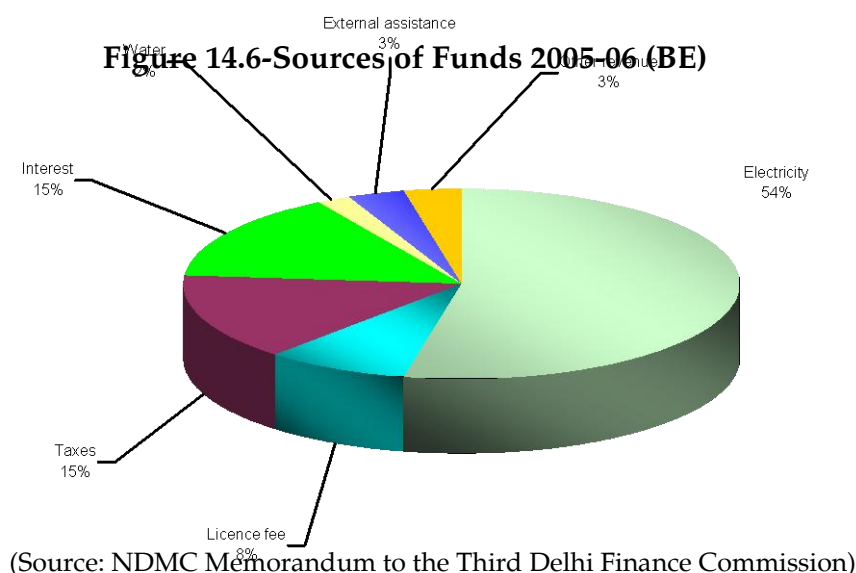
- On the income side the major sources of revenue are the sale of electricity, sale of water, license fee from properties, property taxes, government assistance, and interest earnings on investments.
- The government assistance is of two types: non-plan grants-in-aid and plan assistance.

- In addition the Council also receives a share of the assigned taxes collected by the government of Delhi.
- Earlier, says the NDMC, the plan assistance in respect of remunerative activities like electricity, water supply and sewerage and housing was provided as loan while for other sectors the plan assistance was by way of grant-in-aid by the government of the NCT of Delhi.
- Non-plan assistance and share of taxes come as grants. In the year 2000 it was felt that NDMC was getting loans carrying interest at the rate of 12-13 percent from the government of NCT of Delhi whereas it was fetching lesser rate of interest on its investment in the bank. Therefore, NDMC took the initiative and repaid all the outstanding loans. Today NDMC is a debt free municipality.

Financial Position of NDMC

14.80 Self-reliance, revenue surplus and fiscal efficiency have long been the goals of the financial strategy of NDMC. According to the NDMC, the organization has been successful to a large extent in achieving this goal despite the narrow resource base.

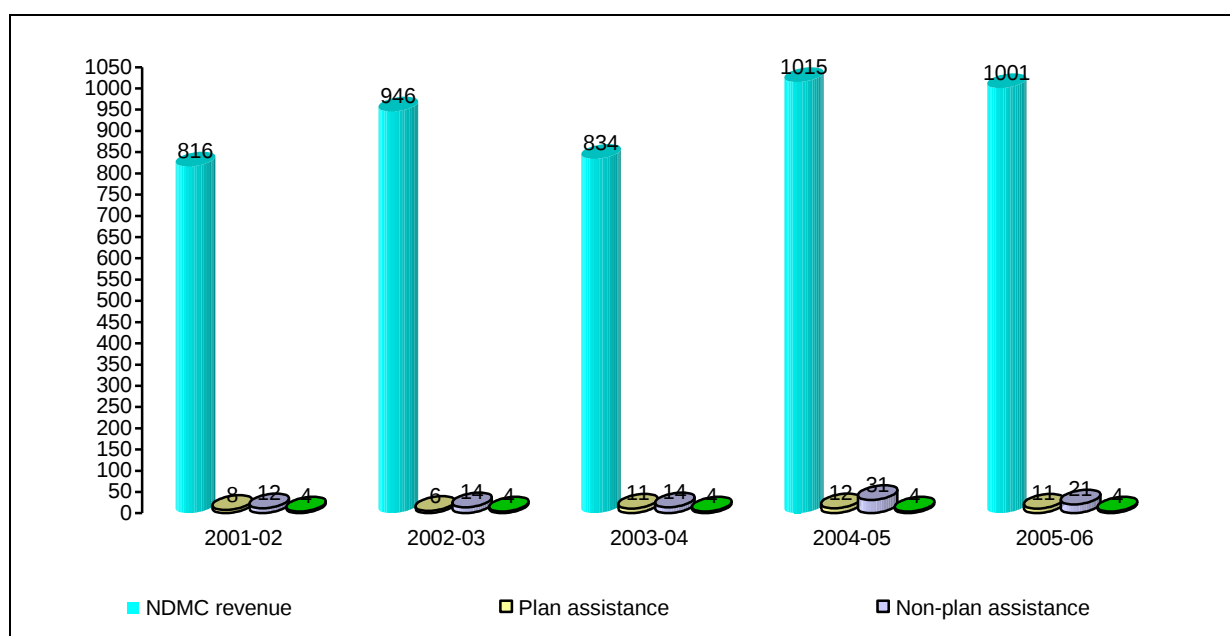
- NDMC's resource base for 2005 consisted of user charges on electricity and water (56 percent), Taxes (15 percent), license fee (8 percent), interest on surplus (15 percent) external assistance (3 percent) and other revenue (3 percent). The total revenue receipts of NDMC have grown from Rupees 152 crore in 1990-1991 to Rupees 863 crore in 2003-2004 at an average growth rate of 14 percent during the 15 years period (Figure 14.6).



- The own revenue income of NDMC constitutes about 98 percent. Tax revenue as a percentage of internal revenue has more than doubled from 7 percent in 1993-1994 to 16 percent in 2003-2004. House tax comprises of around 94 percent of total tax revenue. However, NDMC has an extremely narrow property tax base.
- Electricity is around 75 percent of the total non-tax revenue which in turn is around 84 percent of the total internal receipts (tax and non-tax receipts). Apparently, the fiscal health of NDMC is pre-dominantly dependent on surplus revenues from supply of electricity. Without this surplus, the NDMC's revenue account would show considerable deficit. The NDMC presumably is referring to the net proceeds when it speaks of a 'surplus of revenues from supply of electricity'.

Fiscal Transfers 14.81 Fiscal transfers as a percentage of total revenue receipts have shown a declining trend from 7 percent in 1990-1991 to 5 percent in 1995-96 to 2 percent in 1999-2000. It has remained static at 2 percent from 2000-2001 to 2003-2004 (Figure 14.7).

Figure: 14.7 Internal Resources vis-a-vis External Assistance (Rs in crore)



(Source: NDMC Memorandum To the Third Delhi Finance Commission)

**Debt
Position**

- The loans were taken by the NDMC till 2000-2001 only for development/remunerative projects, mostly for electricity, housing, water supply etc. This is highlighted in Table 14.73. NDMC has repaid the total outstanding loans with interest during the year 2004-2005 and is now a debt free municipality. This definitely constitutes a heartening feature of the financial position of the NDMC.

Table 14.72: Position regarding release/repayment of loans under various schemes during the period 31.03.2000 to 31.03.2005 (Rs in crore)

Name of Scheme	Electricity	Water Supply & Sewerage	Other purposes (Housing & Compost Plant)
Loan Position	Amount	Amount	Amount
Balance of loan as on 31.03.2000	58.43	24.20	10.41
Loan received during 2000-01	5.00	0.75	Nil
Repayment of loan during 2000-01 (This includes for the period 96-97 to 99-2000)	23.73	11.54	4.95
Payment of interest during 2000-01 (This includes for the period 96-97 to 99-2000)	27.45	10.27	5.13
Balance of loan as on 31.03.2001	39.70	13.41	5.46
Loan received during 2001-02	Nil	Nil	Nil
Repayment of loan during 2001-02	7.91 (including 2.11 recovered by GNCTD out of grants-in-aid for the scheme Road & Bridges)	2.20	1.02
Payment of interest during 2001-02	4.90	1.59	0.62
Balance of loan as on 31.03.2002	31.79	11.21	4.44
Loan received during 2002-03	Nil	Nil	Nil
Repayment of loan during 2002-03	5.43	1.94	0.82
Payment of interest during 2002-03	3.56	1.36	0.51
Balance of loan as on 31.03.2003	26.36	9.27	3.62

Loan received during 2003-04	Nil	Nil	Nil
Repayment of loan during 2003-04	4.92	1.64	0.68
Payment of interest during 2003-04	3.28	1.13	0.42
Balance of loan as on 31.03.2004	21.44	7.63	2.94
Loan received during 2004-05	Nil	Nil	Nil
Repayment of loan during 2004-05	21.44	7.63	2.94
Payment of interest during 2004-05	1.45	0.34	0.09
Balance outstanding towards loan & interest as on 31.03.2005	Nil	Nil	Nil

Surplus Management

14.82 Total Revenue Receipts of NDMC during the period 1990-91 to 2003-04 have grown at an average rate of 14 percent as against the growth of total revenue expenditure which has grown at the rate of 13 percent for the corresponding period. Thus, NDMC has been able to generate surplus investible funds. NDMC's investible funds have grown from Rupees 300 crore in 1994-1995 to Rupees 800 crore in 2000-2001 which now stand at Rupees 2000 crore in 2004-2005.

- An Investment Committee has been constituted for management of surplus/ investible funds. The surplus funds are kept in fixed commercial deposits in banks. The Council has been able to maximize the interest income within the constraints of the NDMC Act, 1994.²

Budgetary Surplus

14.83 The NDMC has invited attention to characteristics of the financial position of the NDMC that deserve special mention. The principal ones are noted.

- As per the approved Budget Estimate for 2005-2006, the total anticipated receipts from all sources are expected to be Rupees 1037.02 crore with an anticipated expenditure of Rupees 1034.49 crore leaving a surplus of Rupees 2.53 crore. In fact revenue surplus has been a fairly common feature of the NDMC budget.

Self-Reliance

- It is pertinent, says the NDMC, to note that the total receipts for 1995-1996 were Rupees 614.59 crore, which have within ten years gone up by nearly 68.73 percent to Rupees 1037.02 crore. This has been possible mainly on account of mobilization of resources on the part of NDMC rather than any significant increase in the overall flow of funds from government of Delhi

² The exact provisions of the NDMC Act, 1994 that constitute a constraint have not been spelt out.

either by way of assigned share of taxes or plan and non-plan assistance. Relying on the data for one year (BE of 2005-2006) the NDMC draws attention to the fact that total receipts of the NDMC on accounts of assigned share of taxes, plan grant and non-plan grant vis-à-vis total receipts of government of the NCT of Delhi is very low. This it says is clear from the data in Table 14.74.

Table 14.74-NDMC Receipts from External Sources (Rupees in Crore)

Receipts*	2005-06 BE	Delhi Government
Assigned share of taxes	12.52	7393 (Total taxes)
.(a) Plan Assistance (Loans)	Nil	
(b) Plan Assistance (Grant)	10.40	5172 (Total Plan Assistance)
Non-Plan (Grant)	20.87	7254 (Total Non-Plan Grant)
Total flow of funds from Government	43.79	12426 (Total of item No. 2 & 3)

(*Excluding MLA's Funds)

Distribution Assignment of Taxes

14.84 At present the collection of taxes, duties, toll and fees in NDMC area is done at two levels i.e. by government of Delhi and by New Delhi Municipal Council.

- The Government of Delhi imposes and collects taxes like entertainment tax, betting tax etc. from the entire NCT of Delhi. A part of these proceeds are transferred to NDMC since these revenues are being collected from NDMC area as well. However, there are no specified or clear-cut criteria evolved as to what percentage or share should go to NDMC. The amounts remitted or forecast are not enunciated under any laid down criteria. The figures indicated by government of Delhi are incorporated in NDMC's Budget "as-it-is" since there are no laid down criteria as to what is the due amount. As Delhi government does not indicate the actual collections of the taxes from NDMC area, there is no way of indicating whether the transfer of such taxes/duties/fees collected is commensurate with the collection.
- As per Section 125 of NDMC Act³, the government of NCT can transfer all collections in respect of entertainment tax and betting tax made from

³ Section 125 of the NDMC Act, 1994 provides that, the proceeds of the entertainment and betting taxes collected in New Delhi under the provisions of the UP Entertainment and Betting Tax Act, 1937 as extended to the NCT of Delhi reduced by the cost of collection as determined by the government shall, if the Legislative Assembly of the NCT of Delhi by appropriation made by law in this behalf so provides, be paid to the Council

NDMC area after deducting the cost of collection. The Council has suggested that the third Delhi Finance Commission may specify a procedure and mechanism for generating data on sub-division wise/ward wise tax collections or conduct a special study to lay an empirical basis for a formula for showing tax revenue in future.

- It is considered essential that the schedule of taxes prescribed be examined vis-a-vis the rates when compared with the value of the services/revenue generation in these areas. There is ample scope for generating/increasing the income of the civic body if maximum rates are evaluated considering the present day costs of services being provided. At present even if the rate of taxes, duties, etc. is kept at the maximum (except for property tax), there is hardly any scope for enhancing the financial position considering the extremely low rates presented as ceiling.

**Property
Tax- Unit
Area
Method**

14.85 Reforms of the existing system for levy of the property tax, according to the NDMC, depends on the outcome of courts cases related to the Delhi Rent Control Act, 1988 and the Rent Act, 1995. Any new package for municipal taxation, says the NDMC, has to await the outcome of the court cases.

- Even within the constraints, the NDMC has been satisfactorily improving its tax base and has rationalized the tax structure with the result that there is an increase in revenues. The disputes are being settled and there is attempt to reduce litigation to the minimum. The NDMC has not furnished any data to indicate that the reported rationalizations or settlement of disputes has increased and/or resulted in higher revenues. Indeed, in the assessment of the NDMC, the present system is working well and no new system appears necessary at this stage.
- The Unit Area method (UAM) is being recommended by the Ministry of Urban Development, Government of India to all municipalities in the country as a measure of urban reform. In January 2003 and June 2003, the Council had resolved that the Unit Area Method would be introduced in NDMC areas after assessing its implementation impact in MCD areas.
- NDMC is assessing the impact of the introduction of this system on the MCD pattern in NDMC in order to consider when and how it should be introduced to suit the property tax profile of NDMC.

for the performance of its functions under this Act. Government means the government of the NCT of Delhi (section 2, sub-section 17 of the NDMC Act, 1994.

- The property tax profile, as it exists reveals that there are 12136 units of properties assessed for tax and of these about 9753 are commercial and 2383 are residential. It needs to be ensured that introduction of the Unit Area Method does not lead to a decline in revenues since there is no likelihood of an expansion in the tax base because New Delhi is a fully built up city with 80 percent of its properties owned by the Central Government.
- As per Clause (a) of sub-section (1) of Section 60 of the NDMC Act 1994, property tax is leviable on all lands and buildings in NDMC area. The property tax is the main source of internal tax revenue of NDMC. The tax is to be levied at a minimum rate of 10% and maximum rate of 30% of the rateable values. Section 55 (2) of the Act provides that on or before the 15th day of February each year, the Council shall determine the rates at which various municipal taxes, rates and cesses shall be levied in each of the following year and save as otherwise provided in the Act, the rates so fixed shall not be subsequently altered for the year for which they have been fixed.
- The Council has not been giving exemption from the payment of property tax. Section-61 provides that the Council may give exemption to properties with rateable value up to Rupees 1000/- and that is the only total exemption given by the Council. The partial exemption is for the self occupied residential properties at 25% of the current year's tax liability, if there are no arrears. 25% rebates are also available to schools and 50% to aided schools and aided colleges. No other exemption has been given from the Council.
- Although the cost of providing various civic services, in the NDMC, has been growing every year, the collections from property tax even after significantly improving the recovery effort does not match the level of expenditure. During 2004-05 itself as against an expenditure of the Council of Rupees 666.43 crore (sans purchase of power and bulk water) the property tax collections were only Rupees 147.60 crore though, at present, the shortfall is being met from interest on investment and surpluses from sale of electricity. This may be a temporary phase and interest income may not be available, once the funds are used for replacement of infrastructure, improvement in providing services and payment of pension from income from investment. The notional surplus from electricity may also get wiped

off after the cost of investment on installation of electricity supply and rise in cost of purchase of electricity and water are taken into consideration.

**Lower
water
tariff**

14.86 The tariff for water is uniform across Delhi and has been pegged at very low levels for the last many years. As a result, while the cost of providing water supply infrastructures has gone up exponentially, the revenue has been nearly static. In addition, considering that the NDMC area is one of the oldest classified parts of Delhi, larger scale replacements are called for entailing sizable outflow of funds. This problem is compounded even more due to the fact that NDMC has a floating/visiting population around 15 lakhs against the permanent there is more and more pressure to provide public hydrants, public residents, which number less than 3 lakhs as per 2001 census.

**Composting
of Solid
Waste**

14.87 Compost Plant comes under the Agriculture Sector. NDMC is reportedly facing a situation where the solid waste disposal is going to be a permanent problem. It is likely that in the near future we will run out of land fill sites. NDMC's compost plant is the only plant which is in operation in Delhi and has achieved large success in converting garbage into compost. However, this has been a loss-making proposition and will continue to be so. If the benefits in the long run to the society and ecology are accounted for, the cost of land, infrastructure should be given fully as a grant and 50% of the running expense should come as a subsidy/grant-in-aid annually.

**Sewerage
System**

14.88 The sewerage sector also is an area with sizeable capital investment. As the Sewerage system has to gear up for the total needs of both the daily visitors as well as fixed population and since the daily inflow of people is five times the fixed population, there is ample justification for conversion of a part of the assistance into grant.

- The augmentation in these areas has become urgent and critical due to the increasing growth of the Central Business District, which had led to an immense rise in number of visitors to NDMC area as well as the decay due to age of the water supply and sewerage system. The demand for electricity means a massive investment on the sub-stations and distribution. Garbage removal and solid waste disposal needs a shift from the old manual system

to a more scientific and mechanized method of garbage collection, lifting and disposal. The system of a percentage increase over the existing allocations has to be given up in favor of a fresh zero based approach in assessing the funds required to build up/augment the infrastructure to meet the expected demand for civic services over the next five years.

Resource Mobilization 14.89 To meet the challenges in the coming years, resource mobilization also has to be on a different footing all together with stress on innovations and rationalization. The resources available to any civic body like NDMC come from two basic sources: (a) internal revenues, and (b) external sources.

- The internal revenues need to be mobilized much more effectively in the light of the present day thinking of the government where in only the core sectors and the social sectors are being emphasized for being financed from the government's side. The maintenance cost of the infrastructure created over time and the staff cost has gone up substantially over the years. The effort towards internal resource mobilization needs an emphasis on the following:
 - ✓ Making the most innovative uses of the scarcest commodity in a city like Delhi i.e. land. It has become absolutely essential that public works, which are for community use be also designed with a view to give, sustained revenues to the municipal body. Few areas in which this can be done is making use of public facilities like sub-ways for construction of shops/eating places which can be licensed out later on, commercial usage of area under over-bridges/flyovers.
 - ✓ Construction of multi-level parking lots with certain percentage earmarked for office spaces/restaurants.
 - ✓ Identification and development of advertisement spaces.
 - ✓ Integrated development of service centers/water works with simultaneous commercialisation of available space. To maximize the commercial utilization of available space without infringing upon the environment certain basic changes and flexibility in the land use regulations need to be taken up. It is essential that the master plan/land use regulations take into account the growing need for utilizing the existing space to the maximum in the light of the growing pressure on land. Since land is one of the basic available

resource with the civic bodies, any policy on resource mobilization can not be thought of without considering this aspect.

Development of Commercial Complexes	14.90 NDMC has had a long history of developing commercial complexes, markets and licensing land for development of hotels etc. that has gone a long way in the previous years in making this civic body financially viable. Apart from augmentation in the core sectors for providing basic infrastructure the need for setting up more markets, office complexes, hotels etc. should also be given equal importance in the light of heavy demand of investment into areas like power and electricity distribution, water supply, sewerage, garbage removal etc. They would give a steady inflow of funds and cross-subsidize the obligatory functions of the Council.
Simplification of procedures	14.91 A specific thrust is needed for revenue realization of the accumulated arrears in respect of Commercial Department, Estate Department and House Tax Department by way of stricter enforcement and more simplified system of paper work, documentation in public dealing.
Pricing Policy and Demand Management	14.92 All along the entire thrust of planning has been on bridging the gap between the demand-supply for infrastructure services. An area which has not been looked into with sufficient attention is the issue of pricing policy of the service which itself has a direct impact on the demand. It has already been brought out that the pricing policy is skewed in respect of water charges which at present are so low that they cannot even meet the cost of production. During the year 2004-05, expenditure on providing water supply was Rs. 47.85 crore against which income was Rs. 15 crore only. This has in fact led to a point where the demand has gone up by leaps and bounds, since there is no consciousness in the public regarding careful usage of this essential, but increasingly scarce resource. While there is an ever-increasing pressure for higher quantum of water supply, no efforts have been made to restrict the rising demand by way of higher tariff. Even a steep rise in the water tariff would not really exert a major influence on any family expenditure since in absolute terms the total cost paid for water is very low. However, it would definitely bring about a more conscious approach regarding its optimum use in the public eye. Simultaneously, it would also provide an avenue for resource mobilization for further investment into this essential area. Similar

view also needs to be taken with respect to electricity tariff; greater flexibility needs to be given to the civic bodies in this regard.

- The NDMC Act-1994 regulates the quantum of various taxes, which have been prescribed in the Act itself. NDMC says that an examination of the provision brings out the surprising fact that it is retaining the same levels of rates, which were initially provided in the Punjab Municipal Act, 1991 in the late 1950s. By the logic of uniformity in rates, the crucial issue of the justification of these rates has not been given sufficient thought. In certain areas the levels of rates provided in the taxes are much lower than what was already prevalent under the Punjab Municipal Act, 1991 prior to enactment of NDMC ACT-1994. Any revenue, which is likely to come about, from these taxes, is so low that it does not even justify its collection. Collection of a large numbers of these taxes has, therefore, been waived off, as it is not an economically viable proposition. It is in this context that the issue of flexibility on the rates needs to be re-examined to make them more realistic while still maintaining a ceiling in order to have a pattern of equity in the working.

**Additional
tax/
enhancement
of tax rates**

14.93 Certain taxes under Section 62 of the NDMC Act are at present not being levied. These are namely: (a) education cess, (b) taxes on professions, trades etc, (c) betterment tax (on the increase in urban land values) caused by the execution of any development or improvement work, (d) tolls.

- Reportedly, the Council had proposed levy of Electricity Tax and an Education Cess. Both proposals await approval of the central government. As we saw in the context of the MCD there is a clear need for authorities vested with the power to accord approval to support the measures taken by local bodies to mobilize additional revenues. Other wise they ought to be compensated through a grant equivalent to the anticipated revenues till approval is accorded. It would of course be better still, if all decisions relating to the levy of a tax are firmly in the domain of the local body.
- The external sources of resource mobilization are flow of funds from the Government and markets borrowing and return on investments. The aspect of Government assistance in different forms has already been elaborated in detail in the earlier part of the Memorandum. Chapter-IX of the NDMC Act, 1994 specifies the mode and the manner in which the Council can raise

external resources by way of borrowing from the market. Even though the Council up to the present has not had the necessity of raising loans from the market, the anticipated sharp increase in the expenditure in the coming few years coupled with the declining level of Government support to NDMC, is likely to force the Council to go to the market to raise resources for financing capital expenditure. It is, therefore, essential that cost benefit analysis along with rate of return on capital employed in specific individual projects be ascertained. A managerial approach would be to ensure that in any such eventuality the resources raised from the market are only channelized into areas where the return is sufficiently higher than the cost of borrowing. Certain areas like development of markets/office complexes can be taken up even with market borrowing if the levels of resources do not permit internal financing, but the long-term benefits of such projects make it viable to finance it from market borrowing.

Analysis and Conclusions 14.94 Some conclusions regarding the resource base of the NDMC are drawn below, briefly.

- The revenue data of the NDMC shows a stronger relationship between the projected and actual revenues of each year as compared to the MCD. The figures for the BE, RE and the actual realizations are a lot closer.
- Between 1994-1995 and 2004-2005 the receipts structure has undergone a marked change. The share of own revenue receipts has gone up. The share of assigned taxes has however declined.
- The shares of interest on investments and surplus from the sale of electricity have been increasing. This means that, among own revenue resources, the reliance on non-tax sources of revenue is growing. These sources of revenue are inherently unstable and could affect the resource position of the NDMC adversely in the long term.
- The NDMC has retired all its debt. This is a positive sign. However this along with the revenue surplus are also indicative of the restricted avenues for extensive capital investment in the NDMC area. With little scope for large scale investments, the local body is able to not only generate a surplus but has also been able to retire debts.
- The revenue surplus is not a good sign. This implies the growth of idle amounts. For instance a sum of Rupees 2000.00 crore as on April 1, 2005 is merely invested for earning interest income. This once more underlines the

fact that NDMC does not have projects or programs against the idle amounts. Indeed, the NDMC has forecast a sum of Rupees 853.00 crore as interest income in the five year period (2006-2011)

- All this is indicative of a lack of long or medium term development, investment, and fiscal plans. The NDMC, like the MCD, also treats a list of projects as the sum of its planning.
- Another area of concern is that the NDMC also does not have any long term plan for putting its tax regime on a more sound footing. They have stated that introduction of the UAM method for levying property tax will depend upon the experience of the MCD. The only logical reason for depending on the experience of the MCD appears to be the fact that both the local bodies are located in the NCT. Otherwise, the NDMC ought to seek guidance on an effective method from the local bodies that have made a success of implementation. Indeed, like the MCD, the NDMC should also pay far grater attention to its tax revenues.

Chapter-15

The NDMC: Expenditure Management

The expenditure responsibilities of the NDMC have to be seen in the context of its distinguishing features and circumstances. As in the case of all organizations, the revenue and expenditure assignments of the NDMC are shaped and determined by its geography and demography. The territorial jurisdiction of the NDMC is small and compact (42.75 square kilometres). Its population is relatively stable (3 lakh). The NDMC says that in addition to the stable population, it services a floating population of about 15 lakh.

15.2 The NDMC area houses a number of government offices and residential complexes, and is characterized by large expanses of open space. The diplomatic corps is located in the NDMC area. There are a number of commercial and shopping complexes, luxury hotels, clubs, restaurants, international institutes, state government bhawans and other properties of state governments, museums and centres for the performing arts. Around 35 structures belong to the NDMC itself. The stable population of the NDMC is generally the high-income and high spending section of the population of Delhi. The expectations of the citizens from the NDMC are clearly at a higher level.

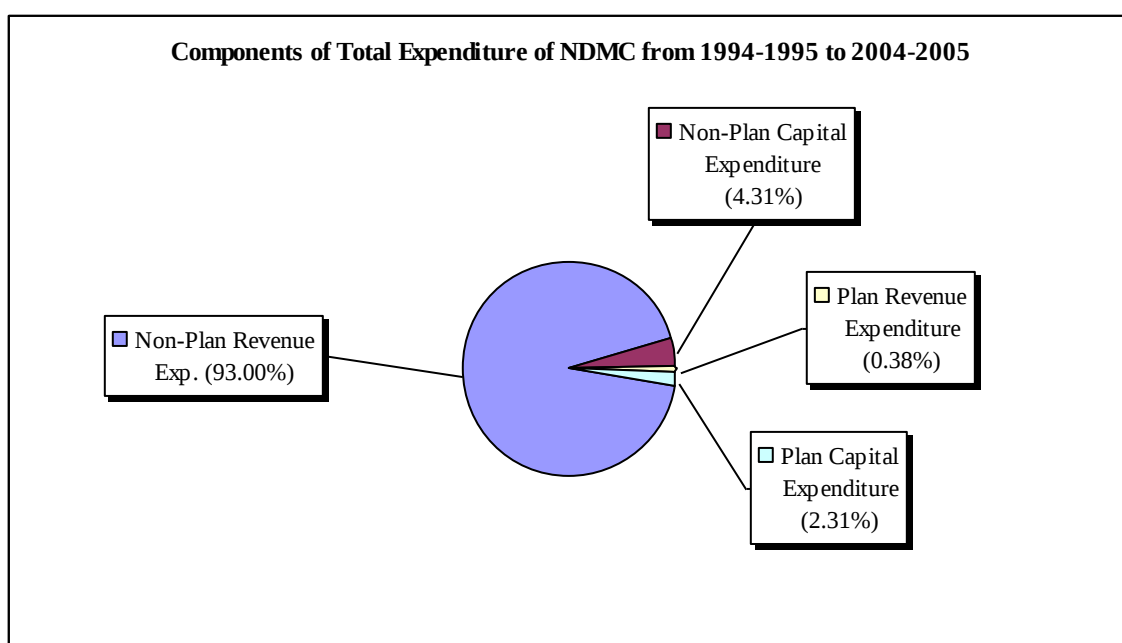
15.3 Nevertheless, it is still a fact that the scope for extensive capital expenditure is somewhat limited given the size of the territorial jurisdiction. The NDMC can actually deepen the capital expenditure by laying stress either on replacement or up-gradation of existing infrastructure. There is little scope for expansion of the available levels of services and amenities. This could well be one of the reasons for the persistent revenue surplus despite apprehensions expressed by the NDMC about the likely emergence of a revenue deficit. The fear has not materialized in the last ten years.

15.4 This chapter examines the resource allocation and expenditure pattern of the NDMC. The rate of growth in revenue expenditure of NDMC with strategic fiscal gap, pattern of revenue expenditure, per capita expenditure, composition of revenue expenditure and expenditure on individual services have been examined to analyze the adequacy and appropriateness of expenditure on municipal services.

Total Expenditure 15.5 The examination commences with a review of the total expenditure levels and patterns.

- Figure 15.0 depicts the components of total expenditure. The composition consists of non-plan revenue expenditure (93.00 percent), non-plan capital expenditure (4.31 percent), plan revenue expenditure (0.38 percent), and plan capital expenditure (2.31 percent) in the period 1994-1995 to 2004-2005. The composition indicates that in the last eleven years the total plan expenditure (revenue plus capital) has been less than 3 percent. On the other hand, the non-plan expenditure has been as high as 97.31 percent.
- This is not a very happy situation because the small size of plan capital expenditure means that very little investment is being made in the creation of capital assets. Of course it can also mean that there is limited scope for extensive capital asset creation. A more detailed analysis of the structure of expenditure is taken up below.

**Figure: 15.0-Structure of Total expenditure of the NDMC-
1994-1995 to 2004-2005**



15.6 Table 15.0 reviews the status of total expenditure by the NDMC from 1994-1995 to 2004-2005. The trend growth rate has been 11.23 percent.

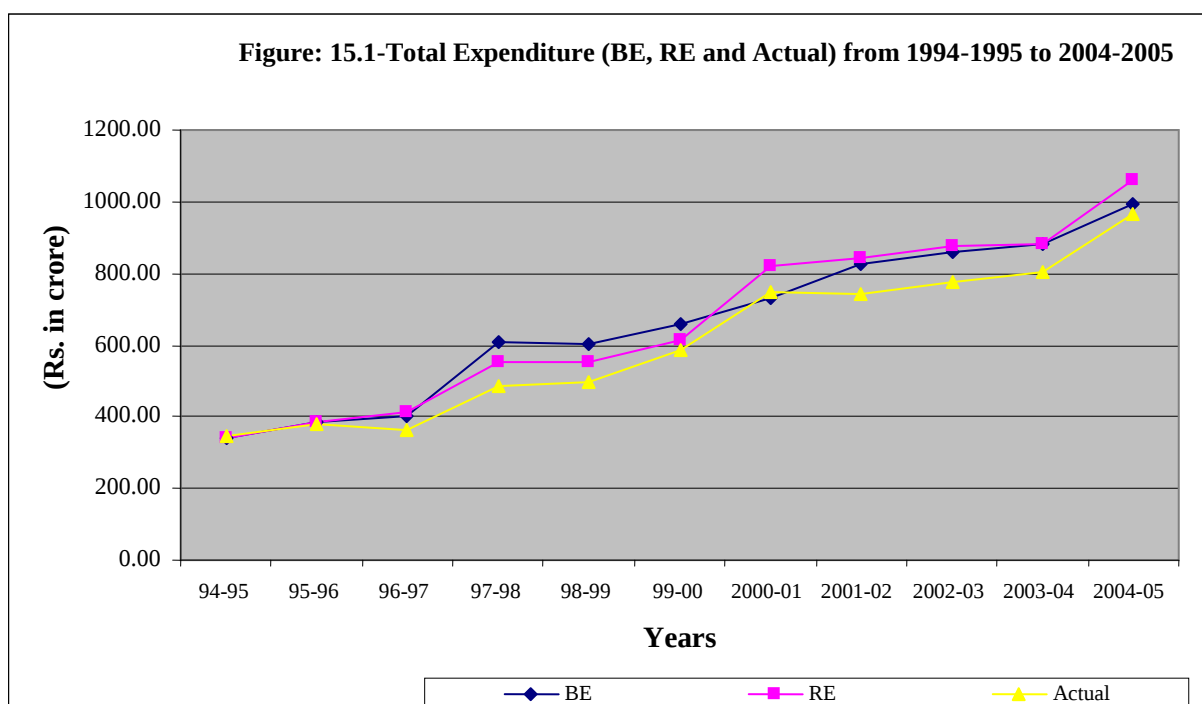
Table: 15.0-Total expenditure of the NDMC-1994-1995 to 2004-2005
(Rupees in crore)

Year	BE	RE	Absolute Variation RE-BE	Percentage variation in RE over BE	Actual Expenditure
1994-1995	338.79	338.55	-0.24	-0.07	343.72
1995-1996	386.48	383.89	-2.59	-0.67	379.98
1996-1997	399.96	410.33	10.37	2.59	360.50
1997-1998	610.48	554.34	-56.14	-9.20	488.32
1998-1999	600.44	553.01	-47.43	-7.90	495.43
1999-2000	661.19	614.74	-46.45	-7.03	583.51
2000-2001	733.69	821.76	88.07	12.00	747.22
2001-2002	828.72	840.65	11.93	1.44	743.67
2002-2003	860.90	875.04	14.14	1.64	775.71
2003-2004	884.26	883.78	-0.48	-0.05	801.48
2004-2005	996.09	1061.51	65.42	6.57	966.49

- The BE of total expenditure increased from Rupees 338.79 crore in 1994-1995 to Rupees 996.09 crore in 2004-2005. This represents a step up of 194.01 percent. As against this, the increase with reference to the revised estimates was from Rupees 338.55 crore (1994-1995) to Rupees 1061.51 crore (2004-2005), representing an increase of 213.55 percent.
- The variation in the revised estimates over the budget estimates of each year have varied from minus Rupees 56.14 crore (1997-1998) to Rupees 88.07 crore (2000-2001). The percentage variations in RE over BE were negative in six out of 11 years and in the remaining years it was positive. The range of positive variation was from 1.44 percent (2001-2002) to 12.00 percent (2000-2001). The range of negative variation on the other hand was from minus 0.05 percent (2003-2004) to minus 9.20 percent (1997-1998). The upward revision in percentage terms has been higher than the downward variations.
- The actual expenditure has increased from Rupees 343.72 crore (1994-1995) to Rupees 966.49 crore (2004-2005), representing a percentage increase of 181.19 percent. In nine years it was below the projected requirement of the budget estimate and in two years (1994-1995 and 2000-2001) actual expenditure was higher than projected requirement of expenditure. This implies that the projections at the BE stage have been ambitious. Therefore, upward revisions of the proposed BE expenditure at the RE stage was even more ambitious.

- As a measure of comparison we need to merely juxtapose the percentage growths of BE, RE, and actual to realize the dichotomy between the three trend figures: BE growth was 194.01 percent, the RE was 213.55 percent, and actual was 181.19 percent. In other words the actual expenditure trailed even the budget projections. Compared to the RE, the actual was 32.36 percentage points lower.

15.7 Figure 15.1 traces the trends in the BE, RE and the actual expenditure incurred by the NDMC in the period 1994-1995 to 2004-2005. The actual expenditure has almost always been less than the budget and revised estimates.

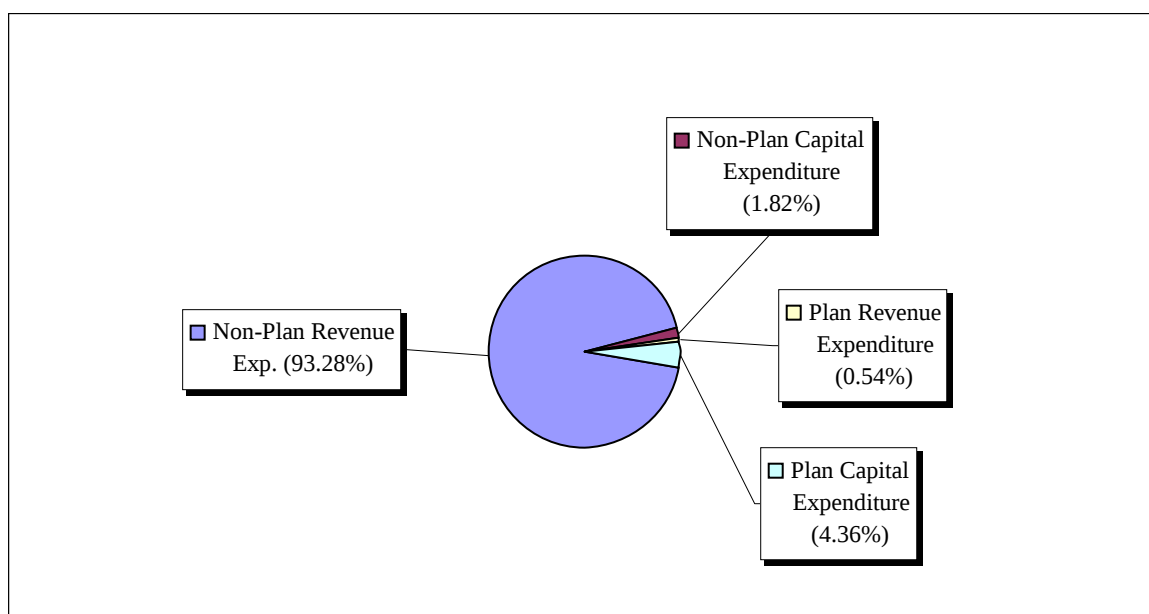


- The total revenue receipts in the period 1994-1995 to 2004-2005 were Rupees 7134.60 crore. The total expenditure in the same period was Rupees 6686.03 crore. The actual revenue receipts in seven out of eleven years were less than the projections at the BE and less than the RE stage revisions in eight out of eleven years. The implication is that the current surplus between revenues and expenditure (Rupees 448.57 crore) would have been even larger had the projected revenues (BE or RE) been realized. This suggests that the NDMC either lacks the capacity for higher expenditure (in terms of administrative, technical or planning capabilities) or the scope for extensive capital expenditure is limited.

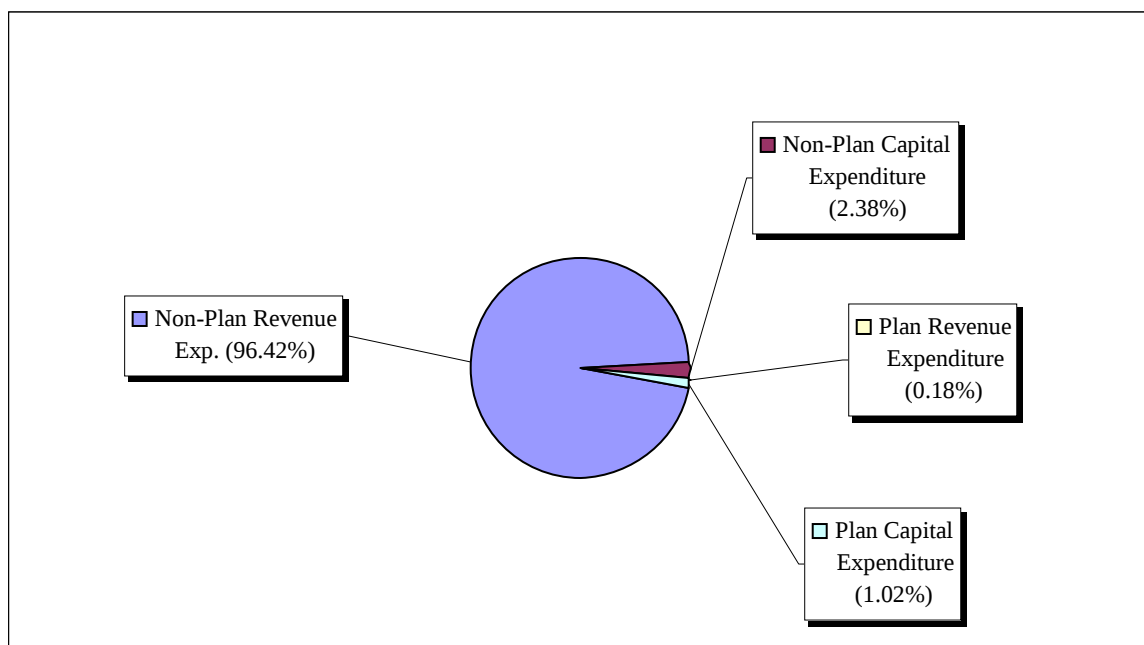
Changes in the Structure of Total expenditure-1994-1995 and 2004-2005

15.8 Figure 15.2 depicts the structure of total expenditure in 1994-1995. While the plan capital expenditure was 4.36 percent, the plan revenue expenditure was 0.54 percent. This makes for a total plan expenditure of 4.90 percent. The non-plan revenue expenditure was 93.28 percent and the non-plan capital expenditure was 1.82 percent. The total non-plan expenditure was 95.10 percent

Figure 15.2- Components of Total Expenditure of NDMC-1994-1995



15.9 Figure 15.3 depicts the structure of total expenditure in 2004-2005. Self-evidently, while the plan capital expenditure was 1.02 percent, the plan revenue expenditure was 0.18 percent. This makes for a total plan expenditure of 1.20 percent. The non-plan revenue expenditure was 96.28 percent and the non-plan capital expenditure was 2.38 percent. The total non-plan expenditure was 98.80 percent

Figure 15.3- Components of Total Expenditure of NDMC-2004-2095

- Between 1994-1995 and 2004-2005, the structure of total expenditure underwent a change which was tilted in favour of non-plan expenditure, both revenue and capital. Accordingly, the total and relative shares of revenue and capital in plan expenditure have decreased. We believe this is largely attributable to the limited scope for extensive capital and developmental works.
- It is further important to note that expenditure has shown a declining trend during the period 1998-2004 due to the declining trend of revenue receipts. The declining trend in expenditure is likely to have serious implications on municipal services and needs to be attended to immediately.

15.10 Table 15.1 shows the annual compound growth rate of revenue receipts and revenue expenditure at current prices.

Table: 15.1- ACGR at Current Prices

Civic Body	Revenue Exp. (Rs. Lakh)			ACGR (%) (Rev. Exp)		ACGR (%) (Rev. Receipts)	
	1993-94	2003-04	% increase	1993-04	1998-04	1993-04	1998-04
NDMC	27691	80148	189	11.21	10.67	12.05	10.07

(Source: HSMI, Report 2006)

15.11 Table 15.2 exhibits the absolute and percentage variation in actual over the BE and the RE within a year. The absolute variation in the actual over the BE has been from minus Rupees 122.16 crore (1997-1998) to Rupees 13.53 crore (2000-2001). In percentage terms, the actual expenditure has ranged from minus 20.01 percent (1997-1998) to 1.84 percent (2000-2001). The actual expenditure in absolute and percentage terms has been negative in all except two years, which means it has been less than the expenditure projected at the budget estimates stage.

Table: 15.2-Absolute/Percentage Variation of Actual over BE/RE within the Year-1994-1995 to 2004-2005
(Rupees in crore)

Year	BE	RE	Actual Expenditure	Absolute Variation in Actual over BE	Absolute Variation in Actual over RE	Percentage variation in Actual over BE	Percentage variation in Actual over RE
1994-95	338.79	338.55	343.72	4.93	5.17	1.46	1.53
1995-96	386.48	383.89	379.98	-6.50	-3.91	-1.68	-1.02
1996-97	399.96	410.33	360.50	-39.46	-49.83	-9.87	-12.14
1997-98	610.48	554.34	488.32	-122.16	-66.02	-20.01	-11.91
1998-99	600.44	553.01	495.43	-105.01	-57.58	-17.49	-10.41
1999-00	661.19	614.74	583.51	-77.68	-31.23	-11.75	-5.08
2000-01	733.69	821.76	747.22	13.53	-74.54	1.84	-9.07
2001-02	828.72	840.65	743.67	-85.05	-96.98	-10.26	-11.54
2002-03	860.90	875.04	775.71	-85.19	-99.33	-9.90	-11.35
2003-04	884.26	883.78	801.48	-82.78	-82.30	-9.36	-9.31
2004-05	996.09	1061.51	966.49	-29.60	-95.02	-2.97	-8.95

- The absolute variation in the actual expenditure over the RE has been from minus Rupees 99.33 crore (2002-2003) to Rupees 5.17 crore (1994-1995). The percentage variation has been from minus 12.14 percent (1996-1997) to 1.53 percent (1994-1995). As compared to the RE the actual expenditure is negative in ten out of eleven years.

15.12 Table 15.3 depicts the actual expenditure as a percentage of the BE and the RE. In two years the actual expenditure was more than 100 percent of the projections at the BE stage. In remaining years it has ranged between 80 to 98 percent. As a percentage of the revised estimates it has always been below 100

percent except one year (1994-1995) and within the range of 87.86 percent (1996-1997) to 98.98 percent (1995-1996).

Table: 15.3- Actual Expenditure as a Percentage of BE and RE-1994-1995 to 2004-2005

Year	Actual Expenditure	Actual Expenditure as a percentage of BE	Actual Expenditure as a percentage of RE
1994-1995	343.72	101.46	101.53
1995-1996	379.98	98.32	98.98
1996-1997	360.50	90.13	87.86
1997-1998	488.32	79.99	88.09
1998-1999	495.43	82.51	89.59
1999-2000	583.51	88.25	94.92
2000-2001	747.22	101.84	90.93
2001-2002	743.67	89.74	88.46
2002-2003	775.71	90.10	88.65
2003-2004	801.48	90.64	90.69
2004-2005	966.49	97.03	91.05

15.13 Table 15.4 shows the total expenditure as a percentage of various revenue parameters. As a percentage of tax revenue, the expenditure has been from 560.36 percent (2002-2003) to 1494.43 percent (1994-1995). As a percentage of own revenue receipts, it has been from 92.91 percent (2002-2003) to 111.57 percent (1995-1996) and as a percentage of total revenue receipts it has ranged from 90.38 percent (2002-2003) to 104.92 percent (1995-1996). As a percentage of total receipts it has been from 87.81 percent (2002-2003) to 99.69 percent (2000-2001).

- The total expenditure of the NDMC was between 1.00 percent (2003-2004) to 1.34 percent (1995-1996) of the GSDP.

**Table: 15.4-Total expenditure as a Percentage of variation revenue parameters
1994-1995 to 2004-2005**

Year	Actual Expenditure (Rupees in crore)	As a percentage of tax revenue	As a percentage of own revenue receipts	As a percentage of total revenue receipts	As a percentage of total receipts	GSDP (at current prices) Rupees in crore)	As a percentage of GSDP
1994-1995	343.72	1494.43	107.98	102.89	99.48	25846.50	1.33
1995-1996	379.98	1395.45	111.57	104.92	99.12	28390.06	1.34
1996-1997	360.50	1096.74	100.06	94.18	90.88	33803.37	1.07
1997-1998	488.32	1260.83	105.93	100.65	97.23	41234.80	1.18
1998-1999	495.43	1019.61	97.26	93.64	90.24	47484.16	1.04
1999-2000	583.51	776.36	102.85	100.04	95.39	53009.65	1.10
2000-2001	747.22	773.52	106.77	103.40	99.69	62734.22	1.19
2001-2002	743.67	638.84	102.07	98.87	96.47	67994.32	1.09
2002-2003	775.71	560.36	92.91	90.38	87.81	72073.11	1.08
2003-2004	801.48	589.63	97.76	95.20	92.83	80544.99	1.00
2004-2005	966.49	600.34	95.48	91.39	89.58	90733.02	1.07

15.14 Table 15.5 represents the variations in the BE/RE and actual expenditure over the previous year. The variation in the BE has been from minus Rupees 10.04 crore (1998-1999) to Rupees 210.52 crore (1997-1998). The percentage change has been from minus 1.64 (1998-1999) to 52.64 (1997-1998).

**Table: 15.5-Absolute/Percentage Variation of Actual over BE/RE over the Previous Year-
1994-1995 to 2004-2005**

Year	Absolute Increase/ Decrease over Previous Year (BE)	Absolute Increase/ Decrease over Previous Year (RE)	Absolute Increase/ Decrease over Previous Year (Actual)	Percentage increase / decrease over previous year (BE)	Percentage increase / decrease over previous year (RE)	Percentage increase / decrease over previous year (Actual)
1994-1995						
1995-1996	47.69	45.34	36.26	14.08	13.39	10.55
1996-1997	13.48	26.44	-19.48	3.49	6.89	-5.13
1997-1998	210.52	144.01	127.82	52.64	35.10	35.46
1998-1999	-10.04	-1.33	7.11	-1.64	-0.24	1.46
1999-2000	60.75	61.73	88.08	10.12	11.16	17.78
2000-2001	72.50	207.02	163.71	10.97	33.68	28.06
2001-2002	95.03	18.89	-3.55	12.95	2.30	-0.48
2002-2003	32.18	34.39	32.04	3.88	4.09	4.31
2003-2004	23.36	8.74	25.77	2.71	1.00	3.32
2004-2005	111.83	177.73	165.01	12.65	20.11	20.59

- The revised estimates have been from minus Rupees 1.33 crore (1998-1999) to Rupees 207.02 crore (2000-2001). The percentage variation at the revised estimates stage has ranged from minus 0.24 percent (1998-1999) to 35.10 percent (1997-1998).
- The absolute increase in total expenditure has been from minus Rupees 19.48 crore (1996-1997) to Rupees 165.01 crore (2004-2005). In percentage terms the increase has been from minus 5.13 percent (1996-1997) to 35.46 percent (1997-1998).
- All this data indicates that there is no specific trend in any of the parameters whether measured against BE, RE or the actual. There are sharp fluctuations.

15.15 Table 15.6 shows the absolute and percentage variation in the actual expenditure over annual average expenditure in the period 1994-1995 to 2004-2005.

Table: 15.6-Absolute/Percentage variation in Actual Expenditure over Annual Average Expenditure-1994-1995 to 2004-2005

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1	2	3	4	5
1994-1995	343.72	607.82	-264.10	-43.45
1995-1996	379.98	607.82	-227.84	-37.48
1996-1997	360.50	607.82	-247.32	-40.69
1997-1998	488.32	607.82	-119.50	-19.66
1998-1999	495.43	607.82	-112.39	-18.49
1999-2000	583.51	607.82	-24.31	-4.00
2000-2001	747.22	607.82	139.40	22.93
2001-2002	743.67	607.82	135.85	22.35
2002-2003	775.71	607.82	167.89	27.62
2003-2004	801.48	607.82	193.66	31.86
2004-2005	966.49	607.82	358.67	59.01

- The annual average expenditure in the period 1994-1995 to 2004-2005 has been Rupees 607.82 crore.
- The actual annual expenditure has been below the annual average in six out of the eleven years and above the average expenditure in five years from 2000-2001 to 2004-2005. Such fluctuations as are evident in the data above suggest that the organization is not investing in

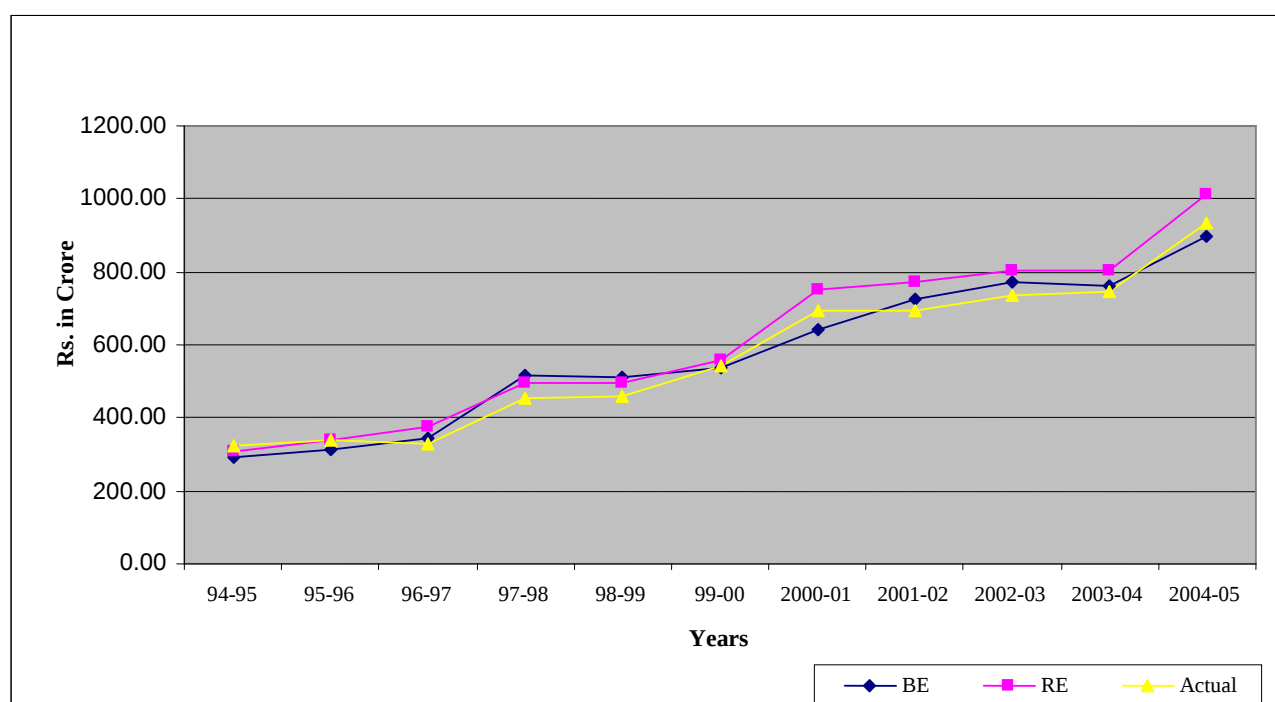
accordance with any medium or long terms development or investment plans.

- Accordingly, the budget data will not by itself indicate the areas of priority or the time schedules for securing implementation of projects and programs designed to successfully implement the priority schemes. This will also not enable the organization to forecast its resource requirements in the context of planned development of the NDMC area.

Total revenue expenditure

15.16 Figure No.15.4 depicts total revenue expenditure BE, RE and actual 1994-1995 to 2004-2005.

Figure. 15.4 – Total revenue expenditure BE,RE and Actual 1994-1995 to 2004-2005.

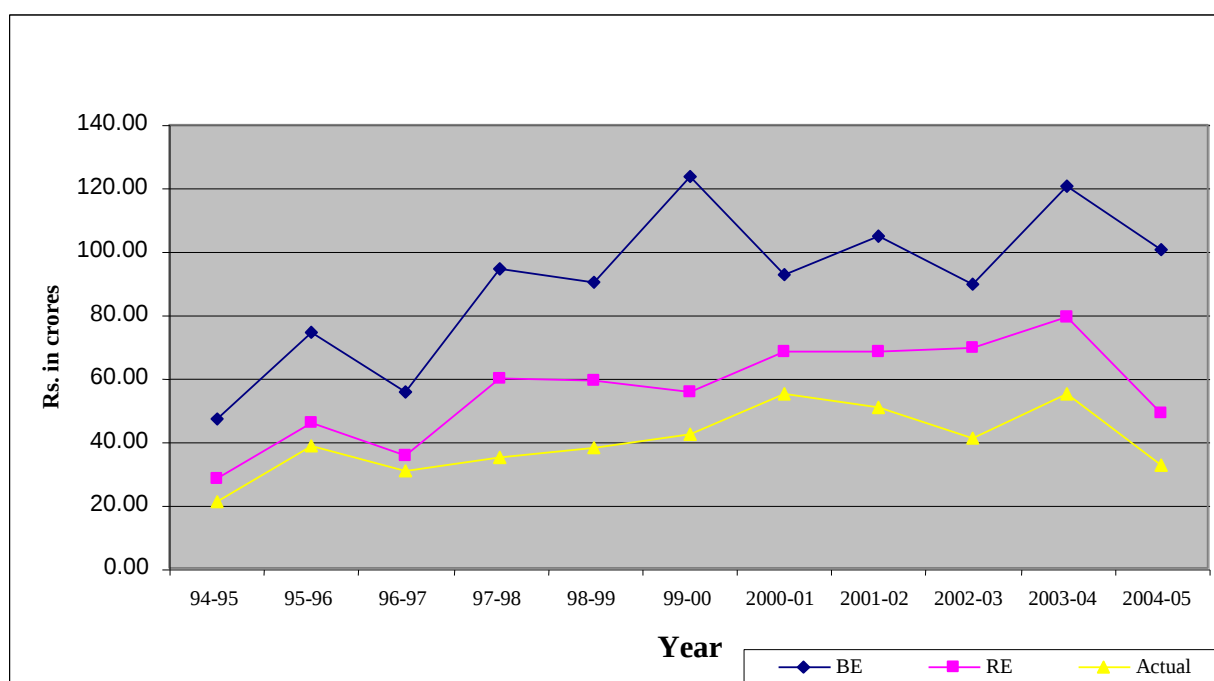


- BE of total revenue expenditure during the period from 1994-1995 to 2004-2005 has been in the range of Rupees 291.23 crore (1994-1995) to Rupees 895.46 crore (2004-2005).
- RE of total revenue expenditure during the period from 1994-1995 to 2004-2005 has been in the range of Rupees 309.99 crore (1994-1995) to Rupees 1012.34 crore (2004-2005).
- Actual expenditure has been in the range of Rupees 322.49 crore (1994-1995) to Rupees 933.64 crore (2004-2005).

- The trend growth rate during the period in respect of BE, RE and actual expenditure has been 12.1 percent, 12.5 percent and 11.6 percent respectively.
- The RE was higher than BE in nine out of eleven years and less in remaining two years (1997-1998 and 1998-1999).
- The actual expenditure was less than BE and RE in six years, more than BE and RE in two years (1994-1995 and 1995-1996), more than BE and less than RE in three years (1999-2000, 2000-2001 and 2004-2005).
- The BE, RE and actual have had an increasing trend in almost all the years during the period.

Total Capital expenditure 15.17 Figure 15.5 depicts the trends (BE, RE, and actual) in total capital expenditure. The overall trend growth rate for BE and RE has been 6.90 percent and in respect of the actual expenditure it was 5.2 percent.

Figure: 15.5-Total Capital Expenditure (BE, RE, Actual)-1994-1995 to 2004-2005



- BE of total capital expenditure has been in the range of Rupees 47.56 crore (1994-1995) to Rupees 123.93 crore (1999-2000).
- The revised estimates have been in the range of Rupees 28.56 crore (1994-1995) to Rupees 79.43 crore (2003-2004).

- The actual total expenditure was from Rupees 21.23 crore (1994-1995) to Rupees 55.44 crore (2000-2001).
- The actual total capital expenditure has always been lower than the BE and the RE and the RE has always been lower than the BE.
- No specific trend can be determined from the BE, RE or the actual. BE rose to a maximum of Rupees 123.93 crore in 1999-2000 and was at Rupees 100.63 crore in 2004-2005. Similarly, in the case of the RE it came down from a peak of Rupees 79.43 crore in 2003-2004 to Rupees 49.17 crore in 2004-2005.
- The actual total capital expenditure started declining from a maximum of Rupees 55.44 crore (2000-2001) and was finally at Rupees 32.85 crore (2004-2005).
- What can account for the steep fluctuation in the actual total capital expenditure and the fact that it has never matched the projections at the BE and RE stage? A possible explanation is that the NDMC has not planned for the renewal of old infrastructure or that there is simply no scope for creation of new assets.

Total Non-Plan Expenditure 15.18 The trend growth rate of non-plan expenditure works out to 11.80 percent.

- Table 15.7 reports the BE, RE and actual non-plan expenditure of NDMC during the period 1994-1995 to 2004-2005.

Table: 15.7-Absolute/Percentage variation in BE, RE and Actual of Non-plan Expenditure – 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute variation in RE over BE	Percentage variation in RE over BE	Absolute variation in Actual over BE	Percentage variation in Actual over BE	Absolute variation in Actual over RE	Percentage variation in Actual over RE
1994-1995	311.55	325.55	326.88	14.00	4.49	15.33	4.92	1.33	0.41
1995-1996	355.71	359.46	351.00	3.75	1.05	-4.71	-1.32	-8.46	-2.35
1996-1997	379.34	391.33	341.70	11.99	3.16	-37.64	-9.92	-49.63	-12.68
1997-1998	596.89	542.34	474.73	-54.55	-9.14	-122.16	-20.47	-67.61	-12.47
1998-1999	585.04	538.72	482.84	-46.32	-7.92	-102.20	-17.47	-55.88	-10.37
1999-2000	637.94	586.42	566.27	-51.52	-8.08	-71.67	-11.23	-20.55	-3.44
2000-2001	681.53	803.20	732.23	121.67	17.85	50.70	7.44	-70.97	-8.84
2001-2002	807.90	824.50	724.06	16.60	2.05	-83.84	-10.38	-100.44	-12.18
2002-2003	844.02	858.24	765.91	14.24	1.69	-78.09	-9.25	-92.33	-10.76
2003-2004	867.42	863.64	785.68	-3.78	-0.44	-81.74	-9.42	-77.96	-9.03
2004-2005	977.19	1044.32	954.85	67.13	6.87	-22.34	-2.29	-89.47	-8.57

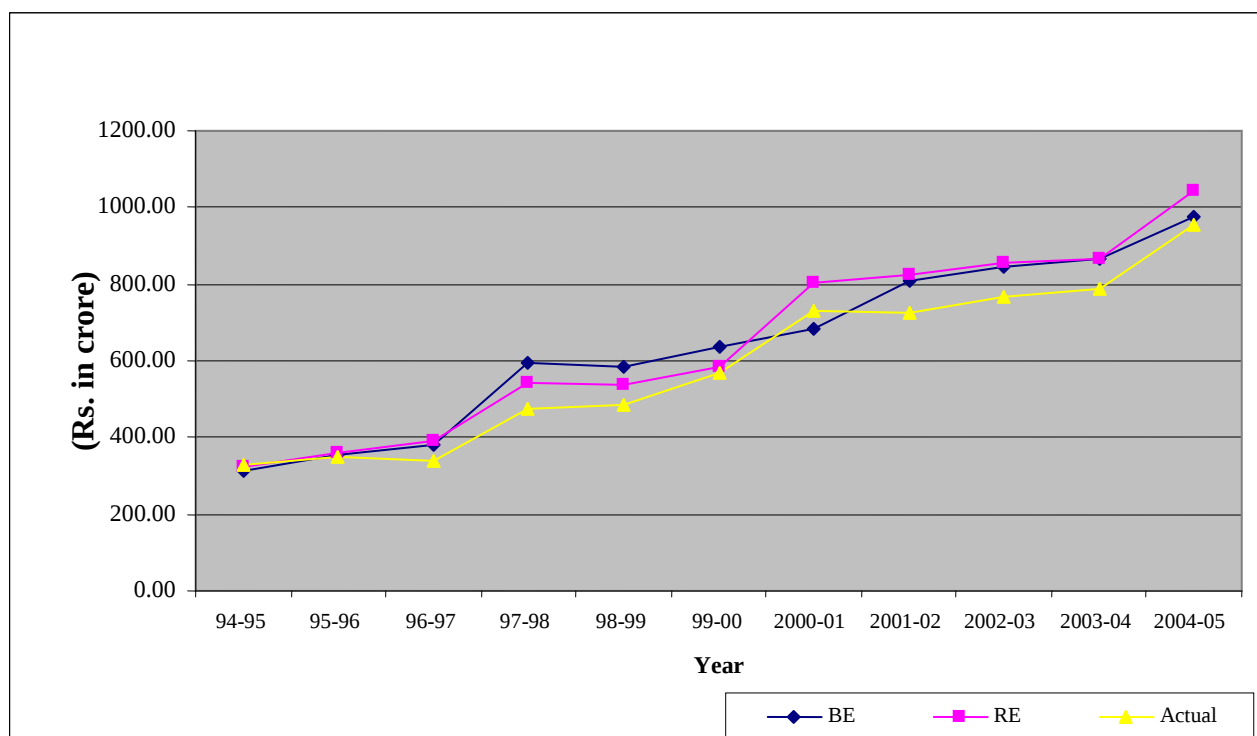
- Absolute variation in RE over BE has been in the range of minus Rupees 54.55 crore (1997-1998) to Rupees 121.67 crore (2000-2001). In

four out of eleven years, the RE has been less than the BE and it has been higher than BE in remaining seven years.

- Percentage variation in RE over BE during the period has been from minus 9.14 percent (1997-1998) to 17.85 percent (2000-2001).
- Absolute variation in actual over BE was from minus Rupees 122.16 crore (1997-1998) to Rupees 50.70 crore (2000-2001). The absolute variation was negative in nine out of eleven years and the actual were higher than BE in just two years i.e. by Rupees 15.33 crore (1994-1995) and Rupees 50.70 crore (2000-2001).
- Percentage variation in actual over BE has been from minus 20.47 percent (1997-1998) to 7.44 percent (2000-2001).
- The actual expenditure has been less than RE in ten out of eleven years and was more than RE by Rupees 1.33 crore in one year only i.e. 1994-1995. Negative variation was from minus Rupees 100.44 crore (2001-2002) to minus Rupees 8.46 crore (1995-1996).
- Percentage variation in actual over RE has been in the range of minus 12.68 percent (1996-1997) to 0.41 percent (1994-1995).

15.19 Figure 15.6 shows the long term trend of the non-plan expenditure as reflected in the BE, RE and the actual. Against the trend growth of the actual non-plan expenditure (11.80 percent), the growth of BE was at the rate of 12.00 percent, and of RE was 12.50 percent. This too indicates that the trend growth of projected non-plan expenditure (as projected at the BE or RE stage) is below the actual level. Again, given that the NDMC is not able to incur expenditure even on the non-plan side as projected, one is compelled to ponder on the scope for additional expenditure.

Figure: 15.6-Total Non-plan Expenditure (BE, RE, Actual) of NDMC -1994-1995 to 2004-2005



15.20 Table 15.8 shows the absolute and percentage variation in BE/RE and actual over the previous year. The absolute variation in BE over the previous year was in the range of minus Rupees 11.85 crore (1998-1999) to Rupees 217.55 crore (1997-1998). The variation has been more than Rupees 100 crore in three out of eleven years and less in seven years.

Table: 15.8- Absolute and percentage Variation in BE/RE and Actual over the Previous Year 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute Variation in BE over Previous Year	Percentage Variation in BE over Previous Year	Absolute Variation in RE over Previous Year	Percentage Variation in RE over Previous Year	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year
1994-95	311.55	325.55	326.88						
1995-96	355.71	359.46	351.00	44.16	14.17	33.91	10.42	24.12	7.38
1996-97	379.34	391.33	341.70	23.63	6.64	31.87	8.87	-9.30	-2.65
1997-98	596.89	542.34	474.73	217.55	57.35	151.01	38.59	133.03	38.93
1998-99	585.04	538.72	482.84	-11.85	-1.99	-3.62	-0.67	8.11	1.71
1999-00	637.94	586.42	566.27	52.90	9.04	47.70	8.85	83.43	17.28
2000-01	681.53	803.20	732.23	43.59	6.83	216.78	36.97	165.96	29.31
2001-02	807.90	824.50	724.06	126.37	18.54	21.30	2.65	-8.17	-1.12
2002-03	844.02	858.24	765.91	36.10	4.47	33.74	4.09	41.85	5.78
2003-04	867.42	863.64	785.68	23.42	2.77	5.40	0.63	19.77	2.58
2004-05	977.19	1044.32	954.85	109.77	12.65	180.68	20.92	169.17	21.53

- The percentage variation in BE over previous year has been in the range of minus 1.99 percent (1998-1999) to 57.35 percent (1997-1998).
- The absolute variation in RE over previous year was within the range of minus rupees 3.62 crore (1998-1999) to rupees 216.78 crore (2000-2001). The absolute variation in RE over previous year has been more than rupees 100 crore in three years and less in six years. In one year (1998-1999) it was negative.
- Percentage variation in RE over previous year was from minus 0.67 percent (1998-1999) to 38.59 percent (1997-98).
- The absolute variation in actual expenditure over previous year was negative in two years. It was in the range of minus Rupees 9.30 crore (1996-1997) to Rupees 169.17 crore (2004-2005). The variation was more than rupees 100 crore in three years and less in remaining seven years.
- The percentage variation in actual was from minus 2.65 percent (1996-1997) to 38.93 percent (1997-1998).
- The actual expenditure increased from Rupees 326.88 crore (1994-1995) to Rupees 954.85 crore (2004-2005) i.e. approximately a three fold increase.
- The fact is that BE was revised upward in seven years out of eleven years. The actual expenditure did not reach even BE level in nine years. Does this mean the projections of non-plan expenditure were unrealistic or does it confirm the fact that actually there is only limited possibility of incurring expenditure? We believe it is the latter.

15.21 Table 15.9 shows the absolute and percentage variation over average non-plan expenditure. The average non-plan expenditure for the period (1994-1995) to (2004-2005) was Rupees 591.47 crore.

Table: 15.9 – Absolute/percentage Variation over average Non-plan expenditure 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1994-1995	326.88	591.47	-264.59	-44.73
1995-1996	351.00	591.47	-240.47	-40.66
1996-1997	341.70	591.47	-249.77	-42.23
1997-1998	474.73	591.47	-116.74	-19.74
1998-1999	482.84	591.47	-108.63	-18.37
1999-2000	566.27	591.47	-25.20	-4.26

2000-2001	732.23	591.47	140.76	23.80
2001-2002	724.06	591.47	132.59	22.42
2002-2003	765.91	591.47	174.44	29.49
2003-2004	785.68	591.47	194.21	32.84
2004-2005	954.85	591.47	363.38	61.44

- The actual expenditure was lower than the average expenditure in the first six years and more than the average expenditure in remaining five years.
- The absolute variation was in the range of minus Rupees 264.59 crore (1994-1995) to Rupees 363.38 crore (2004-2005).
- In percentage terms the variation was from minus 44.73 percent (1994-1995) to 61.44 percent (2004-2005).

15.22 Table 15.10 shows non-plan expenditure as a percentage of various revenue parameters 1994-1995 to 2004-2005. As a percentage of tax revenue, total non plan expenditure was within the range of 1421.22 percent (1994-1995) to 553.28 percent (2002-2003).

Table: 15.10 –Non-Plan expenditure as a percentage of various revenue

Year	Actual Expenditure	As a percentage of tax revenue	As a percentage of own revenue receipts	As a percentage of total revenue receipts	As a percentage of total receipts	As a percentage of GSDP
1994-1995	326.88	1421.22	102.69	97.84	94.61	1.26
1995-1996	351.00	1289.02	103.06	96.92	91.56	1.24
1996-1997	341.70	1039.55	94.84	89.27	86.14	1.01
1997-1998	474.73	1225.74	102.98	97.85	94.52	1.15
1998-1999	482.84	993.70	94.79	91.26	87.95	1.02
1999-2000	566.27	753.42	99.81	97.09	92.57	1.07
2000-2001	732.23	758.00	104.63	101.32	97.69	1.17
2001-2002	724.06	621.99	99.38	96.26	93.93	1.06
2002-2003	765.91	553.28	91.74	89.24	86.70	1.06
2003-2004	785.68	578.00	95.83	93.33	91.00	0.98
2004-2005	954.85	593.11	94.33	90.29	88.50	1.05

parameters 1994-1995 to 2004-2005 (Rupees in crore)

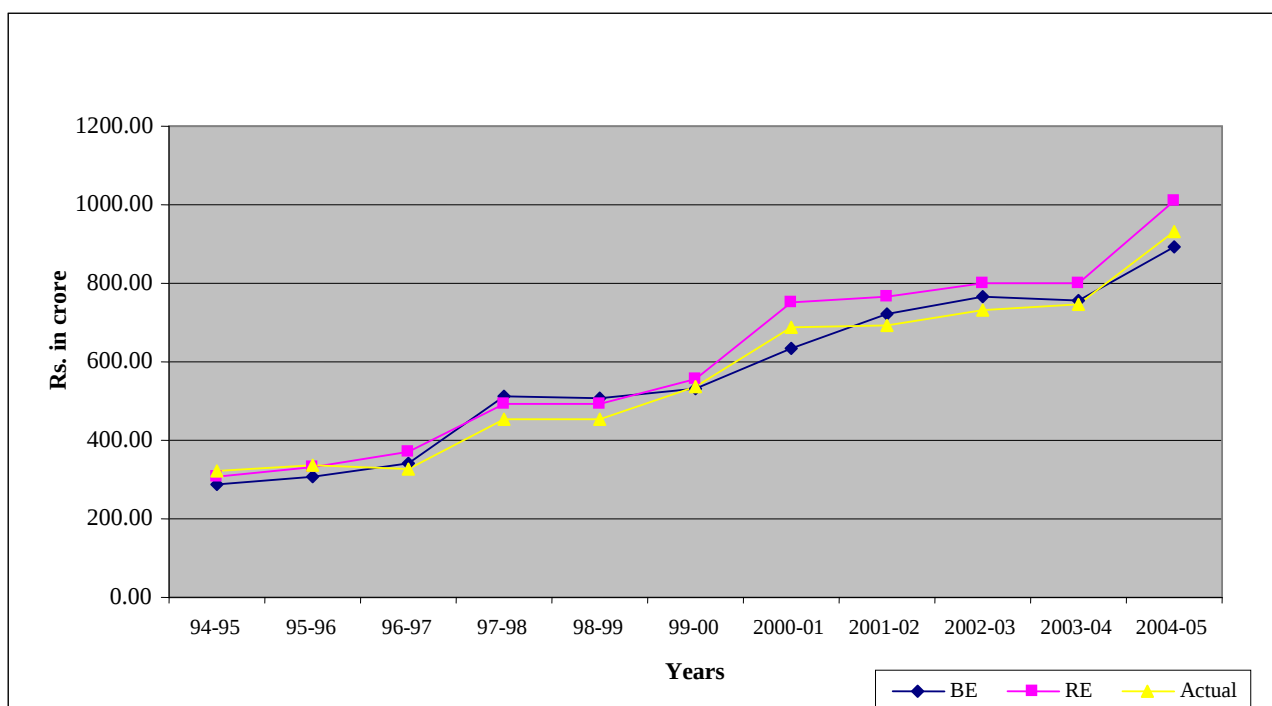
- Non-plan expenditure as a percentage of own revenue receipt has been in the range of 91.74 percent (2002-2003) to 104.63 percent (2000-2001).

- Non-plan expenditure as a percentage of total revenue receipts has been in the range of 89.24 percent (2002-2003) to 101.32 percent (2000-2001).
- Non-plan expenditure as a percentage of total receipts has been in the range of 86.14 percent (1996-1997) to 97.69 percent (2000-2001).
- The total non-plan expenditure of NDMC was between 0.98 percent (2003-2004) to 1.26 percent (1994-1995) of the GSDP.
- Non-plan expenditure as a percentage of tax revenues is on the decline. However, this is to be seen in the context of the fact that it starts from a very high base, that is, 1421.22 percent. Thus, even though it has been on an almost continuous decline it remained as high as 593.11 percent in 2004-2005.
- The high percentage share of non-plan expenditure is indicative of the low tax revenues. In fact even though in absolute terms the non-plan expenditure has been increasing at a trend growth rate of 11.80 percent, the percentage share in tax revenues is on the decline. To appreciate the point we may compare the trends in tax revenues and the non-plan expenditure. The non-plan expenditure has risen from Rupees 326.88 crore (1994-1995) to Rupees 954.85 crore (2004-2005), giving a percentage increase of 192.11 percent. On the other hand the tax revenues increased from Rupees 23.00 crore (1994-1995) to Rupees 160.99 crore (2004-2005), an increase of 599.96 percent. This means that the percentage increase in tax revenue has been particularly impressive, but it starts from a very small base. On the other hand, the percentage increase in non-plan expenditure has, comparatively speaking, been modest, but it starts from a much larger base.
- The expenditure in the NDMC is not being financed from tax or non-tax revenues. Its mainstay is the sale of electricity and water or the interest income on investments. This is a matter of concern because the earnings from commercial activities and interest on investments is a poor substitute for regular tax and non-tax revenue sources.

**Non-plan
Revenue
Expenditure**

15.23 The trend growth rate of non-plan revenue expenditure has been 11.7 percent. Figure 15.7 depicts the trends in non-plan revenue expenditure. The actual non-plan revenue expenditure has always been less than the RE except in 1994-1995 and 1995-1996. The actual non-plan revenue expenditure has been below BE in six out of the eleven years.

Figure 15.7-Non-plan Revenue expenditure (BE, RE, Actual) during the period 1994-1995 to 2004-2005



15.24 Table 15.11 shows the absolute and percentage variation in BE, RE and actual within the year. The budget estimates increased from Rupees 287.05 crore (1994-1995) to Rupees 891.36 crore (2004-2005). This shows more than a three fold increase during the period of eleven years.

Table: 15.11-Absolute/Percentage variation in BE, RE and Actual of Non-plan Revenue Expenditure – 1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute variation in RE over BE	Percentage variation in RE over BE	Absolute variation in Actual over BE	Percentage variation in Actual over BE	Absolute variation in Actual over RE	Percentage variation in Actual over RE
1994-1995	287.05	308.18	320.63	21.13	7.36	33.58	11.70	12.45	4.04
1995-1996	306.84	333.89	336.90	27.05	8.82	30.06	9.80	3.01	0.90
1996-1997	340.52	371.39	326.10	30.87	9.07	-14.42	-4.23	-45.29	-12.19
1997-1998	513.79	492.80	452.08	-20.99	-4.09	-61.71	-12.01	-40.72	-8.26
1998-1999	507.27	491.01	454.49	-16.26	-3.21	-52.78	-10.40	-36.52	-7.44
1999-2000	530.36	556.15	538.04	25.79	4.86	7.68	1.45	-18.11	-3.26
2000-2001	635.04	749.48	688.84	114.44	18.02	53.80	8.47	-60.84	-8.09
2001-2002	719.97	767.73	691.42	47.76	6.63	-28.55	-3.97	-76.31	-9.94
2002-2003	766.71	798.92	733.46	32.21	4.20	-33.25	-4.34	-65.46	-8.19
2003-2004	758.31	801.64	744.25	43.33	5.71	-14.06	-1.85	-57.39	-7.16
2004-2005	891.36	1008.90	931.87	117.54	13.19	40.51	4.54	-77.03	-7.64

- The Revised Estimates increased from Rupees 308.18 crore (1994-1995) to Rupees 1008.90 crore (2004-2005).

- The actual expenditure increased from Rupees 320.63 crore (1994-1995) to Rupees 931.87 crore (2004-2005).
- The absolute variation in RE over BE has been in the range of minus Rupees 20.99 crore (1997-1998) to Rupees 117.54 crore (2004-2005).
- Percentage variation in RE over BE was from minus 4.09 percent 1997-1998 to 18.02 percent (2000-2001).
- Absolute variation in actual over BE was from minus Rupees 61.71 crore (1997-1998) to Rupees 53.80 crore (2000-2001).
- Percentage variation in actual over BE was from minus 12.01 percent (1997-1998) to 11.70 percent (1994-1995).
- Absolute variation in actual over RE was from minus Rupees 77.03 crore (2004-2005) to Rupees 12.45 crore (1994-1995).
- Percentage variation in actual over RE was from minus 12.19 percent (1996-1997) to 4.04 percent (1994-1995).
- Actual have been less than BE in six out of eleven years and more in remaining five years.
- In nine out of eleven years the actual expenditure has been less than RE and in the remaining two years it was higher than the RE (1994-1995 and 1995-1996).

15.25 Table 15.12 shows actual non plan revenue expenditure as a percentage of BE and RE during the period 1994-1995 to 2004-2005.

Table: 15.12-Actual Revenue Expenditure Non-Plan as a percentage of BE and RE-1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Actual as a percentage of BE	Actual as a Percentage of RE
1994-1995	287.05	308.18	320.63	111.70	104.04
1995-1996	306.84	333.89	336.90	109.80	100.90
1996-1997	340.52	371.39	326.10	95.77	87.81
1997-1998	513.79	492.80	452.08	87.99	91.74
1998-1999	507.27	491.01	454.49	89.60	92.56
1999-2000	530.36	556.15	538.04	101.45	96.74
2000-2001	635.04	749.48	688.84	108.47	91.91
2001-2002	719.97	767.73	691.42	96.03	90.06
2002-2003	766.71	798.92	733.46	95.66	91.81
2003-2004	758.31	801.64	744.25	98.15	92.84
2004-2005	891.36	1008.90	931.87	104.54	92.36

- Actual expenditure as a percentage of BE was in the range of 87.99 percent (1997-1998) to 111.70 percent in (1994-1995).
- Actual as a percentage of RE has been from 87.81 percent (1996-1997) to 104.04 percent (1994-1995).

15.26 Table 15.13 discusses the absolute and percentage variation in BE/RE and actual expenditure over the previous year.

Table: 15.13 -Absolute/Percentage Variation in BE/RE and Actual of non-plan revenue expenditure over the previous year-1994-1995 to 2004-2005 (Rupees in crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute Variation in BE over previous year	Percentage Variation in BE over previous year	Absolute Variation in RE over previous year	Percentage Variation in RE over previous year	Absolute Variation in Actual over previous year	Percentage Variation in Actual over previous year
1994-1995	287.05	308.18	320.63						
1995-1996	306.84	333.89	336.90	19.79	6.89	25.71	8.34	16.27	5.07
1996-1997	340.52	371.39	326.10	33.68	10.98	37.50	11.23	-10.80	-3.21
1997-1998	513.79	492.80	452.08	173.27	50.88	121.41	32.69	125.98	38.63
1998-1999	507.27	491.01	454.49	-6.52	-1.27	-1.79	-0.36	2.41	0.53
1999-2000	530.36	556.15	538.04	23.09	4.55	65.14	13.27	83.55	18.38
2000-2001	635.04	749.48	688.84	104.68	19.74	193.33	34.76	150.80	28.03
2001-2002	719.97	767.73	691.42	84.93	13.37	18.25	2.44	2.58	0.37
2002-2003	766.71	798.92	733.46	46.74	6.49	31.19	4.06	42.04	6.08
2003-2004	758.31	801.64	744.25	-8.40	-1.10	2.72	0.34	10.79	1.47
2004-2005	891.36	1008.90	931.87	133.05	17.55	207.26	25.85	187.62	25.21

- Absolute variation in BE over previous year was from minus Rupees 8.40 crore (2003-2004) to Rupees 173.27 crore (1997-1998).
- Percentage variation in BE over previous year was in the range of minus 1.27 percent (1998-1999) to 50.88 percent (1997-1998).
- Absolute variation in RE over the previous year was within the range of minus Rupees 1.79 crore (1998-1999) to Rupees 207.26 crore (2004-2005).
- Percentage variation in RE over previous year was from minus 0.36 percent (1998-1999) to 34.76 percent (2000-2001).
- Absolute variation in actual expenditure over previous year was from minus Rupees 10.80 crore (1996-1997) to Rupees 187.62 crore (2004-2005).
- Percentage variation in actual expenditure was in the range of minus 3.21 percent (1996-1997) to 38.63 percent (1997-1998).
- All this shows that there has been no specific trend either in BE/RE or actual.

15.27 Table 15.14 shows non-plan revenue expenditure as a percentage of various revenue parameters.

Table: 15.14 -Non-plan Revenue Expenditure as a percentage of various revenue parameters-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	As a Percentage of Tax Revenue	As a Percentage of Own Revenue Receipts	As a Percentage of Total Revenue Receipts	As a Percentage of Total Receipts
1994-1995	320.63	1394.04	100.73	95.97	92.80
1995-1996	336.90	1237.24	98.92	93.03	87.88
1996-1997	326.10	992.09	90.51	85.20	82.21
1997-1998	452.08	1167.26	98.07	93.18	90.01
1998-1999	454.49	935.36	89.23	85.90	82.78
1999-2000	538.04	715.86	94.83	92.25	87.96
2000-2001	688.84	713.08	98.43	95.32	91.91
2001-2002	691.42	593.95	94.90	91.92	89.69
2002-2003	733.46	529.84	87.85	85.46	83.03
2003-2004	744.25	547.52	90.78	88.41	86.20
2004-2005	931.87	578.84	92.06	88.11	86.37

- The non-plan revenue expenditure as a percentage of tax revenue has been in the range of 1394.04 percent (1994-1995) to 529.84 percent (2002-2003).
- As a percentage of own revenue receipts, non-plan revenue expenditure was in the range of 100.73 percent (1994-1995) to 87.85 percent (2002-2003).
- The expenditure as a percentage of total revenue receipts has been in the range of 95.97 percent (1994-1995) to 85.20 percent (1996-1997).
- As a percentage of total receipt the non-plan revenue expenditure was from 92.80 percent (1994-1995) to 82.21 percent (1996-1997).

15.28 Table 15.15 shows non-plan revenue expenditure as a percentage of various expenditure parameters.

Table: 15.15 -Non-plan Revenue Expenditure as a percentage of various Expenditure Parameters-1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Non-Plan Revenue Expenditure	Total Non-Plan Expenditure	Total Revenue Expenditure	Total Expenditure	As a Percentage of Total Revenue Exp.	As a Percentage of Total Expenditure	As a Percentage of Total non-Plan Exp.
1994-95	320.63	326.88	322.49	343.72	99.42	93.28	98.09
1995-96	336.90	351.00	340.99	379.98	98.80	88.66	95.98
1996-97	326.10	341.70	329.71	360.50	98.91	90.46	95.43
1997-98	452.08	474.73	453.20	488.32	99.75	92.58	95.23
1998-99	454.49	482.84	457.20	495.43	99.41	91.74	94.13
1999-00	538.04	566.27	540.80	583.51	99.49	92.21	95.01
2000-01	688.84	732.23	691.78	747.22	99.58	92.19	94.07
2001-02	691.42	724.06	692.83	743.67	99.80	92.97	95.49
2002-03	733.46	765.91	734.67	775.71	99.84	94.55	95.76
2003-04	744.25	785.68	746.38	801.48	99.71	92.86	94.73
2004-05	931.87	954.85	933.64	966.49	99.81	96.42	97.59

- Non-plan revenue expenditure as a percentage of total revenue expenditure was in the range of 98.80 percent in (1995-1996) to 99.84 percent (2002-2003).
- As a percentage of total expenditure the non-plan revenue expenditure was in the range of 88.66 percent (1995-1996) to 96.42 percent (2004-2005). The non-plan revenue expenditure as a percentage of total non-plan expenditure was in the range of 98.09 percent (1994-1995) to 94.07 percent (2000-2001).

15.29 Table 15.16 depicts the absolute and percentage variations over annual average revenue expenditure.

Table: 15.16 - Variation in total Revenue Expenditure over annual average 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1994-1995	322.49	567.61	-245.12	-43.18
1995-1996	340.99	567.61	-226.62	-39.93
1996-1997	329.71	567.61	-237.90	-41.91
1997-1998	453.20	567.61	-114.41	-20.16
1998-1999	457.20	567.61	-110.41	-19.45
1999-2000	540.80	567.61	-26.81	-4.72

2000-2001	691.78	567.61	124.17	21.88
2001-2002	692.83	567.61	125.22	22.06
2002-2003	734.67	567.61	167.06	29.43
2003-2004	746.38	567.61	178.77	31.50
2004-2005	933.64	567.61	366.03	64.49

- The average total revenue expenditure has been Rupees 567.61 crore.
- The total revenue expenditure has been less than the average expenditure in first six years and more than the average expenditure in the remaining five years. The negative absolute variation was more than Rupees 226.00 crore in three years from 1994-1995 to 1996-1997 and less than Rupees 115.00 crore in three years from 1997-1998 to 1999-2000. The positive variation was from Rupees 124.17 crore (2000-2001) to Rupees 366.03 crore (2004-2005).
- The percentage variation over average expenditure was in the range of minus 43.18 percent (1994-1995) to 64.49 percent (2004-2005).
- The percentage variation over the average expenditure was negative in first six years and was positive in five years from 2000-2001 to 2004-2005.
- The variation in absolute terms as well as in percentage term was the highest (2004-2005) i.e. Rupees 366.03 crore in absolute terms and 64.49 percent in percentage terms.

Findings of HSMI on the Growth of Revenue Expenditure

15.30 Revenue expenditure of NDMC on services is not growing at par with the growth of the state economy. This is particularly evident from the growth pattern of the recent past (1998-2004). This indicates two main areas of concern and suitable action, namely: (i) municipal services which enable the economy to grow through economies of scale are not upgraded according to the growth of economy. This may subsequently affect the growth of the state economy, and (ii) state economy has the potential to provide additional funds for municipal services which needs to be captured through suitable instruments.

15.31 Table 15.17 shows the growth of state economy and revenue expenditure of NDMC during the period 1993-2003 and 1998-2003.

Table 15.17- Growth of State Economy and Municipal Expenditure (%)

Year	GSDP of NCTD at current prices	GSDP of NCTD at constant prices	Revenue Expenditure NDMC at constant prices
1993-03	14.85	7.08	3.90(3.69)
1998-03	12.04	7.02	5.80(5.71)

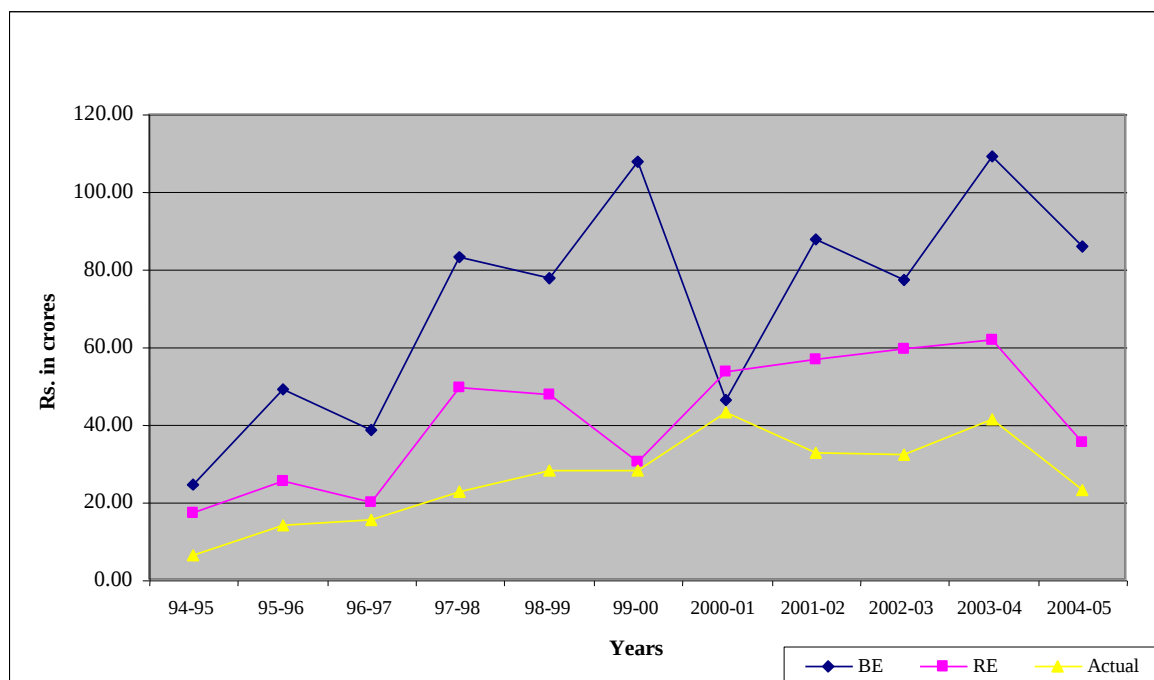
(Source : HSMI Report, 2006) (Figures in brackets indicate revenue expenditure of NDMC excluding the expenditure on purchase of electricity and water)

- The growth rate of revenue expenditure of NDMC is lower than the annual compound growth rate of the state economy (GSDP from 1993-1994 to 2003-2004).

Non-plan Capital Expenditure

15.32 Figure 15.8 depicts Non-plan Capital Expenditure BE, RE and actual during 1994-1995 to 2004-2005.

Figure 15.8 Non –plan Capital Expenditure BE, RE and Actual during 1994-1995 to 2004-2005.



- The overall trend growth rate for BE, RE and actual was 10.66 percent, 10.28 percent and 13.75 percent respectively.
- BE of total non –plan capital expenditure has been in the range of Rupees 24.50 crore (1994-1995) to Rupees 109.11 crore (2003-2004).
- The revised estimates have been in the range of Rupees 17.37 crore (1994-1995) to Rupees 62.00 crore (2003-2004).
- The actual expenditure was from Rupees 6.25 crore (1994-1995) to Rupees 43.39 crore (2000-2001).
- The actual non plan capital expenditure has always been lower than the BE and the RE and the RE has always been lower than BE.
- No specific trend can be determined from the BE, RE or the actual. BE rose to a maximum of Rupees 109.11 crore (2003-2004) and was at Rupees 85.83 crore (2004-2005). Similarly, in the case of the RE it

came down from a peak of Rupees 62.00 crore (2003-2004) to Rupees 35.42 crore (2004-2005).

- The actual total non plan capital expenditure rose from Rupees 6.25 crore (1994-1995) to Rupees 43.39 crore (2000-2001) and declined to Rupees 32.45 crore (2002-2003). It again declined to Rupees 22.98 crore (2004-2005) after an increase to Rupees 41.43 crore (2003-2004).

15.33 Table 15.18 shows absolute/percentage variation in non-plan capital expenditure over previous year 1994-1995 to 2004-2005.

Table: 15.18 - Absolute/percentage variation in Non-plan Capital Expenditure over previous year 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Absolute Variation in Actual over previous year	Percentage Variation in Actual over previous year
1994-1995	6.25		
1995-1996	14.10	7.85	125.60
1996-1997	15.60	1.50	10.64
1997-1998	22.65	7.05	45.19
1998-1999	28.35	5.70	25.17
1999-2000	28.23	-0.12	-0.42
2000-2001	43.39	15.16	53.70
2001-2002	32.64	-10.75	-24.78
2002-2003	32.45	-0.19	-0.58
2003-2004	41.43	8.98	27.67
2004-2005	22.98	-18.45	-44.53

- The absolute variation in non-plan capital expenditure over previous year has been in the range of minus Rupees 18.45 crore (2004-2005) to Rupees 15.16 crore (2000-2001).
- Percentage variation in actual expenditure over the previous year was from minus 44.53 percent (2004-2005) to 126.60 percent (1995-1996).

15.34 Table 15.19 shows the variation in non-plan capital expenditure over the annual average expenditure during the period from 1994-1995 to 2004-2005.

**Table: 15.19 - Variation in non-plan Capital Expenditure over annual average
1994-1995 to 2004-2005 (Rupees in crore)**

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1994-1995	6.25	26.19	-19.94	-76.13
1995-1996	14.10	26.19	-12.09	-46.16
1996-1997	15.60	26.19	-10.59	-40.43
1997-1998	22.65	26.19	-3.54	-13.51
1998-1999	28.35	26.19	2.16	8.25
1999-2000	28.23	26.19	2.04	7.80
2000-2001	43.39	26.19	17.20	65.69
2001-2002	32.64	26.19	6.45	24.64
2002-2003	32.45	26.19	6.26	23.91
2003-2004	41.43	26.19	15.24	58.20
2004-2005	22.98	26.19	-3.21	-12.25

- The annual average expenditure during the period has been Rupees 26.19 crore.
- The actual expenditure has been less than the annual average expenditure in five years and over the annual average expenditure in remaining six years.
- The percentage variation over the average expenditure ranged from minus 76.13 percent (1994-1995) to 65.69 percent (2000-2001).

15.35 Table 15.20 depicts the status of non-plan capital expenditure as a percentage of various revenue parameters.

**Table: 15.20 - Non-plan Capital Expenditure as a percentage of various revenue
parameters 1994-1995 to 2004-2005 (Rupees in crore)**

Year	Actual capital Expenditure	As a Percentage of Tax Revenue	As a Percentage of Own Revenue Receipts	As a percentage of capital receipts	As a Percentage of Total Revenue Receipts	As a Percentage of Total Receipts
1994-1995	6.25	27.17	1.96	54.68	1.87	1.81
1995-1996	14.10	51.78	4.14	66.45	3.89	3.68
1996-1997	15.60	47.46	4.33	112.23	4.08	3.93
1997-1998	22.65	58.48	4.91	132.77	4.67	4.51
1998-1999	28.35	58.35	5.57	142.32	5.36	5.16

1999-2000	28.23	37.56	4.98	99.26	4.84	4.62
2000-2001	43.39	44.92	6.20	161.72	6.00	5.79
2001-2002	32.64	28.04	4.48	174.73	4.34	4.23
2002-2003	32.45	23.44	3.89	129.13	3.78	3.67
2003-2004	41.43	30.48	5.05	192.79	4.92	4.80
2004-2005	22.98	14.27	2.27	107.38	2.17	2.13

- As a percentage of tax revenue the non-plan capital expenditure has been in the range of 14.27 percent (2004-2005) to 58.48 percent (1997-1998).
- Non plan capital expenditure as a percentage of own revenue receipts during the period was from 1.96 percent (1994-1995) to 6.20 percent (2000-2001).
- As a percentage of capital receipts the non-plan capital expenditure has been from 54.68 percent (1994-1995) 192.79 percent (2003-2004).
- Non- plan capital expenditure as a percentage of total revenue receipts was from 1.87 percent (1994-1995) to 6.00 percent (2000-2001).
- Non-plan capital expenditure as a percentage of total receipts has been in the range of 1.81 percent (1994-1995) to 5.79 percent (2000-2001).

15.36 Table 15.21 depicts the non-plan capital expenditure as a percentage of various expenditure parameters.

Table: 15. 21 - Non-plan Capital Expenditure as a percentage of various expenditure parameters 1994-1995 to 2004-2005 (Rupees in Crore)

Year	Actual Non-Plan Capital Expenditure	Total Non-Plan Expenditure	Total Capital Expenditure	Total Expenditure	As a Percentage of Total Capital Exp.	As a Percentage of Total Expenditure	As a Percentage of Total non-Plan Exp.
1994-1995	6.25	326.88	21.23	343.72	29.44	1.82	1.91
1995-1996	14.10	351.00	38.99	379.98	36.16	3.71	4.02
1996-1997	15.60	341.70	30.79	360.50	50.67	4.33	4.57
1997-1998	22.65	474.73	35.12	488.32	64.49	4.64	4.77
1998-1999	28.35	482.84	38.23	495.43	74.16	5.72	5.87
1999-2000	28.23	566.27	42.71	583.51	66.10	4.84	4.99
2000-2001	43.39	732.23	55.44	747.22	78.26	5.81	5.93
2001-2002	32.64	724.06	50.84	743.67	64.20	4.39	4.51
2002-2003	32.45	765.91	41.04	775.71	79.07	4.18	4.24
2003-2004	41.43	785.68	55.10	801.48	75.19	5.17	5.27
2004-2005	22.98	954.85	32.85	966.49	69.95	2.38	2.41

- As a percentage of total capital expenditure, the non-plan capital expenditure has been in the range of 29.44 percent (1994-1995) to 79.07 percent (2002-2003). In three years (2000-2001, 2002-2003, and 2003-2004) it has been more than 75 percent of total capital expenditure.
- Non-plan capital expenditure as a percentage of total expenditure was within the range of 1.82 percent (1994-1995) to 5.81 percent (2000-2001).
- As a percentage of total non-plan expenditure it was in the range of 1.91 percent (1994-1995) to 5.93 percent (2000-2001).

Public Debt 15.37 Table 15.22 shows the position regarding the loans received and repayment of loans under various schemes during the period 31.03.2000 to 31.03.2005.

Table: 15.22 -Position regarding the loans received and repayment made by NDMC during the period 31.03.2000 to 31.03.2005 (Rs in crore)

Name of Scheme	Electricity	Water Supply & Sewerage	Other purposes (Housing & Compost Plant)
Loan Position	Amount	Amount	Amount
Balance of loan as on 31.03.2000	58.43	24.20	10.41
Loan received during 2000-01	5.00	0.75	Nil
Repayment of loan during 2000-01 (This includes for the period 96-97 to 99-2000)	23.73	11.54	4.95
Payment of interest during 2000-01 (This includes for the period 96-97 to 99-2000)	27.45	10.27	5.13
Balance of loan as on 31.03.2001	39.70	13.41	5.46
Loan received during 2001-02	Nil	Nil	Nil
Repayment of loan during 2001-02	7.91 (including 2.11 recovered by GNCTD out of grants-in-aid for the scheme Road & Bridges)	2.20	1.02
Payment of interest during 2001-02	4.90	1.59	0.62

Balance of loan as on 31.03.2002	31.79	11.21	4.44
Loan received during 2002-03	Nil	Nil	Nil
Repayment of loan during 2002-03	5.43	1.94	0.82
Payment of interest during 2002-03	3.56	1.36	0.51
Balance of loan as on 31.03.2003	26.36	9.27	3.62
Loan received during 2003-04	Nil	Nil	Nil
Repayment of loan during 2003-04	4.92	1.64	0.68
Payment of interest during 2003-04	3.28	1.13	0.42
Balance of loan as on 31.03.2004	21.44	7.63	2.94
Loan received during 2004-05	Nil	Nil	Nil
Repayment of loan during 2004-05	21.44	7.63	2.94
Payment of interest during 2004-05	1.45	0.34	0.09
Balance outstanding towards loan & interest as on 31.03.2005	Nil	Nil	Nil

- The loans were availed by the NDMC upto 2000-2001 for developmental/remunerative projects, mainly for electricity, housing, water supply etc.
- NDMC has repaid the total outstanding loans with interest during the year 2004-05 and is now a debt-free municipality.

Plan Expenditure

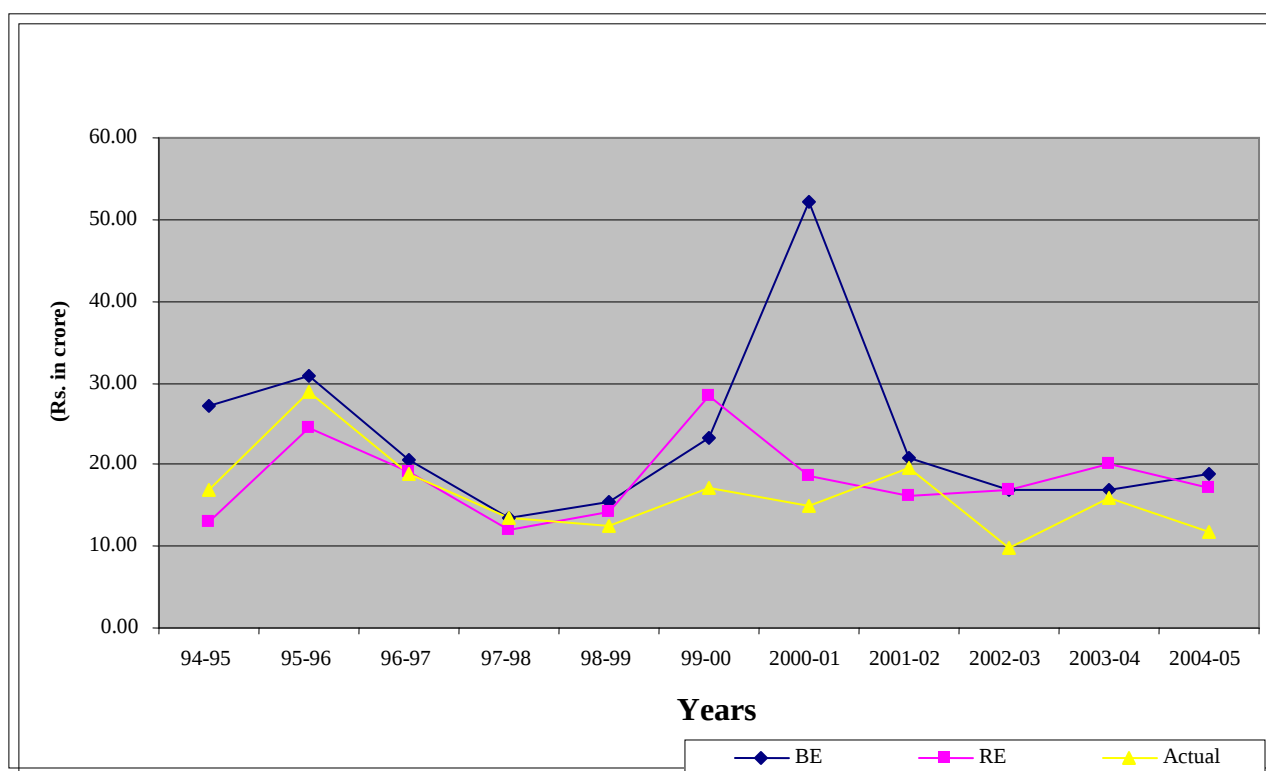
15.38 The proper utilization of plan resources and management of plan expenditure should be of considerable concern to the local body. It is the plan resources that assist the creation of capital assets, which in practical terms means the much needed accretion to infrastructure, amenities, and civic services.

- The provision of plan resources, whether as a result of projects, schemes and programs initiated by the state government or the council, is made on the basis of the plans highlighted in the five-year or annual plan documents. These also indicate the proposed physical targets and the provisions thereof. Accordingly, the provisions and the physical targets provide the benchmarks for any reasonable performance assessments. This also implies that the release and utilization of funds should promote the achievement of plan targets. This is not to deny the possibility of emergency requirements leading to extraordinary releases or uses. However, such extraordinary releases should clearly be an

exception and the planned release and utilization of resources ought to be the norm. It is only then that assessments can be based on normative benchmarks. An attempt is made to analyse whether, and to what extent, the discipline of the plans is being adhered to.

15.39 Figure 15.9 shows the total plan expenditure BE, RE and actual 1994-1995 to 2004-2005. The trend growth rate was minus 2.5 percent for BE, 1.0 percent for RE, and minus 4.7 percent for the actual plan expenditure.

**Figure No. 15.9 Total Plan Expenditure BE, RE and Actual
1994-1995 to 2004-2005**



- The BE of total plan expenditure ranged from Rupees 13.59 crore (1997-1998) to Rupees 52.16 crore (2000-2001).
- The RE ranged from Rupees 12.00 crore (1997-1998) to Rupees 28.32 crore (1999-2000).
- The actual expenditure was in the range of Rupees 9.80 crore (2002-2003) to Rupees 28.98 crore (1995-1996).
- There was no specific trend in the BE, RE or the actual expenditure.
- The BE increased from Rupees 27.24 crore (1994-1995) to Rupees 30.77 crore (1995-1996). It declined to Rupees 13.59 crore (1997-1998) and again rose to Rupees 52.16 crore (2000-2001). It came down to Rupees 18.90 crore (2004-2005).

- The RE for the total plan expenditure rose to maximum of Rupees 28.32 crore (1999-2000) and declined to Rupees 17.19 crore in (2004-2005).
- The actual expenditure was Rupees 28.98 crore (1995-1996) which declined to Rupees 11.64 crore in 2004-2005.

15.40 Table 15.23 shows the absolute and percentage variation in plan expenditure of the NDMC over the annual average expenditure.

Table: 15.23 – Absolute/percentage Variation over average plan expenditure 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	Average Expenditure	Absolute variation over average expenditure	Percentage variation over average expenditure
1994-1995	16.84	16.35	0.49	2.98
1995-1996	28.98	16.35	12.63	77.22
1996-1997	18.80	16.35	2.45	14.97
1997-1998	13.59	16.35	-2.76	-16.89
1998-1999	12.59	16.35	-3.76	-23.01
1999-2000	17.24	16.35	0.89	5.43
2000-2001	14.99	16.35	-1.36	-8.33
2001-2002	19.61	16.35	3.26	19.92
2002-2003	9.80	16.35	-6.55	-40.07
2003-2004	15.80	16.35	-0.55	-3.38
2004-2005	11.64	16.35	-4.71	-28.82

- The annual average plan expenditure of the NDMC during 1994-1995 to 2004-2005 was Rupees 16.35 crore.
- The absolute variation in plan expenditure over average expenditure was from minus Rupees 6.55 crore (2002-2003) to Rupees 12.63 crore (1995-1996).
- The percentage variation in plan expenditure was in the range of minus 40.07 percent (2002-2003) to 77.22 percent (1995-1996).
- The absolute/percentage variation was below the annual average expenditure in six years and above in the remaining years.

15.41 Table 15.24 discusses plan expenditure as a percentage of various revenue parameters.

Table: 15.24 –Plan expenditure as a percentage of various revenue parameters 1994-1995 to 2004-2005 (Rupees in crore)

Year	Actual Expenditure	As a percentage of tax revenue	As a percentage of own revenue receipts	As a percentage of total revenue receipts	As a percentage of total receipts	As a percentage of GSDP
1994-1995	16.84	73.22	5.29	5.04	4.87	0.07
1995-1996	28.98	106.43	8.51	8.00	7.56	0.10
1996-1997	18.80	57.20	5.22	4.91	4.74	0.06
1997-1998	13.59	35.09	2.95	2.80	2.71	0.03
1998-1999	12.59	25.91	2.47	2.38	2.29	0.03
1999-2000	17.24	22.94	3.04	2.96	2.82	0.03
2000-2001	14.99	15.52	2.14	2.07	2.00	0.02
2001-2002	19.61	16.85	2.69	2.61	2.54	0.03
2002-2003	9.80	7.08	1.17	1.14	1.11	0.01
2003-2004	15.80	11.62	1.93	1.88	1.83	0.02
2004-2005	11.64	7.23	1.15	1.10	1.08	0.01

- Plan expenditure as a percentage of tax revenue was in the range of 7.08 percent (2002-2003) to 106.43 percent (1995-1996).
- As a percentage of own revenue receipts, the plan expenditure was between the range of rupees 1.15 percent (2004-2005) to 8.51 percent (1995-1996).
- As a percentage of total revenue receipts the plan expenditure has been in the range of 1.10 percent (2004-2005) to 8.00 percent (1995-1996).
- As a percentage of total receipts it has been in the range of 1.08 percent (2004-2005) to 7.56 percent (1995-1996).
- As a percentage of GSDP the plan expenditure has been in the range of 0.01 percent (2002-2003 and 2004-2005) to 0.10 percent (1995-1996).

15.42 Table 15.25 depicts plan expenditure as a percentage of total expenditure during the period from 1994-1995 to 2004-2005.

**Table: 15. 25 – Plan Expenditure as a percentage of Total Expenditure
1994-1995 to 2004-2005 (Rupees in crore)**

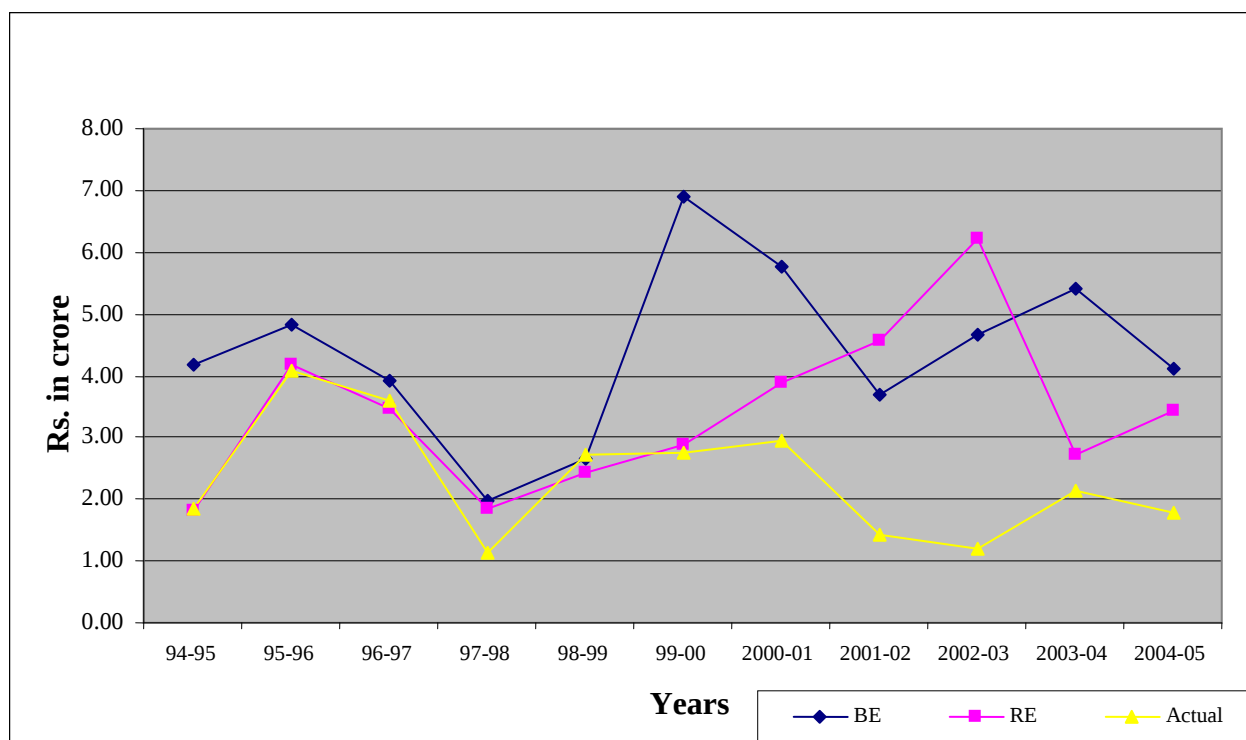
Year	Total Plan Expenditure	Total Expenditure	as a Percentage of Total Expenditure
1994-1995	16.84	343.72	4.90
1995-1996	28.98	379.98	7.63
1996-1997	18.80	360.50	5.21
1997-1998	13.59	488.32	2.78
1998-1999	12.59	495.43	2.54
1999-2000	17.24	583.51	2.95
2000-2001	14.99	747.22	2.01
2001-2002	19.61	743.67	2.64
2002-2003	9.80	775.71	1.26
2003-2004	15.80	801.48	1.97
2004-2005	11.64	966.49	1.20

- The plan expenditure as a percentage of total expenditure has been in the range of 1.20 percent (2004-2005) to 7.63 percent (1995-1996).
- The plan expenditure as a whole during the period 1994-1995 to 2004-2005 as a percentage of total expenditure has been on declining trend.

**Plan
Revenue
Expenditure**

15.43 Figure 15.10 depicts the trends in BE, RE, and actual in respect of the plan revenue expenditure. The expenditure against the projected amounts at both the BE and the RE stage have mostly not matched. The actual was more than the BE in just one year (1998-1999) and more than the RE in just three years (1994-1995, 1996-1997, and 1998-1999).

Figure: 15.10-Plan revenue Expenditure (BE, RE, Actual) during the Period-1994-1995 to 2004-2005



15.44 Table 15.26 shows the absolute and percentage variation in BE, RE and actual of Plan revenue expenditure 1994-1995 to 2004-2005.

Table: 15.26-Absolute and percentage variation in BE, RE and actual of Plan Revenue Expenditure 1994-1995 to 2004-2005 (Rupees in Crore)

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute Variation in RE over BE	Percentage Variation in RE over BE	Absolute Variation in Actual over BE	Percentage Variation in actual over BE	Absolute Variation in Actual over RE	Percentage Variation in Actual over RE
1994-1995	4.18	1.81	1.86	-2.37	-56.70	-2.32	-55.50	0.05	2.76
1995-1996	4.84	4.19	4.09	-0.65	-13.43	-0.75	-15.50	-0.10	-2.39
1996-1997	3.91	3.47	3.61	-0.44	-11.25	-0.30	-7.67	0.14	4.03
1997-1998	1.97	1.84	1.12	-0.13	-6.60	-0.85	-43.15	-0.72	-39.13
1998-1999	2.65	2.44	2.71	-0.21	-7.92	0.06	2.26	0.27	11.07
1999-2000	6.90	2.87	2.76	-4.03	-58.41	-4.14	-60.00	-0.11	-3.83
2000-2001	5.76	3.89	2.94	-1.87	-32.47	-2.82	-48.96	-0.95	-24.42
2001-2002	3.69	4.57	1.41	0.88	23.85	-2.28	-61.79	-3.16	-69.15
2002-2003	4.65	6.21	1.21	1.56	33.55	-3.44	-73.98	-5.00	-80.52
2003-2004	5.40	2.71	2.13	-2.69	-49.81	-3.27	-60.56	-0.58	-21.40
2004-2005	4.10	3.44	1.77	-0.66	-16.10	-2.33	-56.83	-1.67	-48.55

- Absolute variation in RE over BE during the period has been from minus Rupees 4.03 crore (1999-2000) to Rupees 1.56 crore (2002-2003).

The absolute variation was negative in nine out of eleven years and the RE was higher than BE in two years (2001-2002 and 2002-2003).

- Percentage variation in RE over BE was from minus 58.41 (1999-2000) to 33.55 (2002-2003).
- Absolute variation in actual over BE was minus Rupees 4.14 crore (1999-2000) to minus Rupees 0.06 crore (1998-1999). The absolute variation was negative in ten out of eleven years.
- Percentage variation in actual over BE was from minus 73.98 percent (2002-2003) to 2.26 percent (1998-1999). The positive variation was only in one year 1998-1999.
- Absolute variation in actual over RE was in the range of minus Rupees 5.00 crore (2002-2003) to Rupees 0.05 crore (1994-1995).
- The variation was negative in eight out of eleven years.
- Percentage variation in actual over RE was from minus 80.52 percent (2002-2003) to 11.07 percent (1998-1999).

15.45 Table 15.27 depicts absolute /percentage variation in BE, RE and actual of plan revenue expenditure over the previous year – 1994-1995 to 2004-2005.

Table: 15.27 – Absolute /Percentage Variation in BE/RE and Actual of Plan Revenue over the Previous Year – 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute Variation in BE over previous year	Percentage Variation in BE over previous year	Absolute Variation in RE over previous year	Percentage Variation in RE over previous year	Absolute Variation in Actual over previous year	Percentage Variation in Actual over previous year
1994-1995	4.18	1.81	1.86						
1995-1996	4.84	4.19	4.09	0.66	15.79	2.38	131.49	2.23	119.89
1996-1997	3.91	3.47	3.61	-0.93	-19.21	-0.72	-17.18	-0.48	-11.74
1997-1998	1.97	1.84	1.12	-1.94	-49.62	-1.63	-46.97	-2.49	-68.98
1998-1999	2.65	2.44	2.71	0.68	34.52	0.60	32.61	1.59	141.96
1999-2000	6.90	2.87	2.76	4.25	160.38	0.43	17.62	0.05	1.85
2000-2001	5.76	3.89	2.94	-1.14	-16.52	1.02	35.54	0.18	6.52
2001-2002	3.69	4.57	1.41	-2.07	-35.94	0.68	17.48	-1.53	-52.04
2002-2003	4.65	6.21	1.21	0.96	26.02	1.64	35.89	-0.20	-14.18
2003-2004	5.40	2.71	2.13	0.75	16.13	-3.50	-56.36	0.92	76.03
2004-2005	4.10	3.44	1.77	-1.30	-24.07	0.73	26.94	-0.36	-16.90

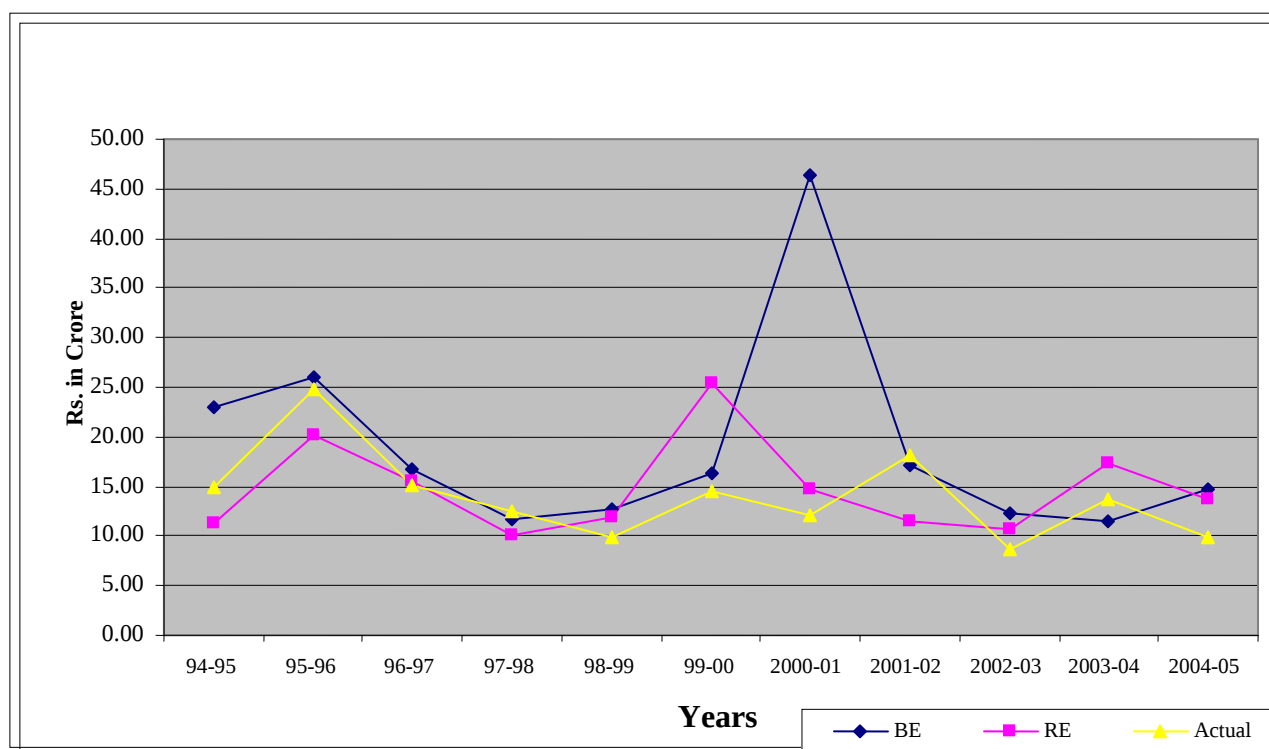
- The absolute variation in BE over previous year was from minus Rupees 2.07 crore (2001-2002) to Rupees 4.25 crore (1999-2000).
- The percentage variation in BE over the previous year was in the range of minus 49.62 percent (1997-1998) to 107.38 percent (1999-2000).

- The absolute variation in RE over previous year was from minus Rupees 3.50 crore (2003-2004) to Rupees 2.38 crore (1995-1996).
- The percentage variation in RE over the previous year was in the range of minus 56.36 percent (2003-2004) to 131.49 percent (1995-1996).
- The absolute variation in actual over previous year was from minus Rupees 2.49 crore (1997-1998) to Rupees 2.23 crore (1995-1996).
- The percentage variation in actual over the previous year was in the range of minus 68.98 percent (1997-1998) to 141.96 percent (1998-1999).

Plan Capital Expenditure

15.46 Figure 15.11 depicts the trends in the BE, RE, and actual plan capital expenditure during 1994-1995 to 2004-2005.

Figure: 15.11 Plan Capital Expenditure (BE, RE and Actual) during the period 1994-1995 to 2004-2005



- BE for the plan capital expenditure during the period from 1994-1995 to 2004-2005 was in the range of Rupees 11.44 crore (2003-2004) to Rupees 46.40 crore (2000-2001).
- RE was from Rupees 10.16 crore (1997-1998) to Rupees 25.45 crore (1999-2000).
- The actual expenditure was in the range of Rupees 8.59 crore (2002-2003) to Rupees 24.89 crore (1995-1996). The trend growth rate for BE was minus 3.9 percent for RE minus 0.2 percent and for the actual expenditure was minus 4.65 percent. Though there has been no specific

trend in BE, RE and actual expenditure during the period, the trend has been generally declining.

- The RE during the period has been less than BE except in two years (1999-2000 and 2003-2004).
- The actual expenditure has been less than BE in eight years and was more than BE in three years (1997-1998, 2001-2002 and 2003-2004),.
- The actual expenditure was less than RE in seven out of eleven years and was more than RE in just four years.

15.47 Table 15.28 shows absolute /percentage variation in BE, RE and actual of plan capital expenditure over the previous year (1994-1995 to 2004-2005).

Table 15.28 Absolute /Percentage Variation in BE/RE and Actual of Plan Capital over the Previous Year – 1994-1995 to 2004-2005

Year	Budget Estimate	Revised Estimate	Actual Expenditure	Absolute Variation in BE over previous year	Percentage Variation in BE over previous year	Absolute Variation in RE over previous year	Percentage Variation in RE over previous year	Absolute Variation in Actual over previous year	Percentage Variation in Actual over previous year
1994-1995	23.06	11.19	14.98						
1995-1996	25.93	20.24	24.89	2.87	12.45	9.05	80.88	9.91	66.15
1996-1997	16.71	15.53	15.19	-9.22	-35.56	-4.71	-23.27	-9.70	38.97
1997-1998	11.62	10.16	12.47	-5.09	-30.46	-5.37	-34.58	-2.72	-17.91
1998-1999	12.75	11.85	9.88	1.13	9.72	1.69	16.63	-2.59	-20.77
1999-2000	16.35	25.45	14.48	3.60	28.24	13.60	114.77	4.60	46.56
2000-2001	46.40	14.67	12.05	30.05	183.79	-10.78	-42.36	-2.43	-16.78
2001-2002	17.13	11.58	18.20	-29.27	-63.08	-3.09	-21.06	6.15	51.04
2002-2003	12.25	10.59	8.59	-4.88	-28.49	-0.99	-8.55	-9.61	-52.80
2003-2004	11.44	17.43	13.67	-0.81	-6.61	6.84	64.59	5.08	59.14
2004-2005	14.80	13.75	9.87	3.36	29.37	-3.68	-21.11	-3.80	-27.80

- The absolute variation in BE over previous year was from minus Rupees 29.27 crore (2001-2002) to Rupees 30.05 crore (2000-2001).
- The percentage variation in BE over the previous year was in the range of minus 63.08 percent (2001-2002) to 183.79 percent (2000-2001).
- The absolute variation in RE over previous year was from minus Rupees 10.78 crore (2000-2001) to Rupees 13.60 crore (1999-2000).
- The percentage variation in RE over the previous year was in the range of minus 42.36 percent (2000-2001) to 114.77 percent (1999-2000).
- The absolute variation in actual over previous year was from minus Rupees 9.70 crore (1996-1997) to Rupees 9.91 crore (1995-1996).
- The percentage variation in actual over the previous year was in the range of minus 52.80 percent (2002-2003) to 66.15 percent (1995-1996)

**Civic
Infrastructure**

15.48 Civic infrastructure in the NDMC area has traditionally been satisfactory with well laid roads, ample street lighting, well maintained parks, gardens and roundabouts, reasonably good water-supply system, public toilets etc. There are high expectations in regard to the quality and scale of infrastructure in NDMC area. However, for the last decade or so, high per capita automobile usage and large floating population as well as transient vehicular traffic have put infrastructure to great strain in spite of various improvements including widening of roads etc effected over the years. Parking problem has in particular grown at a rapid pace, clogging up major commercial areas, as well as, the arterial roads that service them thus blocking the movement of goods and people. Though large parking spaces were built in almost all major commercial areas, they have proved to be inadequate to service the high per capita usage of recent years.

- The NDMC has projected their requirement of funds amounting to Rupees 773.17 crore for replacement of assets during next five years as per details available in the Table 15.29.

**Table: 15.29 -Requirement of funds for replacement of assets
during next five years**

1. <u>Water Supply</u> (60% of assets i.e. 251-271 k.m. @ Rs 50 lakh per k.m.)	- Rs	136.00	Crore
2. <u>Sewerage</u> (50% of sewerage assets i.e. 175 k.m. @ Rs 60 lakh per k.m.)	- Rs	105.00	Crore
3. <u>Electricity</u>	- Rs	190.00	Crore
4. <u>Upgradation and Construction of buildings</u>	- Rs	212.17	Crore
5. <u>Roads and Roundabouts</u>	- Rs	120.00	Crore
6. <u>Gardens, Parks & Fountain</u>	- Rupees	10.00	Crore
Total	Rupees	773.17	Crore

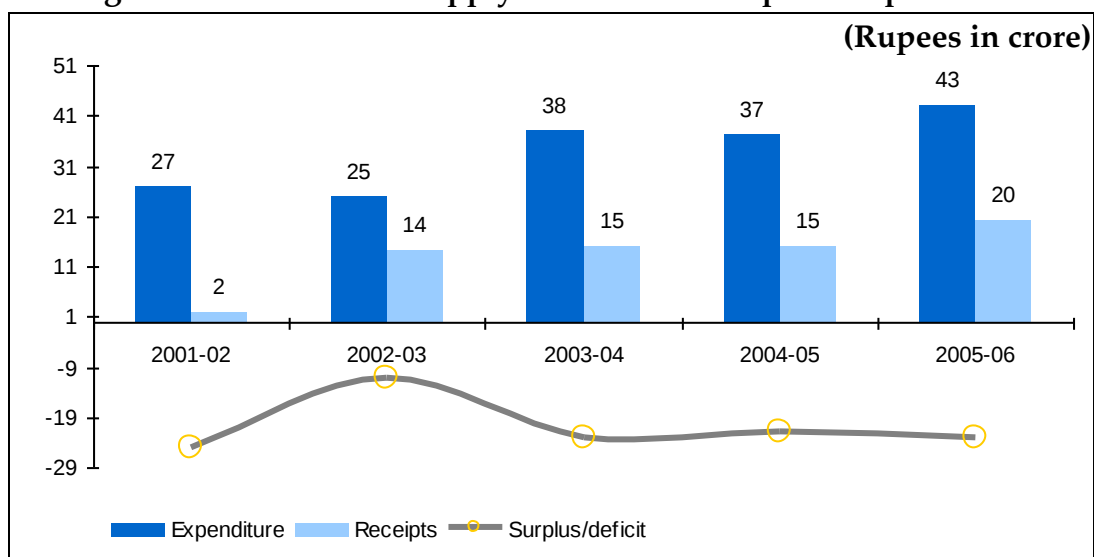
**Water
Supply**

15.49 The generation of filtered water for entire Delhi including NDMC area is the responsibility of Delhi Jal Board whereas NDMC is responsible for distribution of water supply in its area. In the integrated system of conveying water from the Delhi Jal Board (DJB) water works to distribution reservoirs, NDMC area forms an independent zone. NDMC receives bulk water supply from the DJB.

- The total supply received from the DJB is of the order of 115 mld. As the regulation of bulk supply is controlled by the DJB, the supply in the NDMC area is intermittent in the morning and evening which is far below the international norm of round the clock water supply.
- In addition NDMC has also been making efforts to develop its own sources by way of sinking deep tube wells in various parts of NDMC area so as to augment water supply. These tube wells are capable of generating about 18 mld of water.
- The post-independence re-development of the city has rendered certain lines as undersized and inadequate. Thus, the existing distribution system necessitates some changes and improvements for rational distribution of water as per actual requirements.
- The regular water supply system in NDMC area is also quite old and about 60 percent of the water supply assets need to be replaced in the next five years; the cost of replacement is estimated at Rupees 136-140 crore at the rate of Rupees 50 lakh per kilometre.
- NDMC has been maintaining 452 kilometres of water pipeline for water supply in its area besides 137 tube-wells for drinking water, 73 tube-wells for irrigation as well as 23 underground reservoirs and boosting stations. Further to raise the water table in NDMC area, rainwater harvesting works have been completed at 8 locations. In addition to this, construction of more water harvesting works and recharge pits has been initiated in different locations in NDMC area. The Council expects to expend an amount of Rupees 1.5 – 2.00 crore on these works during the next five years.
- The tariff for water is uniform across Delhi and has been pegged at very low levels for the last many years. As a result, while the cost of providing water supply has gone up exponentially, the revenue therefrom has been nearly static. In addition, considering that the NDMC area is one of the oldest classified parts of Delhi, large-scale replacements are called for entailing sizable outflow of funds. This problem is compounded even more due to the fact that NDMC has a floating/visiting population of around 15 lakh against the static population which number less than 3 lakh as per 2001 census.
- Distribution of water supply has perennially been a revenue deficit sector. As against an expenditure of Rupees 25.00 – 40.00 crore, the receipts from water supply have been to the tune of Rupees 14.00 –15.00

crore resulting in a revenue gap of around Rupees 20.00 crore, which is best described by Figure No. 15.12

Figure No. 15.12 Water supply – Trend of Receipts & Expenditure



Sewage Disposal and Drainage

15.50 NDMC expects to carry out mechanized de-silting of the entire drainage system in NDMC area in the next two-three years with the total cost of around Rupees 1.00 crore. Furthermore, the sewerage and drainage infrastructure in NDMC area is quite old and 50 percent of the sewerage assets i.e. 175 km of sewerage lines need to be replaced in the next five years. The replacement cost of existing lines has been estimated at Rupees 105.00-125.00 crore.

Electricity

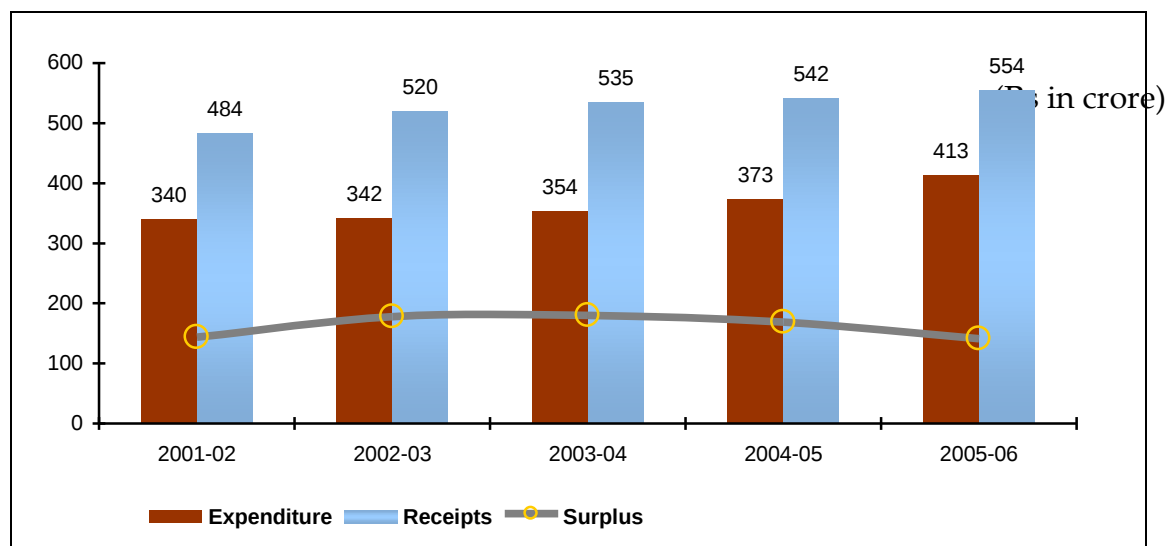
15.51 Supply and distribution of electricity to the public is one of the obligatory functions of the Council as prescribed in Section 11 of the NDMC Act, 1994. Electricity supply occupies a pre-dominant position as far as revenue receipts and expenditure of the Council are concerned. It contributes around 54 percent of total receipts of NDMC. Similarly, around 49-50 percent of total expenditure of NDMC is incurred on electricity supply. Trend of receipts and expenditure on electricity supply during the last five years is given in Table 15.30.

Table 15.30: Expenditure on purchase of electricity and receipts on account of electric supply in the NDMC area during 2001-2002 to 2005-2006 (Rs. in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Receipts	484	520	535	542	554
Expenditure	340	342	354	373	413

- The NDMC incurred a total expenditure of Rupees 1822.00 crore on the purchase of electricity during the period 2001-2002 to 2005-2006 and received a total of Rupees 2635.00 crore which resulted in a net earning of Rupees 813.00 crore to the NDMC i.e. a margin of 44.62 percent. The position has also been explained in Figure15.13.
- The cost of replacement of electric assets during the next five years is estimated at Rupees 190 crore.

Figure 15.13: Electricity supply – Trend of Receipts & Expenditure



Up-gradation and Construction of Buildings

15.52 Table 15.31 shows the details of up-gradation and construction of buildings and other public assets proposed to be taken up by NDMC during next five years. The total requirement of funds for these works has been projected at Rupees 212.17 crore.

Table: 15.31 Cost of Up-gradation and Construction of Buildings and other Public Assets during next 5 years

1.	Up-gradation of Talkatora Indoor Stadium	Rs.14.20 crore
2.	Up-gradation of Shivaji Stadium	Rs.16.25 crore
3.	Development of Connaught Place & its precincts	Rs.76.00 crore
4.	Rehabilitation of Safdarjung Flyover	Rs.3.32 crore
5.	Construction of Commercial Centre at Kidwai Nagar	Rs.0.10 crore
6.	Construction of New Delhi City Centre Phase-II	Rs.25.00 crore
7.	Multi purpose/Community Centre at Kaka Nagar	Rs. 1.25 crore
8.	Construction of Navyug School at DIZ area, Gole Market, Mandir Marg	Rs.6.50 crore
9.	Construction of additional storey of existing Primary School at Sangli Mess	Rs.0.16 crore
10.	Medical Sector	Rs.3.00 crore
11.	Construction of working girls hostel at Brig. Hoshiar Singh Road, Laxmi Bai Nagar	Rs.8.35 crore
12.	Construction of CWC in DIZ area	Rs.1.37 crore
13.	Construction of multi purpose hall at Laxmi Bai Nagar	Rs.0.85 crore
14.	Construction of Staff quarters at Dwarka	Rs.40.00 crore
15.	Construction of 24 Type-I and 46 Type-II Qrts. For service personnel at M.B. Road, Pushp Vihar, Sector-7, Saket	Rs.7.00 crore
16.	Construction of QCC La/Staff Qtrs. at Jor Bagh	Rs.3 crore
17.	Construction of 32 Type-I Qrts. at Harijan Basti	Rs.1.32 crore
18.	Construction of Auto-Workshop at Sarai Kale Khan	Rs.4.50 crore
Total		Rs.212.17 crore

**NDMC-
Maintenance
Expenditure:
case of
Roads**

15.53 Based on the recommendations of a high-level committee appointed by the Government of India, Ministry of Surface Transport in 1993, the NDMC decided to renew the maintenance cycle for various categories of roads, keeping in view the traffic intensity in urban areas. In the light of the recommendations, various roads in the NDMC area were classified by the Civil Department for the purpose of their surface treatment and the periodicity of such treatment. The Council approved the periodicity for resurfacing as indicated in Table 15.32.

**Table: 15.32-Periodicity of Road Resurfacing Approved for NDMC
Area Roads (1994)**

Category of Roads	Number of Roads	Periodicity of Resurfacing
Main Roads (Heavy)	77	5 years
Main Roads (Medium)	45	6 years
Other lanes, service/colony roads etc	All remaining roads	7 years.

- In 2003 NDMC reviewed the schedule for the maintenance of roads mainly because of the fact that the road surfaces get worn out faster due to increased commercial activities and a substantial increase in number of vehicles.
- The new schedule proposed for the maintenance of roads has been summarized in Table 15.33. Prior to the review, all heavy and medium traffic roads were being resurfaced with 40/50 mm dense carpet and lanes, service roads, and by-lanes with 25 mm open/premix carpet. The revised norms required laying a 25 mm thick dense carpet on service roads, colony roads, and back lanes with a life of 5 years and 40 mm thick dense carpet with a life of 5 years for main roads (heavy) and 6 years life duration for main road (medium) and 7 years life duration for roads (CRMB) with 40mm thick dense carpet.

**Table: 15.33-Periodicity of Road Resurfacing approved by NDMC for
Roads in 2003.**

Category of Roads	Number of Roads	Periodicity of Resurfacing
Main Roads (Heavy) 40 mm	102	5 years
Main Roads (Medium) 40 mm	20	6 years
Road (CRMB) 40 mm	-	7 years
Other lanes, service/colony roads etc 25 mm	All remaining roads	5 years.

- NDMC maintains a total road length of 1032 kilometres comprising of 684 kilometres of main roads and 346 kilometres of service/colony roads. Table 15.34 shows the present status of roads.

Table 15.34- Present Status of Roads in NDMC Area

Roughness values in mm/km	Classification of Roads/ rotaries	No. of NDMC roads out of 129 roads	No. of NDMC rotary out of 29 rotaries
0000-2000	Excellent	14	0
2000-3000	Good	83	09
3000-4000	Fair	21	15
4000-5000	Poor	11	05

- Presently NDMC incurs an expenditure of approximately Rupees 20.00 crore on annual resurfacing and maintenance of roads. The present cost of construction/maintenance of a kilometre of road length is Rupees 10.00 lakh for main roads (two lane carriage way) and Rupees 2.75 lakh for service roads (single lane carriage way). There is practically no scope as far as construction of new roads is concerned. The NDMC has informed that roads have been widened to the extent possible. However, up-gradation of roads through regular resurfacing, improvement of railings, road markings, drainage and improvement of road geometry is an ongoing process and endeavour of NDMC. It is intended to give a face lift to road-side kiosks and taxi stands in addition to the improvement of other street furniture, that is, bus-q-shelters.
- The NDMC proposes to offer 50 roundabouts and green strips to corporate houses and Public Sector Undertakings to come forward to maintain the highly visible landmarks that dot New Delhi.
- The cost of up-gradation of roads and roundabouts during next five year is estimated at Rupees 125.00 crore.

Parks and Gardens

15.54 A sum of about Rupees 18.00 crore is reportedly spent annually by the Council on parks and gardens in its area. The NDMC has projected a requirement of Rupees 10.00 crore in the next five years for parks and gardens.

Construction of Parking lots

15.55 To overcome parking problems being faced by citizens and visitors alike in the NDMC area, particularly during day time, the NDMC proposes to launch a project for construction of integrated parking-cum-commercial complexes. The projects are expected to be completed during next 2 to 3 years.

**Public
Health &
Sanitation**

15.56 In the opinion of the NDMC, it has been successful in implementing various measures in the sphere of primary health care. The local body feels that this has been possible due to upward trend of per capita expenditure on primary health (Table 15.35). One area where deficiency has been felt is the lack of emergency services including a network of ambulances, and trauma centres etc.

- Assuming that there is indeed a floating population of around 15 lakh per day, it stretches credulity that all of them visit the NDMC area for primary health care. It has been claimed that the floating population also apparently visits NDMC areas and is careless about dumping of garbage and solid waste. However, the per capita expenditure on primary health and solid waste management would be even more impressive if it is calculated on the basis of the stable population. Thus it is somewhat unclear as to why the NDMC chooses to calculate the per capita expenditure by including the floating population also.
- There are two possible explanations for relying on the figure of the floating population for calculating per capita expenditure on primary health. One reason for doing so is the need to justify increased access to resources for raising the low per capita levels. This, however, will not do. The other possibility for relying on the floating population for calculating the per capita expenditure is that it disguises exorbitant expenditure on actual beneficiaries. On the basis of the stable population of the NDMC the per capita expenditure on primary health in 2004-2005 would be Rupees 11.52 as against Rupees 11.92.

Table 15.35:-Per Capita Expenditure on Primary Health (Rupees in lakh)

Year	Expenditure on Primary Health	Per Capita Expenditure *
1995-1996	914	0.51
1996-1997	942	0.52
1997-1998	1261	0.70
1998-1999	1811	1.01
1999-2000	2063	1.15
2000-2001	1956	1.09
2001-2002	2000	1.11

2002-2003	2264	1.26
2003-2004	2356	1.31
2004-2005 (RE)	3459	1.92

* Per thousand of population on a total population of 18 lakh (fixed 3 lakh + floating 15 lakh)

Education

15.57 Though the establishment, maintenance of, and aid to schools for primary education only has been prescribed as its obligatory function, the Council is running school education from Nursery to Sr. Secondary level. Schools in NDMC area are also being given grant-in-aid to meet 95 percent of expenditure on the salaries.

- NDMC has been incurring a sum of Rupees 40.00-45.00 crore annually on education including Rupees 7.00-8.00 crore on Navyug Schools and Rupees 65.00-70.00 lakh on aided schools. On the other hand, grants-in-aid (plan and non-plan) received from GNCTD for education sector are only to the tune of Rupees 7.00 to 15.00 crore during the last six years.
- Over all per capita expenditure (per thousand of fixed population of 3 lakh) on this account has risen from Rupees 2.21 lakh in 1995-96 to Rupees 4.69 lakh in 2004-2005 as shown in Table. 15.36.

Table 15.36: Per Capita Expenditure on Primary Education (Rs in lakh)

Year	Expenditure on Primary Education	Per Capita Expenditure on Primary Education *
1995-1996	664	2.21
1996-1997	709	2.36
1997-1998	851	2.84
1998-1999	1207	4.02
1999-2000	1182	3.94
2000-2001	1229	4.10
2001-2002	1229	4.10
2002-2003	1198	3.99
2003-2004	1325	4.42
2004-2005 (RE)	1406	4.69

* Per thousand of population only on fixed population of 3 lakh

Solid Waste Management

15.58 NDMC believes that though the overall sanitation in the area can be termed as good, a lot still needs to be done to realize a high-standard of hygiene, clean roads and walkways, clean toilets and garbage removal/solid waste management etc.

- NDMC generates approximately 300-350 MT of solid waste per day out of which upto 50 MT approximately i.e. 14 to 20 percent remains un-cleared. However, the relatively compact geographical area of the NDMC, a largely literate and enlightened citizenry, and the relatively established infrastructure are some of the positives that have proved to be helpful in fulfilment of goals in the sphere of sanitation. But, a large floating and un-involved population, scarcity of landfill sites, ageing work force and poor work culture are big drawbacks and a cause for concern.
- NDMC area is small and completely land locked. There is no facility for disposal of the waste. Even landfill sites with MCD are limited apart from having its attendant environmental risks. Scientific disposal of municipal waste is also therefore an area of concern.
- Per capita expenditure of the Council on removal and disposal of solid waste has been steadily growing (Table 15.37).

Table: 15.37- Per Capita Expenditure on Solid Waste Management
(Rupees in lakh)

Year	Expenditure on Solid Waste Management	Per Capita Expenditure *
1995-1996	1278	71.01
1996-1997	1328	73.75
1997-1998	1349	74.96
1998-1999	2360	131.10
1999-2000	1828	101.58
2000-2001	1934	107.44
2001-2002	1849	102.75
2002-2003	2078	115.42
2003-2004	2269	126.04
2004-2005 (RE)	2969	164.96

* Per thousand of population on a total population of 18 lakh (fixed 3 lakh + floating 15 lakh)

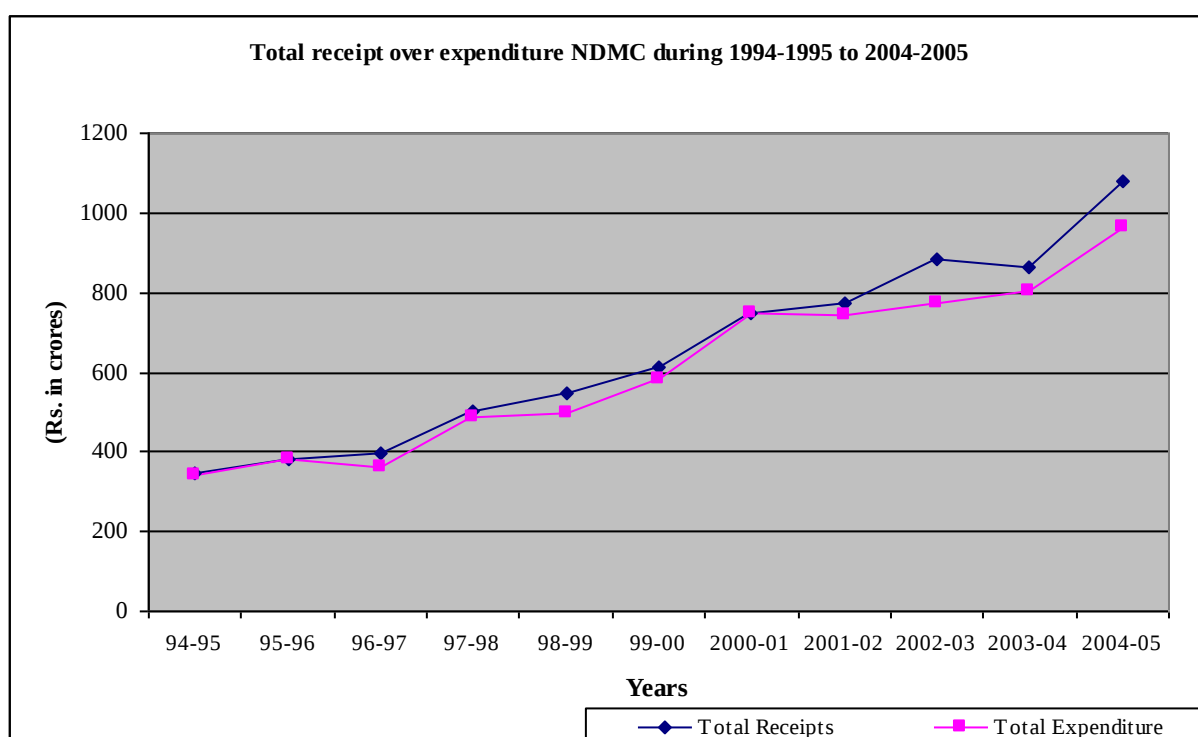
Repair and Maintenance: Case of Commercial Buildings

15.59 NDMC has been spending a sum of Rupees 5.00 to 6.00 crore on annual repair and maintenance of commercial buildings owned by it besides an expenditure of Rupees 8.00 to 10.00 crore on capital works thereof. These buildings are quite old and require massive replacements. The cost of up-gradation and construction of buildings and other public assets during next five years is estimated at Rupees 200.00 to 220.00 crore.

Strategic Fiscal Gap

15.60 Figure 15.14 depicts the surplus or deficit in the period 1994-1995 to 2004-2005. It may be seen that the NDMC has had a revenue surplus in all the eleven years. In a few years the surplus may have been marginal but, nevertheless, it was still a surplus.

Figure: 15.14-NDMC Deficit/Surplus as Measured by Difference between Total Receipts and Total Expenditure



- In this context, it is worth referring to the observations of the HSML.¹ Strategic fiscal gap reflects the requirement of funds for revenue and capital budget. In a systematic manner, this is worked out on the basis of physical gap in a multi-sector (functional) perspective, leading to financial estimates calculated thereon, and taking into account a normative base of services. The civic body does not have any reliable

¹ Status, Potential, and Roadmap for Urban Finance Reforms for the MCD and the NDMC, March 2006, Chapter 3, Resource Allocation and Expenditure Pattern, pages 27- 43.

estimates of strategic fiscal gap, that is, the funds available and required to operate and maintain the mandatory municipal services at a desirable level. This gap should be based on a long-term multi-sector perspective for implementation.

- Strategic fiscal gap should be based on a vision being the guiding factor for a normative base to be accomplished by the civic body through goals, objectives, strategies and actions. The NDMC currently does not have a clear-cut vision, a normative base, detailed policy objectives and strategy to design actions accordingly.
- The estimates for requirements of capital expenditure and O&M funds are not computed.
- The NDMC has recorded approximately three times increase in the expenditure during 1993-1994 to 2003-2004. This is mainly attributed to implementation of Fifth Pay Commission recommendations in 1997.
- The revenue surplus by itself is not a good signal. Further, it should not induce complacency with regard to the need to review all aspects of the manpower situation in the NDMC. It cannot be reiterated sufficiently that organizations can afford expensive manpower only if they have adequate resources of their own to finance the hiring of such manpower. Otherwise not only should they aim for leaner staff strength but should implement recommendations of any pay commission only if they can afford it. The state government cannot reasonably be expected to pay for the wage bill of the local bodies.

Findings of HSMI

15.61 The resource allocation at NDMC is not linked to a long term perspective and does not include performance indicators. As the allocation is based on line item incremental increase, it can be at best termed as ad hoc or irregular.

- Resources are allocated in NDMC on the basis of laid down functions as per the NDMC Act. However, the actual expenditure pattern covers the broad classification of expenditure as under: (a) general administration (b) social services including health and waste management (c) roads and municipal works, and (d) others (Box 15.0)

Box: 15.0 Broader Classification of Expenditure in NDMC and MCD

MCD	NDMC
General Administration	General Administration
Social Services	Social Services including health and waste management
Health & Medical	Roads and Municipal Works
Waste Management	Others
Roads & Bridges	
Others	

- The major difference in the functions of the NDMC and the MCD is that the NDMC incurs expenditure on the purchase and sale of electricity and water, which is not incurred by MCD. Further, MCD spends money on unauthorized colonies and re-settlement colonies which do not exist within the jurisdiction of NDMC.
- Analysis of municipal expenditure in Delhi in real terms indicates a fiscal crisis which has been caused by decline in the pace of revenue growth during 1998-2004. The per-capita revenue expenditure, taking 1998-99 as base, is declining at MCD from Rupees 924 to Rupees 919 for 1998 and 2004 respectively. This indicates that services are not maintained at the same level and are not growing commensurate with the increase in population and prices. NDMC, however, owing to its small area of operation, and declining population, is maintaining its growth in expenditure during the same period. (Table 15.38)
- Decline in the per-capita revenue expenditure at MCD also shows a deterioration in the O&M of services, as the expenditure on salaries and related items is essential in nature and cannot be postponed. This also means that two important considerations of services, namely equity and environment are not properly attended. The implications of these inadequacies adversely affect the poor and backward areas such as slums, squatters, regularized/unauthorized colonies, urban villages, etc.
- The per capita revenue expenditure at current prices, at both MCD and NDMC has been growing over the decade. The per capita expenditure of NDMC for 2003-04 is Rs.13859 which is very high compared to Rupees

1,109 for MCD for the same year. This is due to smaller size of population in NDMC area.

Table 15.38-Per Capita revenue expenditure at MCD and NDMC

Civic Bodies	Current Prices			Constant Prices 2003-04	
	1993-94	1998-99	2003-04	Base Year 1993-94	Base Year 1998-99
MCD	425	924	1156	574	919
NDMC	4490	7956	13623	6763	10830

(Source: HSMI Report, 2006)

Figure. 15.15

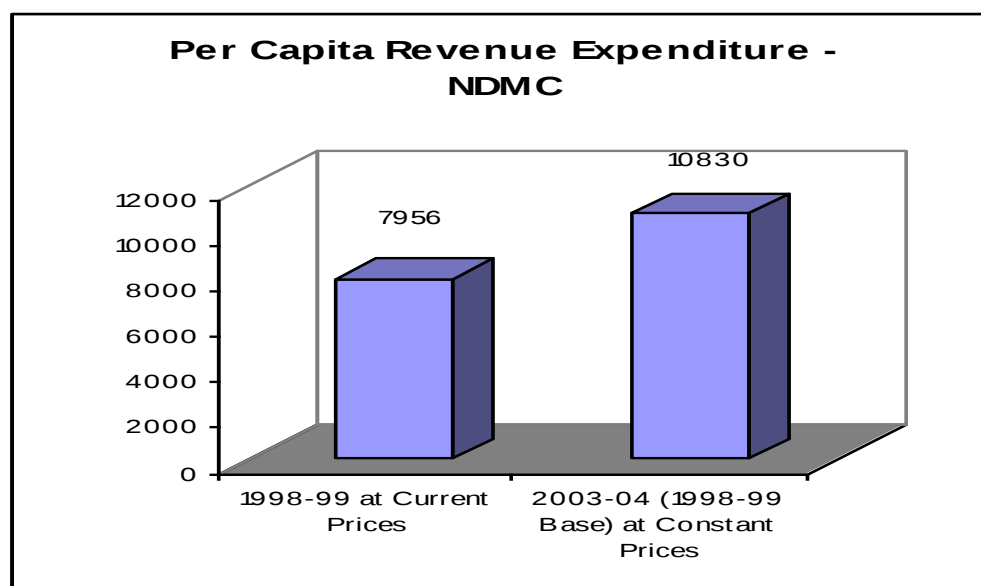
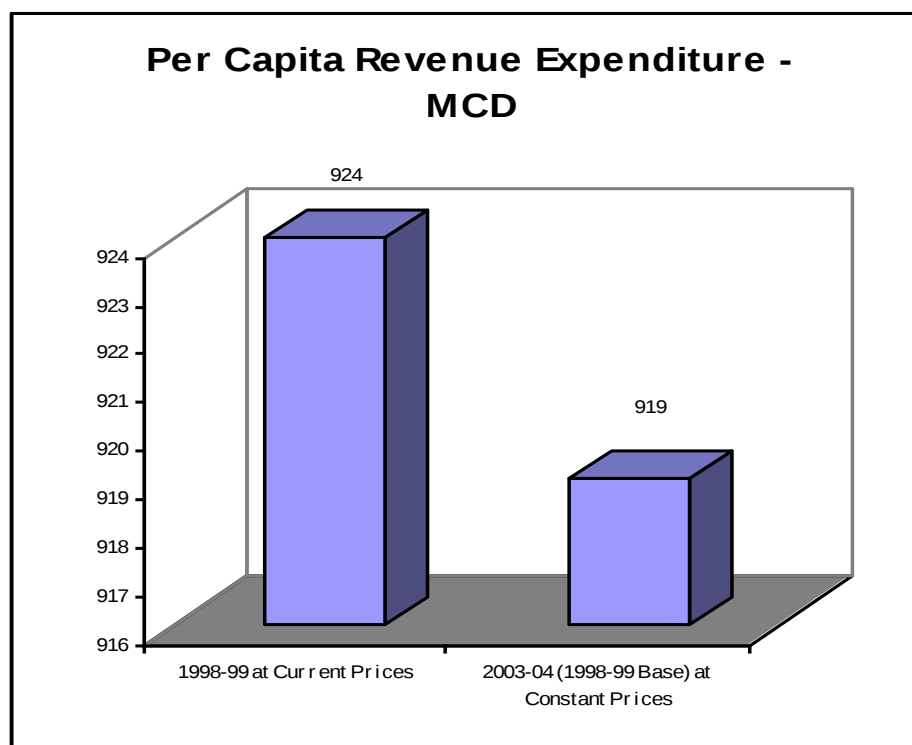


Figure 15.16



- Norms for O & M of municipal services available in the sector are fairly old and have not been revised on a technical assessment basis. Norms being used are Zakaria Committee Norms (1963), which updated to 2001-02 prices, comes to Rupees 577 per capita and NIUA Norms, which suggests Rupees 185 per capita at 2001-02 prices. A third category of norms suggests 20-30 percent of investment requirements, which are not available in case of MCD and NDMC. The per capita expenditure of MCD and NDMC is fairly high as compared to the Zakaria Committee and NIUA Norms.
- The composition of revenue expenditure at two civic bodies confirms the existence of conventional labour intensive system of municipal services at MCD and NDMC. It is worth noting that over two third of revenue expenditure is devoted towards expenditure on salaries and other establishment related activities such as perks, phone, fax, automation, office space, vehicles, equipments, etc. The non-salary component of municipal expenditure remain around 30 percent of municipal spending which means that in case of any fiscal stress, regular repairs and replacement in services would be effected adversely (Table 15.39 and Figure 15.17 and 15.18).

- The expenditure on establishment cost in NDMC and MCD for 2003-04 is 65.7 percent and 73.6 percent respectively, which is very high. The share of O&M in total revenue expenditure being low at both the civic bodies is a cause for concern (Table 15.39).

Table: 15.39- Composition of Establishment and O&M Expenditure (Rs. Crore)

Year	Establishment Cost	O&M Cost
MCD		
2003-04	1206 (73.6%)	471.73
NDMC(Excluding Elec. and Water expenses) (Rs. Crore)		
Year	Establishment Cost	O&M Cost
2003-04	262.33 (65.7%)	136.81

(Source: HSMI Report, 2006)

Figure No. 15.17

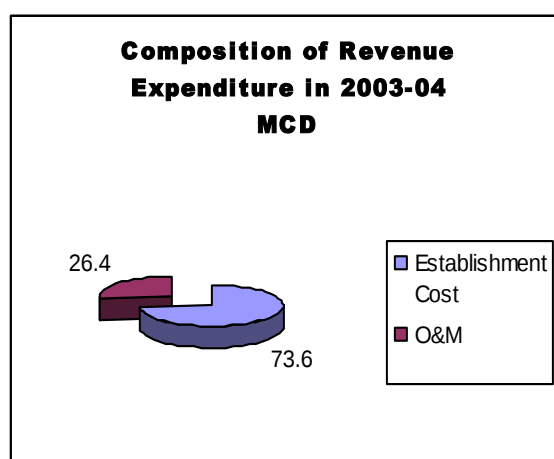
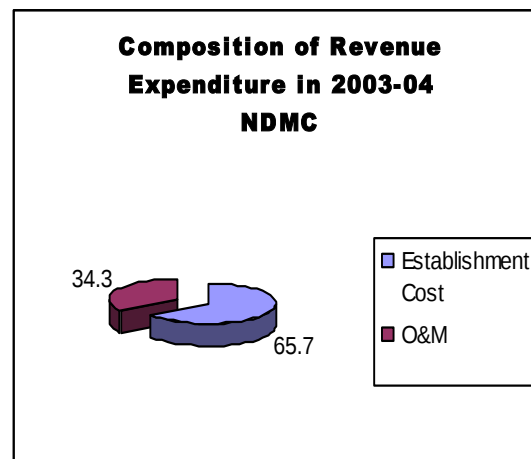


Figure No.15.18



- Expenditure on individual services, as given in Table 15.40, and Figure 15.19 and Figure 15.20 represents both the establishment as well as O&M costs together under each of the components. The ACGR on roads and bridges is lower than other services indicating a relatively lower priority.

Table – 15.40-- Expenditure on individual services and Elasticity

Items	ACGR (%) (1993-2004)		Elasticity with respect to GSDP	
	MCD	NDMC	MCD	NDMC
(i) General Administration	12.43	16.32	0.85	1.06
(ii) Social Services	13.93	12.67	0.96	0.88
(iii) Health	12.97	-	0.89	-
(iv) Waste Management.	13.74	-	0.96	-
(v) Roads and Bridges	10.54	8.29	0.73	0.57
(vi) Others	23.6	1.25	1.54	-0.05
Revenue Exp.	14.93	11.44	1.02	0.78

*Social services at NDMC include health and waste management.

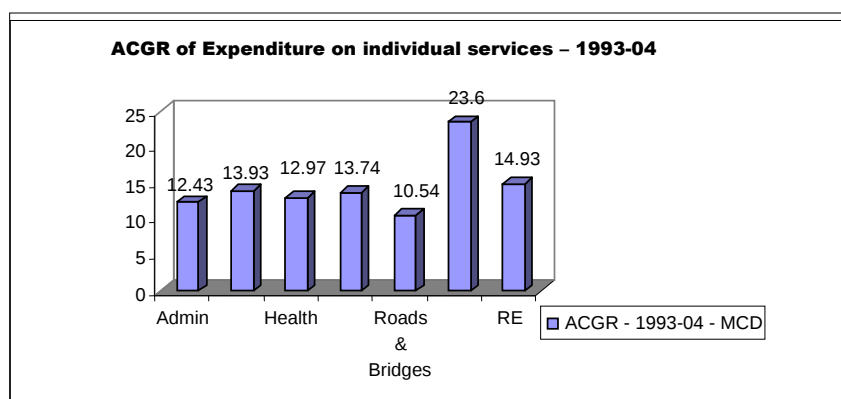
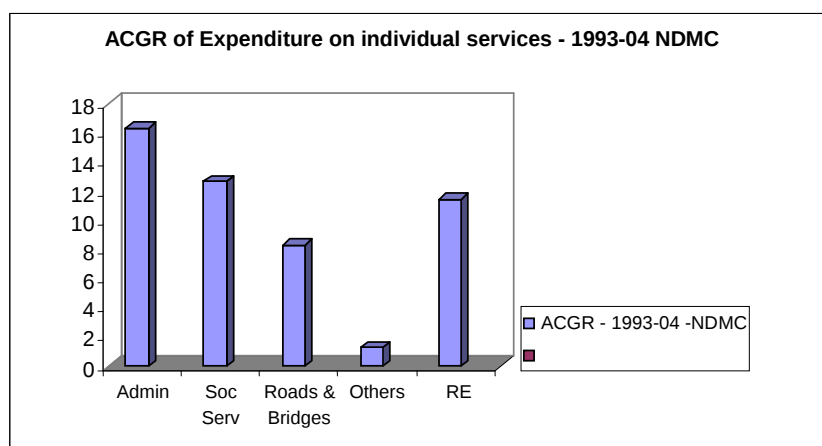
Figure 15.19

Figure 15.20



It is further important to note from Table 15.40 that expenditure on individual services is not elastic in comparison with increase in state income. This reaffirms the earlier finding that the civic bodies are not able to sufficiently tap the resources from the economy. At the same time, suitable increase in the expenditure is essential to sustain the growth of the state economy.

Education

15.62 The expenditure on education is around one fourth of the total revenue expenditure. The increase during 1998-99 is attributed mainly to the implementation of 5th Pay Commission recommendations leading to hike in salary bill. The two civic bodies spend substantial amount on education, (MCD Rs. 390.00 crore in 2003-2004 and NDMC Rs. 33.00 crore in 2003-04). HSMI has suggested that while primary education, being a basic function, may continue with civic bodies, secondary education may be transferred to GNCTD. It was observed during discussions at MCD that there is no NGO run school out of its primary schools. However, there are 44 schools which fall under the category of aided schools for which 95 percent expenditure is reimbursed by MCD. These schools are run by well-established societies/trusts. This money is given by MCD on the condition that no fee should be charged from the students.

Application of Partnerships

15.63 The scope for partnerships is fairly wide as may be observed from Table 15.41. The services of solid waste management, roads, community services, etc. have enormous scope for partnerships.

Table 15.41- cope for Partnerships

Service	MCD		NDMC	
	Incidence	Scope	Incidence	Scope
Solid Waste Management	Low	High	Low	High
Roads	Low	High	Medium	High
Community Services	Low	High	Low	High
Preventive Health	Low	Low	Low	Low
Curative Health	Low	High	-	-
Education	Low	Medium	Low	Medium

- As noticed among cities and towns, partnerships have not only provided 'investments' for municipal projects, but have also reduced establishment expenditure which has significantly come down to 30 percent of total revenue expenditure at Hyderabad.
- Thus it appears that expenditure pattern at the two civic bodies needs to be examined on the basis of performance indicators and the allocation should be made in line with funds available and actual requirements to upgrade the services. This also requires a systematic assessment of demand for expenditure at both the places. It should be done in a bottom-up manner. 'Local area planning' emerging at MCD in this regard needs to be designed in a consultative manner and should be incorporated in the municipal budget of both bodies.

Analysis and Conclusions 15.64 Some conclusions about the expenditure pattern of the NDMC are briefly as follows:

- The total expenditure in 1994-1995 was Rupees 343.72 crore. In 2004-2005, it was Rupees 966.49 crore. This represents a percentage increase of 181.18 percent. The annual average increase was 18.12 percent, against an annual average growth rate of 25.64 percent in the case of the MCD. This represents a percentage point difference of 7.52. The difference between the area and population of the two bodies is, however, much larger. Indeed, the MCD is absorbing much of the increase in the population. The stability of population in the NDMC and the DCB areas are a clear advantage to these bodies.

Their investment is largely bound to be intensive presumably for essential replacements and upgrading of outdated infrastructure.

- The structure of total plan expenditure has altered between 1994-1995 and 2004-2005. The total plan expenditure in 1994-1995 was Rupees 16.84 crore, which declined to Rupees 11.64 crore in 2004-2005. This is a decline of 30.88 percent. Rupees 16.84 crore (1994-1995) represented 4.90 percent of the total expenditure and Rupees 11.64 crore (2004-2005) represented 1.20 percent of the total expenditure. The decline is 3.70 percentage points. This also tends to confirm that there is limited scope for extensive capital investment in the NDMC area.
- The non-plan expenditure has risen from Rupees 326.88 crore in 1994-1995 to Rupees 954.85 crore in 2004-2005. This implies a 192.11 percent increase. The non-plan expenditure was 95.10 percent of the total expenditure in 1994-1995, which increased to 98.80 percent in 2004-2005. Therefore, the increase in total non-plan expenditure was 3.70 percentage points. This increase suggests the need for a review and measures to contain such growth.
- The main item of expenditure is on the purchase of electricity and water. The expenditure on the purchase of electricity in four years (2001-2005) was Rupees 1409.00 crore and on water was Rupees 127.00 crore. The expenditure on the purchase of electricity was 43.62 percent of the total expenditure of the NDMC and on water it was 3.93 percent. Together, it means it was 47.55 percent of the total expenditure.
- The surplus of the NDMC from the sale of electricity in the period 2001-2006 was Rupees 813.00 crore. Against this, they had a loss of Rupees 104.00 crore in water supply. The net earnings of the NDMC in these two sectors were Rupees 709.00 crore.
- Analysis of the revenues and expenditure of the NDMC lends itself to a variety of interpretations. The revenue surplus, for instance, can be taken as indicative of a healthy financial position or it could mean less scope for extensive capital expenditure. Within the revenue streams the absence of strong and stable tax or revenue is clearly a matter of some concern. The property tax base is limited by the number of government buildings. Further, since out of a total of 83,520 buildings, only 12086 buildings have been assessed for

property tax in NDMC area, the tax base is restricted to just 14.47 percent of the structure. The mainstays of the NDMC revenues-sale of electricity and interest on investments-are at best unstable and fragile sources of revenue. While expenditure on creation of capital assets is limited by the very scope for expenditure, non-plan expenditure has been rising steeply. However, some of the submissions of the NDMC do deserve consideration, in that, upgrading and improving the existing infrastructure is likely to emerge as a major need.

Chapter-16

Mobilization and Application of Resources of Delhi Cantonment Board

Delhi Cantonment Board is a statutory body under the Cantonments Act, 1924. Cantonments all over India have been classified into three categories based on population. Delhi cantonment's population as per 1991 Census was 94393 and 124917 as per the 2001 census. The area of Delhi cantonment is 42.97 square kilometre, which is 2.89 percent of the total area of NCT of Delhi. The civil and military population as per information of the Board is 91256 and 39425 respectively (making for a total population of 130681). Therefore, the civilian population of the Cantonment is around 69.94 percent of the total population. It is classified as Class-I cantonment and comprises 14 members of which 7 are nominated and 7 are elected representatives. The term of elected members is 5 years.

16.2 Delhi Cantonment Board has been charged with duties/functions under section 116 and 117 of the DCB Act. These are summarized in Box-16.0 and 16.1.

Box: 16.0-Summary Statement of Obligatory Duties of the DCB

- | | |
|-----|---|
| (a) | Lighting streets and other public places. |
| (b) | Provision of water supply. |
| (c) | Cleaning streets, public places and drains, abating nuisance and removing noxious vegetation. |
| (d) | Regulating offensive, dangerous or obnoxious trades, callings and practices. |
| (e) | Removing on the grounds of public safety, health or convenience undesirable obstructions and projections in streets and other public places. |
| (f) | Securing or removing dangerous buildings and places. |
| (g) | Acquiring, maintaining, changing and regulating places for disposal of the dead. |
| (h) | Constructing, altering and maintaining streets, culverts, markets, slaughter-houses, latrines, privies, urinals, drains, drainage works and sewerage works (and regulating their use). |
| (i) | Planting and maintaining trees on road sides and other public places. |
| (j) | Providing or arranging for a sufficient supply of pure and wholesome water, where such supply does not exist, guarding from pollution of water used for human consumption and preventing polluted water from being so used. |
| (k) | Registering births and deaths. |
| (l) | Establishing and maintaining a system of public vaccination and inoculation. |
| (m) | Establishing and maintaining or supporting public hospitals and dispensaries and providing public medical relief. |
| (n) | Establishing and maintaining primary schools (or assisting). |

- (o) Rendering assistance in extinguishing fires and protecting life and property when fires occur.
- (p) Maintaining and developing the value of property vested in or entrusted to the management of the Board.
- (q) Establishing and maintaining Civil Defence services.
- (r) Preparing and implementing town planning schemes.
- (s) Fulfilling any other obligation imposed upon it by or under this act or any other law for the time being in force.

Box 16.1 summarise the discretionary functions of the Board under Section 117 of DCB Act.

Box: 16.1-Summary Statement of Discretionary duties of the DCB

- (a) Laying out in areas, whether previously built upon or not, new streets and acquiring land for that purpose and for the construction of buildings and compounds of buildings, to abut on such streets.
- (b) Constructing, establishing or maintaining public parks, gardens, offices, dairies, bathing or washing places, drinking fountains, tanks, wells and other works of public utility.
- (c) Reclaiming unhealthy localities.
- (d) Furthering educational objects by measures other than the establishment and maintenance of primary schools.
- (e) Taking a census and granting rewards for information which may tend to secure the correct registration of vital statistics.
- (f) Making a survey.
- (g) Giving relief on the occurrence of the local epidemics, floods, famines or other natural calamities by the establishment or maintenance of relief works or otherwise.
- (h) Securing or assisting to secure suitable places for the carrying on of any offensive, dangerous or obnoxious trade, calling or occupation.
- (i) Establishing and maintaining a farm or other place for disposal of sewage.
- (j) Constructing, subsidizing or guaranteeing tramways or other means locomotion and electric lighting or electric power works.
- (k) Establishing and maintaining cattle ponds.
- (l) Arranging for civic reception with prior approval of the officer Commanding-In-Chief, the Command.
- (m) Providing housing accommodation for any class of inhabitants.
- (n) Establishing and maintaining or supporting public hospitals and dispensaries and providing public medical relief.
- (o) Celebrating Independence Day and Republic Day and incurring

	expenditure thereon.
(p)	Developing land resources under the management of the board.
(q)	Preparing and implementing group housing schemes.
(r)	Establishing remunerative projects.
(s)	Developing small scale and cottage industries.
(t)	Adopting any measure, other than the measure specified in Section 116 or in the foregoing provisions of this section, likely to promote the safety, health or convenience of the inhabitants of the Cantonment.

16.3 The Delhi Cantonment Board is performing the following additional duties which MCD and NDMC have not been entrusted with, :

- i rendering assistance in extinguishing fires and protecting life and property when fires occur.
- ii establishing and maintaining Civil Defence services.

Other functions are common with the two civic agencies

16.4 Area of the Delhi Cantonment Board is 10500 acres and two areas have been notified as bazaar area (Table 16.0).

Table: 16.0 -Civilian areas in Delhi Cantonment Jurisdiction

S.No.	Civil area	Area in acres	Population
1.	Shastri Bazar	13.734	2000
2.	Sadar Bazar	34.051	8000

Civil Population

16.5 Further, Delhi Cantonment has six urbanized villages (Table 16.1) with a sizeable civilian population, where the Board is responsible for providing all civic amenities to the villages. Expenditure incurred on the provision of civic services/amenities in these villages has not been made available to the Commission.

Table: 16.1-Urbanized villages with their population in the jurisdiction of the DCB

S.No.	Name of Village	Population
1	Jharera	11000
2	East Mehram Nagar	5000
3	Mehram Nagar	2000
4	Pehladpur	900
5	Naraina	10000
6	Old Nangal	6000

16.6 According to the provisions of section 43 (A) of the Cantonment Act, 1924 a civil area committee has to be constituted.¹ There is no elected board or civil area committee at present.

**Resource
Mobilization**

16.7 Thus the sources of funds for various activities/requirements of the Cantonment Board are: (i) tax revenue, (ii) non-tax revenue i.e. service charges received from Ministry of Defence and other charges/fees levied by the Board locally, (iii) assigned taxes from Delhi government, and (iv) non-plan grants-in-aid from Delhi Govt.

**Tax
Revenue**

16.8 Under the provision of section 60 of the Cantonment Act 1924, the Delhi Cantonment Board has powers to levy taxes. Presently, the Board has imposed following taxes: (i) house tax, (ii) conservancy tax, (iii) profession tax, (iv) water tax (v) advertisement tax and (vi) show tax.

16.9 The Board has furnished information about the date of the last revision. Table 16.2 summarizes the position. The rates were last revised years ago. However, the Board has informed that revision of the house tax, water tax, and conservancy tax has been proposed by the Cantonment Board and the same is pending with the Central Government. While the Board has projected that revenue receipts are likely to increase by 30 percent on revision of taxes, it has not furnished the details of the proposed revisions and the basis for projecting a 30 percent increase in receipts.

Table: 16.2 Date of Last Revision of Various Taxes

Serial Number	Tax Item	Date of Last Revision
1	House Tax	2.2.1980
2	Water Tax	9.1.1967
3	Conservancy Tax	19.2.1955
4	Profession tax	21.6. 1975
5	Show tax	1.11.1969
6	Advertisement Tax	5.11.2004
7	Dog Tax	9.8.1947
8	Animal Tax	10.3.1951

¹ Sub-section 1 of Section 43 (A) says, ' Every Board constituted under section 13 in a Class I Cantonment or Class II Cantonment shall appoint a committee consisting of the elected members of the Board, the Health Officer and the Executive Engineer for the administration of such areas in the cantonment as the Central Government may, by notification in the Official Gazette, declare to be (civil areas), and may delegate its powers and duties to such committee in the manner provided in clause (e) of sub-section (1) of section 44.'

16.10 The revenue from taxes is not much. Table 16.3 shows the tax yield of the DCB during 1994-1995 to 2004-2005 source-wise.

Table: 16.3 – Source-wise tax revenue from 1994-1995 to 2004-2005
(Rupees in Lakh)

Year	House Tax	Animal Tax & Vehicle Tax	Profession Tax	Water Rate & Water Tax	Conservancy Tax	Total Tax Revenue
1994-1995	9.00	0.02	1.00	2.00	1.00	13.02
1995-1996	9.00	0.02	0.50	1.00	1.00	11.52
1996-1997	11.00	0.03	1.00	1.00	1.00	14.03
1997-1998	8.00	0.04	0.04	2.00	1.00	11.08
1998-1999	16.00	0.06	0.50	3.00	1.00	20.56
1999-2000	18.00	0.01	0.50	3.00	1.00	22.51
2000-2001	345.00*	0.01	0.70	2.00	1.00	348.71
2001-2002	26.57	0.01	0.63	2.24	1.30	30.75
2002-2003	16.75	0.02	0.48	2.30	1.39	20.94
2003-2004	105.56*	0.02	0.36	2.18	1.17	109.29
2004-2005	62.13	0.02	0.46	2.48	1.47	66.56
Total	627.01	0.26	6.17	23.20	12.33	668.97

* This includes receipts of large arrears from Airport Authority of India.

- The receipt from House Tax was Rupees 9.00 lakh (1994-1995), which increased to Rupees 62.13 lakh (2004-2005). This represents an absolute increase of Rupees 53.13 lakh and a percentage step up of 590.33 percent. The annual average revenues from house tax in the period 1994-1995 to 2004-2005) have been Rupees 57.00 lakhs. House Tax is the main source of receipts under tax revenue. The figures show that there is no clear trend or pattern in the growth of house tax revenues. It has varied from zero increase (the variation in 1995-1996 over 1994-1995) to an increase of Rupees 327.00 lakh in 2000-2001 over the collections of 1999-2000. It deserves reiteration that rates of house tax have not been revised since February 2, 1980 even though it is the main source of tax revenue.
- The inconsistency in actual realizations needs to be looked into by the Board for corrective action. In addition, the Board should also examine the reasons for the arrears of Rupees 57.94 lakh as on April 1, 2005 on account of house tax and take steps for recovery of these dues.

16.11 The other taxes have not shown any appreciable increase over the last eleven years. The details are discussed below.

- The receipt from animal tax and vehicle tax was Rupees 0.02 lakh (1994-1995) and has remained static at Rupees 0.02 lakh (2004-2005).
- The receipt from profession tax has come down to Rupees 0.46 lakh (2004-2005) from Rupees 1.00 lakh (1994-1995).
- The water rate and water tax has also not shown significant change. The receipt from the source was Rupees 2.00 lakh (1994-1995) with a nominal increase to Rupees 2.48 lakh (2004-2005).
- The receipt from conservancy tax was Rupees 1.00 lakh (1994-1995) with a nominal increase to Rupees 1.47 lakh (2004-2005).
- The arrears from all these other tax sources as on April 1, 2005 were to the tune of Rupees 11.04 lakh. The board could usefully take steps for recovery of this amount.

Non-Tax Revenue

16.12 As regards non-tax revenue, the Delhi Cantonment Board earns revenue from house rent, lease rent, conservancy charges, service charges (received from Ministry of Defence) share of taxes (received from GNCTD) and charges for other miscellaneous services provided by the Board.

16.13 Table 16.4 shows the various sources of non-tax revenue of DCB. The main source of non-tax revenue is service charges received from the Ministry of Defence in lieu of property tax on government properties.

Table 16.4 – Source wise non-tax revenue from 1994-1995 to 2004-2005 (Rs. in Lakh)

Year	Service Charges	Pounds & Hackney	Conservancy Charges	Interest on Investment	Rent/Fees/Fines	Sale Proceeds of Govt. Securities	Advances & Deposits	Opening Balance	Total Non-Tax Revenue
1994-1995	315.00	1.00	150.00	25.00	18.00	650.00	66.00	345.00	1570.00
1995-1996	591.00	1.00	151.00	125.00	12.00	125.00	23.00	146.00	1174.00
1996-1997	794.00	1.00	147.00	169.00	21.00	419.00	22.00	116.00	1689.00
1997-1998	1688.00	1.00	56.00	190.00	21.00	211.00	26.00	154.00	2347.00
1998-1999	1773.00	3.00	21.00	400.00	35.00	290.00	32.00	107.00	2661.00
1999-2000	3456.00	4.00	34.00	784.00	25.00	217.00	40.00	203.00	4763.00
2000-2001	1517.00	4.00	104.00	884.00	37.00	0.00	28.00	1134.00	3708.00
2001-2002	2212.59	1.15	298.33	912.22	18.00	0.00	32.20	312.96	3787.45
2002-2003	1085.55	1.23	364.99	765.40	12.77	0.00	26.14	837.77	3093.85
2003-2004	1236.28	2.15	602.16	950.00	21.10	0.00	31.70	148.21	2991.60
2004-2005	208.05	1.48	9.81	690.79	22.65	0.00	37.38	1001.22	1971.38
Total	14876.47	21.01	1938.29	5895.41	243.52	1912.00	364.42	4505.16	29756.28

- The receipts from service charges declined from Rupees 315.00 lakh (1994-1995) to Rupees 208.05 lakh (2004-2005). The highest receipts on this account were Rupees 3456.00 lakh (1999-2000).
- The receipts from conservancy charges were Rupees 150.00 lakh (1994-1995), which decreased to Rupees 9.81 lakh (2004-2005). The highest receipt from this source was Rupees 602.16 lakh (2003-2004). The receipts were between Rupees 1.00 crore and Rupees 6.00 crore in seven out of eleven years. The reasons for the sharp fluctuations in the receipts are not easy to understand. This is bound to affect the planning and execution of projects as stability in revenues is an important factor in expenditure management.
- The receipt from interest on investments is the second largest source of revenue of DCB. The receipt from this source was Rupees 25.00 lakh (1994-1995), which increased to Rupees 690.79 lakh (2004-2005). The highest realization on this account was Rupees 950.00 lakh (2003-2004). In other words, this amount contributes substantially to the surplus funds of the Board.
- The receipt from sale proceeds of government securities was Rupees 650.00 lakh (1994-1995) and Rupees 217.00 lakh (1999-2000). There was no receipt on this account from the year 2000-2001 to 2004-2005.
- The receipt from advances and deposits was Rupees 66.00 lakh (1994-1995), which decreased to Rupees 37.38 lakh (2004-2005). There has been a continuing decline of receipts from this source. If this is on account of the earnest monies or security deposits by contractors or suppliers bidding for works and projects, the declining trend would suggest that the number of projects is also going down. This may also mean that the scope for capital investments is declining in the cantonment area which may not hold true for the village areas.
- The receipt from rent/fees/fines which were Rupees 18.00 lakh (1994-1995) shows a marginal increase to Rupees 22.65 lakh (2004-2005). However, it touched a maximum of Rupees 37.00 lakh in 2000-2001.
- The receipts from pounds and hackney were Rupees 1.00 lakh (1994-1995), which marginally increased to Rupees 1.48 lakh (2004-2005). This is unlikely to increase in the coming years.
- The opening balance was Rupees 345.00 lakh (1994-1995) and Rupees 1001.22 lakh (2004-2005). This is an absolute increase of

Rupees 6.56 crore and a percentage rise of 190.20 percent. In three years the opening balance has been quite substantial though in most it has been either around or less than Rupees 3.00 crore.

16.14 The DCB says that the funds received from tax revenue and non-tax revenues, service charges and taxes assigned by the state government are utilized for providing civic services and amenities to the residents of the cantonment area as also for upgradation/improvement of infrastructure. The Delhi Cantonment Board also incurs expenditure on maintenance of roads, sewerage system, water supply, schools, gardens, hospital, mobile dispensary, library etc. and for undertaking several development projects. The Cantonment Board has reportedly prepared a plan for the overall development of the Cantonment and improvement of the infrastructure to provide better civic life in the area.

16.15 The receipts from “own resources”, comprising of tax and non tax revenues, assigned taxes and non-plan grants constitute the revenue receipts of the DCB. The revenues transferred to the DCB as “a special case” out of the taxes and duties etc. levied by the Delhi Government as per recommendations of the State Finance Commission constitute a part of their own revenues. The non-plan grants are released by the Delhi Government under the head General Education.

Receipts Structure

16.16 The receipt structure of the DCB is reflected in Table 16.5. The receipts from own resources consisting of tax and non-tax revenues have increased from Rupees 1583.02 lakh (1994-1995) to Rupees 2037.94 lakh (2004-2005). The highest was in 1999-2000 (Rupees 4785.51 lakh).

Table 16.5 Total receipt structure of the DCB – 1994-1995 to 2004-2005
(Rs. in Lakh)

Year	Own Revenue Receipt			Assigned Taxes	Non-Plan Grants (Education)	Total Receipts
	Total Tax Revenue	Total Non-Tax Revenue	Total			
1	2	3	4	5	6	7
1994-1995	13.02	1570.00	1583.02	113.00	60.00	1756.02
1995-1996	11.52	1174.00	1185.52	144.00	70.00	1399.52
1996-1997	14.03	1689.00	1703.03	157.00	67.00	1927.03
1997-1998	11.08	2347.00	2358.08	113.00	74.00	2545.08
1998-1999	20.56	2661.00	2681.56	222.00	99.00	3002.56

1999-2000	22.51	4763.00	4785.51	276.00	117.00	5178.51
2000-2001	348.71	3708.00	4056.71	347.00	125.00	4528.71
2001-2002	30.75	3787.45	3818.20	407.30	109.03	4334.53
2002-2003	20.94	3093.85	3114.79	350.71	124.58	3590.08
2003-2004	109.29	2991.60	3100.89	440.22	147.16	3688.27
2004-2005	66.56	1971.38	2037.94	484.37	164.88	2687.19

- The assigned taxes grew from Rupees 113.00 lakh (1994-1995) to Rupees 484.37 lakh (2004-2005) registering a percentage growth of 328.65 percent over the period.
- The non-plan grants increased to Rupees 164.88 lakh (2004-2005) from Rupees 60.00 lakh (1994-1995) registering a percentage growth of 174.80 percent.
- The total receipts ranged from Rupees 1399.52 lakh (1995-1996) to Rupees 5178.51 lakh (1999-2000). Percentage increase was 270.00 percent. Total receipts had a continuous decline after 1999-2000. The total receipts during the year 2004-2005 were to the tune of Rupees 2687.19 lakh i.e. an increase of 53.00 percent over the collection in 1994-1995.

16.17 Table 16.6 depicts percentage of various sources in total receipts. Own receipts form a major part of resources of the DCB. The share of own receipts ranged from 75.84 percent (2004-2005) to 92.65 percent (1997-1998). It has always been more than 80 percent except for 75.84 percent in 2004-2005. The percentage of own revenue receipts in total receipts had a continuously declining trend during the period. It declined from 90.15 percent (1994-1995) to 75.84 percent (2004-2005).

Table: 16.6- Various components as a percentage of total receipt- 1994-1995 to 2004-2005 (Rs. in lakh)

Year	Total Receipt	Tax Revenue as a Percentage of Total Receipt	Non-Tax Revenue as a percentage of Total Receipt	Own Revenue Receipt as a Percentage of Total Receipt	Assigned Taxes as a Percentage of Total Receipt	Non-Plan Grants as a Percentage of Total Receipts
1994-1995	1756.02	0.74	89.41	90.15	6.44	3.42
1995-1996	1399.52	0.82	83.89	84.71	10.29	5.00
1996-1997	1927.03	0.73	87.65	88.38	8.15	3.48
1997-1998	2545.08	0.44	92.22	92.65	4.44	2.91
1998-1999	3002.56	0.68	88.62	89.31	7.39	3.30

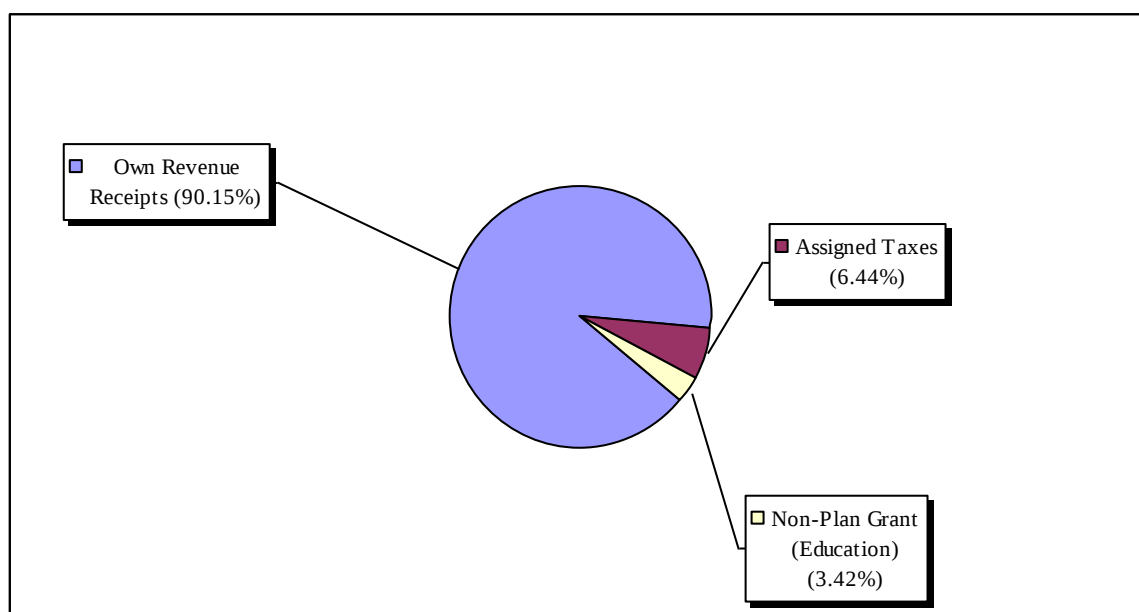
1999-2000	5178.51	0.43	91.98	92.41	5.33	2.26
2000-2001	4528.71	7.70	81.88	89.58	7.66	2.76
2001-2002	4334.53	0.71	87.38	88.09	9.40	2.52
2002-2003	3590.08	0.58	86.18	86.76	9.77	3.47
2003-2004	3688.27	2.96	81.11	84.07	11.94	3.99
2004-2005	2687.19	2.48	73.36	75.84	18.03	6.14

- The share of assigned taxes has been in the range of 4.44 percent (1997-1998) to 18.03 percent (2004-2005). It was more than eight percent in six out of eleven years and was between 10 to 12 percent in 1995-1996 and 2003-2004. The highest percent was 18.03 in 2004-2005.
- The non-plan grants have increased their share from 2.26 percent (1999-2000) to 3.42 percent (1994-1995) and to 6.14 percent (2004-2005). The share of non-plan grants has been more than three percent in seven out of eleven years.

16.18 Figure 16.0 shows the total receipt structure of Delhi Cantonment Board in the year 1994-1995

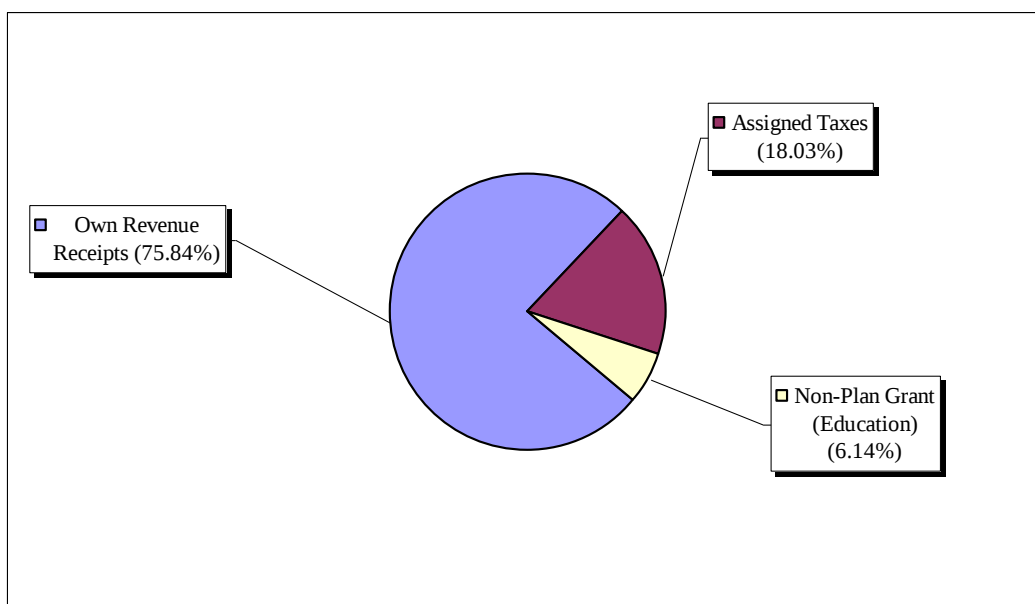
- As earlier discussed in Table 16.6, in 1994-1995, own revenue receipts formed a major part of total receipts (90.15 percent). Next, come the assigned taxes (6.44 percent) and non plan grants for general education (3.42 percent).

Figure 16.0 Total receipts structure of the DCB 1994-995



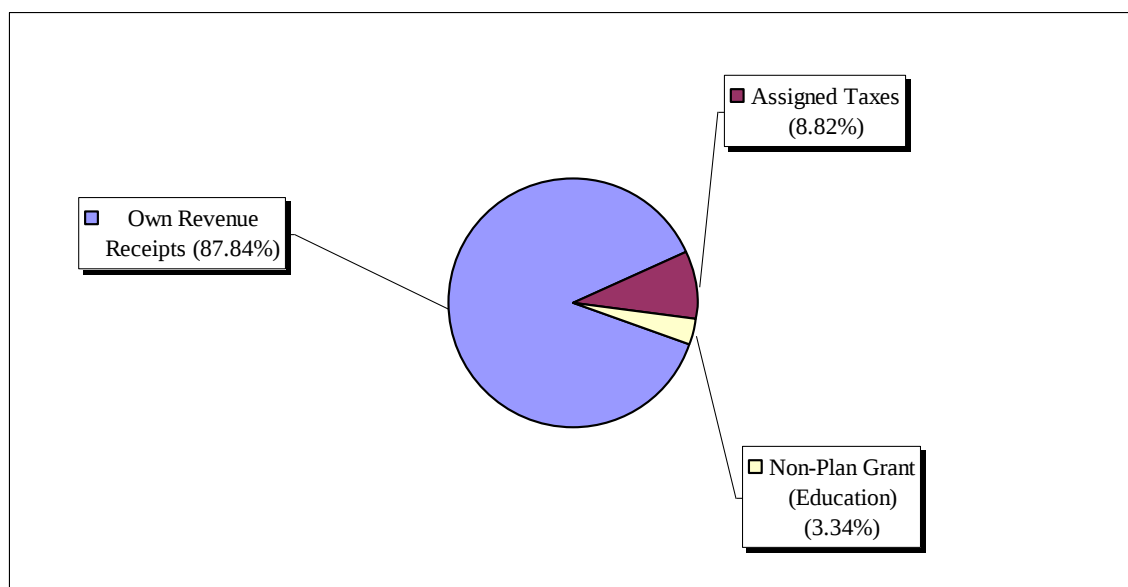
16.19 Figure 16.1 shows the total receipts structure of the Delhi Cantonment Board for the year 2004-2005.

Figure 16.1 Total receipt structure of the DCB for the year 2004-2005



- The percentage of own revenue receipts in total receipts declined from 90.15 percent (1994-1995) to 75.84 percent (2004-2005).
- Share of assigned taxes increased from 6.44 percent (1994-1995) to 18.03 percent (2004-2005).
- Non-plan grants for education increased to 6.14 percent (2004-2005) from 3.42 percent (1994-1995).

16.12 Figure 16.2 shows the total receipts structure of the Delhi Cantonment Board during the period 1994-1995 to 2004-2005.

Figure 16.2 Total receipt structure of DCB – 1994-1995 to 2004-2005

- Own revenue receipts formed a major part of total receipts i.e. 87.84 percent during the period and the assigned taxes were 8.82 percent. Non-plan grants were 3.34 percent of the total receipt during the period of eleven years.

16.20 Table 16.7 shows the absolute and percentage variation in various components of total receipts of the DCB over the previous year. The absolute variation in own resources has been in the range of minus Rupees 1062.95 lakh (2004-2005) to Rupees 2103.95 lakh (1999-2000). The percentage variation over previous year has ranged between minus 34.28 percent (2004-2005) to 78.46 percent (1999-2000).

Table: 16.7 – Absolute and percentage variation over previous year – 1994-1995 to 2004-2005 (Rs. in lakh)

Year	Own Revenue Receipts			Assigned Taxes			Non-plan Grants (Education)			Total Receipts		
	Actual	Absolute Change over Previous Year	Percentage Change over Previous Year	Actual	Absolute Change over Previous Year	Percentage Change over Previous Year	Actual	Absolute Change over Previous Year	Percentage Change over Previous Year	Actual	Absolute Change over Previous Year	Percentage Change over Previous Year
1994-1995	1583.02			113.00			60.00			1756.02		
1995-1996	1185.52	-397.50	-25.11	144.00	31.00	27.43	70.00	10.00	16.67	1399.52	-356.50	-20.30
1996-1997	1703.03	517.51	43.65	157.00	13.00	9.03	67.00	-3.00	-4.29	1927.03	527.51	37.69
1997-1998	2358.08	655.05	38.46	113.00	-44.00	-28.03	74.00	7.00	10.45	2545.08	618.05	32.07
1998-1999	2681.56	323.48	13.72	222.00	109.00	96.46	99.00	25.00	33.78	3002.56	457.48	17.98
1999-2000	4785.51	2103.95	78.46	276.00	54.00	24.32	117.00	18.00	18.18	5178.51	2175.95	72.47
2000-2001	4056.71	-728.80	-15.23	347.00	71.00	25.72	125.00	8.00	6.84	4528.71	-649.80	-12.55
2001-2002	3818.20	-238.51	-5.88	407.30	60.30	17.38	109.03	-15.97	-12.78	4334.53	-194.18	-4.29
2002-2003	3114.79	-703.41	-18.42	350.71	-56.59	-13.89	124.58	15.55	14.26	3590.08	-744.45	-17.17
2003-2004	3100.89	-13.90	-0.45	440.22	89.51	25.52	147.16	22.58	18.12	3688.27	98.19	2.74
2004-2005	2037.94	-1062.95	-34.28	484.37	44.15	10.03	164.88	17.72	12.04	2687.19	-1001.08	-27.14

- The absolute change in assigned taxes has been between minus Rupees 56.59 lakh (2002-2003) and Rupees 109.00 lakh (1998-1999). The percentage variation in assigned taxes ranged from minus 28.03 percent (1997-1998) to 96.46 percent (1998-1999).
- Absolute changes in non-plan grants have ranged between minus Rupees 15.97 lakh (2001-2002) to Rupees 25.00 lakh (1998-1999). The percentage variation in non-plan grants has ranged between minus 12.78 percent (2001-2002) and 33.78 percent (1998-1999).
- The absolute change in total receipts varied between minus Rupees 1001.08 lakh (2004-2005) to Rupees 2175.95 lakh (1999-2000). The percentage variation has been between minus 27.14 percent (2004-2005) and 72.47 percent (1999-2000).

16.21 Table 16.8 shows the absolute and percentage variation in service charges over the previous year and also the service charges as a percentage of various revenue parameters from 1994-1995 to 2004-2005.

Table 16.8 – Receipt from service charges as a percentage of various revenue parameters - 1994-1995 to 2004-2005 (Rupees in Lakh)

Year	Service Charges	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year	Total Non-Tax Revenue	Service Charges As a Percentage of Total Non-Tax Revenue	Own Revenue Receipt	Service Charges as a Percentage of Own Revenue Receipt	Total Receipts	Service Charges as a Percentage of Total Receipt
1994-1995	315.00			1570.00	20.06	1583.02	19.90	1756.02	17.94
1995-1996	591.00	276.00	87.62	1174.00	50.34	1185.52	49.85	1399.52	42.23
1996-1997	794.00	203.00	34.35	1689.00	47.01	1703.03	46.62	1927.03	41.20
1997-1998	1688.00	894.00	112.59	2347.00	71.92	2358.08	71.58	2545.08	66.32
1998-1999	1773.00	85.00	5.04	2661.00	66.63	2681.56	66.12	3002.56	59.05
1999-2000	3456.00	1683.00	94.92	4763.00	72.56	4785.51	72.22	5178.51	66.74
2000-2001	1517.00	-1939.00	-56.11	3708.00	40.91	4056.71	37.39	4528.71	33.50
2001-2002	2212.59	695.59	45.85	3787.45	58.42	3818.20	57.95	4334.53	51.05
2002-2003	1085.55	-1127.04	-50.94	3093.85	35.09	3114.79	34.85	3590.08	30.24
2003-2004	1236.28	150.73	13.89	2991.60	41.33	3100.89	39.87	3688.27	33.52
2004-2005	208.05	-1028.23	-83.17	1971.38	10.55	2037.94	10.21	2687.19	7.74

- The service charges in the Delhi Cantonment Board ranged between Rupees 208.05 lakh (2004-2005) to Rupees 3456.00 lakh (1999-2000). The service charges increased from Rupees 315.00 lakh (1994-1995) to Rupees 3456.00 lakh (1999-2000). The trend was disturbing thereafter and quickly declined to Rupees 208.05 lakh (2004-2005).
- The absolute variation over the previous year was between minus Rupees 1939.00 lakh (2000-2001) and Rupees 1683.00 lakh (1999-2000). The percentage variation was between minus 83.17 percent (2004-2005) to 112.59 percent (1997-1998).
- The service charges as a percentage of non-tax revenue were between 10.55 percent (2004-2005) and 72.56 percent (1999-2000).
- The service charges as a percentage of own revenue receipts were between 10.21 percent (2004-2005) and 72.22 percent (1999-2000). The receipts were more than 40 percent in six out of eleven years.
- The service charges as a percentage of total receipts were between 7.74 percent (2004-2005) to 66.74 percent (1999-2000). The receipt from service charges as a percentage of total receipt was more than 30 percent in nine out of eleven years.

16.22 Table: 16.9 shows the receipt of interest on investments as a percentage of various revenue parameters from 1994-1995 to 2004-2005.

Table 16.9- Receipt from Interest on Investment as a percentage of various revenue parameters - 1994-1995 to 2004-2005 (Rs. in Lakh)

Year	Interest on Investments	Absolute Variation in Actual over Previous Year	Percentage Variation in Actual over Previous Year	Total Non-Tax Revenue	Interest On Investment As a Percentage of Total Non-Tax Revenue	Own Revenue Receipt	Interest on Investment As a Percentage of Own Revenue Receipt	Total Receipts	Interest on Investment As a Percentage of Total Receipt
1994-1995	25.00			1570.00	1.59	1583.02	1.58	1756.02	1.42
1995-1996	125.00	100.00	400.00	1174.00	10.65	1185.52	10.54	1399.52	8.93
1996-1997	169.00	44.00	35.20	1689.00	10.01	1703.03	9.92	1927.03	8.77
1997-1998	190.00	21.00	12.43	2347.00	8.10	2358.08	8.06	2545.08	7.47
1998-1999	400.00	210.00	110.53	2661.00	15.03	2681.56	14.92	3002.56	13.32
1999-2000	784.00	384.00	96.00	4763.00	16.46	4785.51	16.38	5178.51	15.14
2000-2001	884.00	100.00	12.76	3708.00	23.84	4056.71	21.79	4528.71	19.52
2001-2002	912.22	28.22	3.19	3787.45	24.09	3818.20	23.89	4334.53	21.05
2002-2003	765.40	-146.82	-16.09	3093.85	24.74	3114.79	24.57	3590.08	21.32
2003-2004	950.00	184.60	24.12	2991.60	31.76	3100.89	30.64	3688.27	25.76
2004-2005	690.79	-259.21	-27.29	1971.38	35.04	2037.94	33.90	2687.19	25.71

- The receipts were Rupees 25.00 lakh (1994-1995), which increased to Rupees 690.79 lakh (2004-2005).
- The absolute variation in actual realizations over previous year was between minus Rupees 259.21 lakh (2004-2005) and Rupees 384.00 lakh (1999-2000). The percentage variation in actual over pervious year was between minus 27.29 percent (2004-2005) and 400.00 percent (1995-1996).
- The interest receipts as a percentage of non-tax revenue was between 1.59 percent (1994-1995) and 35.04 percent (2004-2005).
- The interest on investments as a percentage of own revenue receipts was between 1.58 percent (1994-1995) and 33.90 percent (2004-2005).
- The interest on investments as a percentage of total receipts was between 1.42 percent (1994-1995) and 25.76 percent (2003-2004).

16.23 Table 16.10 shows the absolute and percentage variation in actual expenditure over the previous year and over average expenditure from 1994-1995 to 2004-2005.

Table 16.10- Absolute and percentage variation over previous year in actual expenditure/ average - expenditure 1994-1994 to 2004-2005. (Rupees in Lakh)

Year	Actual Expenditure	Absolute Variation over Previous Year	Percentage Variation over Previous Year	Average Expenditure	Absolute Variation over Average Expenditure	Percentage Variation over Average Expenditure
1994-1995	625.00			1232.46	-607.46	-49.29
1995-1996	636.00	11.00	1.76	1232.46	-596.46	-48.40
1996-1997	775.00	139.00	21.86	1232.46	-457.46	-37.12
1997-1998	905.00	130.00	16.77	1232.46	-327.46	-26.57
1998-1999	1086.00	181.00	20.00	1232.46	-146.46	-11.88
1999-2000	1338.00	252.00	23.20	1232.46	105.54	8.56
2000-2001	1520.00	182.00	13.60	1232.46	287.54	23.33
2001-2002	1121.87	-398.13	-26.19	1232.46	-110.59	-8.97
2002-2003	1381.38	259.51	23.13	1232.46	148.92	12.08
2003-2004	1549.40	168.02	12.16	1232.46	316.94	25.72
2004-2005	2619.46	1070.06	69.06	1232.46	1387.00	112.54

- The actual expenditure ranged from Rupees 625.00 lakh (1994-1995) to Rupees 2619.46 lakh (2004-2005). The actual expenditure decreased from Rupees 1520.00 lakh (2000-2001) to Rupees 1121.87 lakh (2001-2002).
- The absolute variation in total expenditure over previous year has been from minus Rupees 398.13 lakh (2001-2002) to Rupees 1070.06 lakh (2004-2005). Percentage variation in total expenditure has been from minus 26.19 percent (2001-2002) to 69.06 percent (2004-2005).
- The annual average expenditure during the period 1994-1995 to 2004-2005 has been Rupees 1232.46 lakh. The actual expenditure has been below the annual average expenditure in six out of eleven years and more than the annual average expenditure in the remaining years. Absolute variation over average expenditure has been from minus Rupees 607.46 lakh (1994-1995) to Rupees 1387.00 lakh (2004-2005).
- The percentage variation over average expenditure has been from minus 49.29 percent (1994-1995) to 112.54 percent (2004-2005).

16.24 Table 16.11 shows various components of expenditure from the year 1994-1995 to 2004-2005.

Table 16.11 – Various components of total expenditure - 1994-1995 to 2004-2005 (Rs. in lakh)

Year	General Admn.	Collection of Revenue	Original Works	Maintenance & Repair	Public Safety & Conveyance	Hospital & Dispensaries
1	2	3	4	5	6	7
1994-1995	18.00	4.00	127.00	67.00	51.00	70.00
1995-1996	20.00	6.00	38.00	106.00	57.00	78.00
1996-1997	22.00	7.00	123.00	127.00	64.00	70.00
1997-1998	27.00	8.00	61.00	136.00	87.00	97.00
1998-1999	34.00	10.00	90.00	140.00	127.00	109.00
1999-2000	44.00	16.00	199.00	188.00	174.00	118.00
2000-2001	37.00	11.00	349.00	209.00	160.00	131.00
2001-2002	42.00	12.62	48.62	293.28	160.86	147.03
2002-2003	52.43	12.91	32.22	435.84	226.72	146.84
2003-2004	52.83	12.12	17.55	560.04	246.93	150.21
2004-2005	51.90	13.29	236.18	414.18	269.26	168.77
Total	401.16	112.94	1321.57	2676.34	1623.77	1285.85

Various components of total expenditure – 1994-1995 to 2004-2005 (Contd.)

Year	Latrines, Water Drainage	Water Supply	Education	Service Funds	Pension	Misc.	Advances & Deposits	Total Expenditure
-	8	9	10	11	12	13	14	15
1994-1995	157.00	13.00	83.00	1.00	13.00	3.00	18.00	625.00
1995-1996	186.00	14.00	93.00	1.00	23.00	3.00	11.00	636.00
1996-1997	194.00	15.00	105.00	1.00	32.00	3.00	12.00	775.00
1997-1998	270.00	19.00	133.00	1.00	45.00	5.00	16.00	905.00
1998-1999	299.00	23.00	157.00	1.00	67.00	4.00	25.00	1086.00
1999-2000	315.00	29.00	171.00	0.00	58.00	7.00	19.00	1338.00
2000-2001	331.00	31.00	164.00	1.00	60.00	17.00	19.00	1520.00
2001-2002	43.19	30.82	183.50	0.23	96.70	13.18	49.84	1121.87
2002-2003	49.62	35.18	220.95	0.19	119.97	15.76	32.75	1381.38
2003-2004	39.13	37.90	203.97	0.32	132.34	16.40	79.66	1549.40
2004-2005	43.74	29.10	198.72	0.15	158.86	1003.34	31.97	2619.46
Total	1927.68	277.00	1713.14	6.89	805.87	1090.68	314.22	13557.11

- The expenditure on general administration was Rupees 18.00 lakh (1994-1995), which increased to Rupees 51.90 lakh (2004-2005). The percentage increase in expenditure over the period was 188.33 percent.

- The expenditure on collection of revenue was in the range of Rupees 4.00 lakh (1994-1995) to Rupees 13.29 lakh (2004-2005) registering an increase of 232.25 percent.
- The expenditure on original works ranged from Rupees 38.00 lakh (1995-1996) to Rupees 349.00 lakh (2000-2001).
- The expenditure on maintenance and repair was between Rupees 67.00 lakh (1994-1995) to Rupees 560.04 lakh (2003-2004).
- The expenditure on public safety and conveyance was Rupees 51.00 lakh (1994-1995), which increased to Rupees 269.26 lakh (2004-2005). The growth in expenditure during the period was 427.96 percent.
- The expenditure on hospitals and dispensaries was between Rupees 70.00 lakh (1994-1995) and Rupees 168.77 lakh (2004-2005). The growth in expenditure during the period was 141.10 percent.
- The expenditure on latrines and drainage was Rupees 157.00 lakh (1994-1995) and declined to Rupees 43.74 lakh (2004-2005). The minimum expenditure was Rupees 39.13 lakh (2003-2004) and maximum was Rupees 331.00 lakh (2000-2001). The expenditure on latrines and drainage was very low in the last four years.
- The expenditure on water supply was in the range of Rupees 13.00 lakh (1994-1995) to Rupees 29.10 lakh (2004-2005) registration growth of 123.84 percent over the period. The maximum expenditure was Rupees 37.90m lakh (2003-2004)
- The expenditure on education was between Rupees 83.00 lakh (1994-1995) and Rupees 198.72 lakh (2004-2005). The maximum expenditure on education was Rupees 220.95 lakh (2002-2003).
- The expenditure on Service Funds, which was Rupees 1.00 lakh (1994-1995) decreased to Rupees 0.15 lakh (2004-2005).
- The expenditure on pension has substantially increased from Rupees 13.00 lakh (1994-1995) to Rupees 158.86 lakh (2004-2005).
- The miscellaneous expenditure has been in the range of Rupees 3.00 lakh (1994-1995) to Rupees 7.00 lakh (1999-2000) and was between Rupees 13.00 lakh to Rupees 17.00 lakh (2000-2001 to 2003-2004). The expenditure was highest at Rupees 1003.34 lakh (2004-2005). The reason for this sudden increase is not known.

16.25 Table 16.12 depicts revenue surplus of DCB during 1994-1995 to 2004-2005.

Table 16.12 – Revenue surplus of DCB during –1994- 1995 to 2004-2005

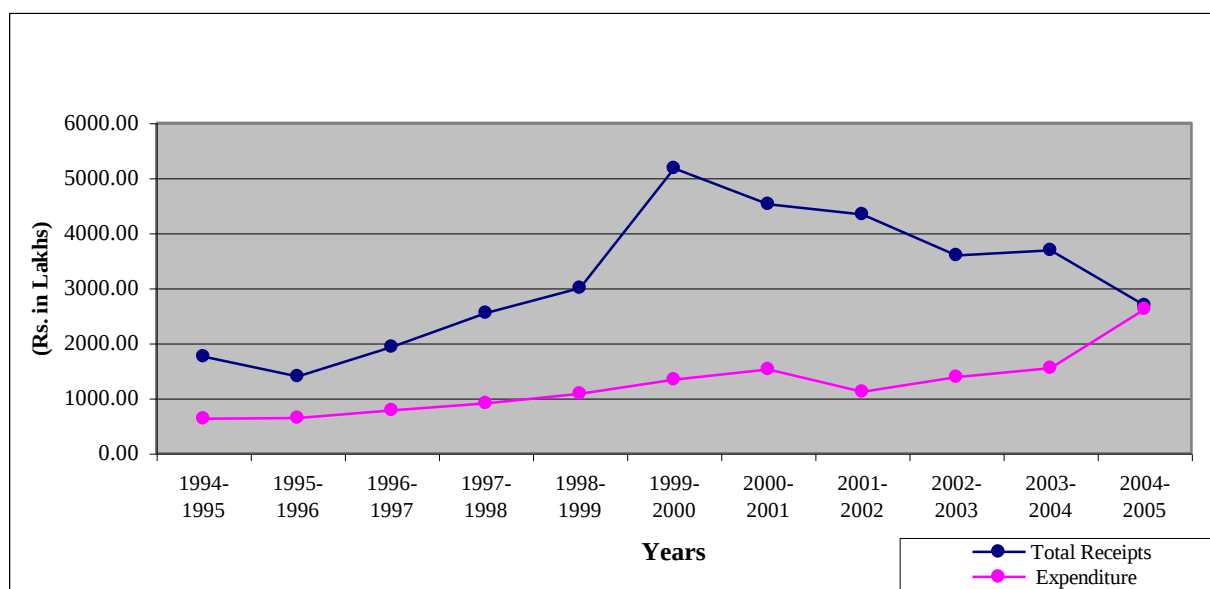
Year	Total Receipts	Total Expenditure	Revenue Surplus/Gap based on Total Receipt (Col 2-3)
1	2	3	4
1994-1995	1756.02	625.00	1131.02
1995-1996	1399.52	636.00	763.52
1996-1997	1927.03	775.00	1152.03
1997-1998	2545.08	905.00	1640.08
1998-1999	3002.56	1086.00	1916.56
1999-2000	5178.51	1338.00	3840.51
2000-2001	4528.71	1520.00	3008.71
2001-2002	4334.53	1121.87	3212.66
2002-2003	3590.08	1381.38	2208.70
2003-2004	3688.27	1549.40	2138.87
2004-2005	2687.19	2619.46	67.73
Total	34637.50	13557.11	2180.39

- Revenue surplus in the year 1994-1995 was Rupees 1131.02 lakh which increased to Rupees 3840.51 lakh (1999-2000). Thereafter there has been a continuous decline in the revenue surplus and it was only Rupees 67.73 lakh in the year 2004-2005.

16.26 Figure 16.3 shows total receipts and total expenditure of DCB during the period from 1994-1995 to 2004-2005.

- The graphic shows there was no specific trend in total receipts. The receipts were at their peak in 1999-2000 and declined thereafter.
- The expenditure was more or less stable.

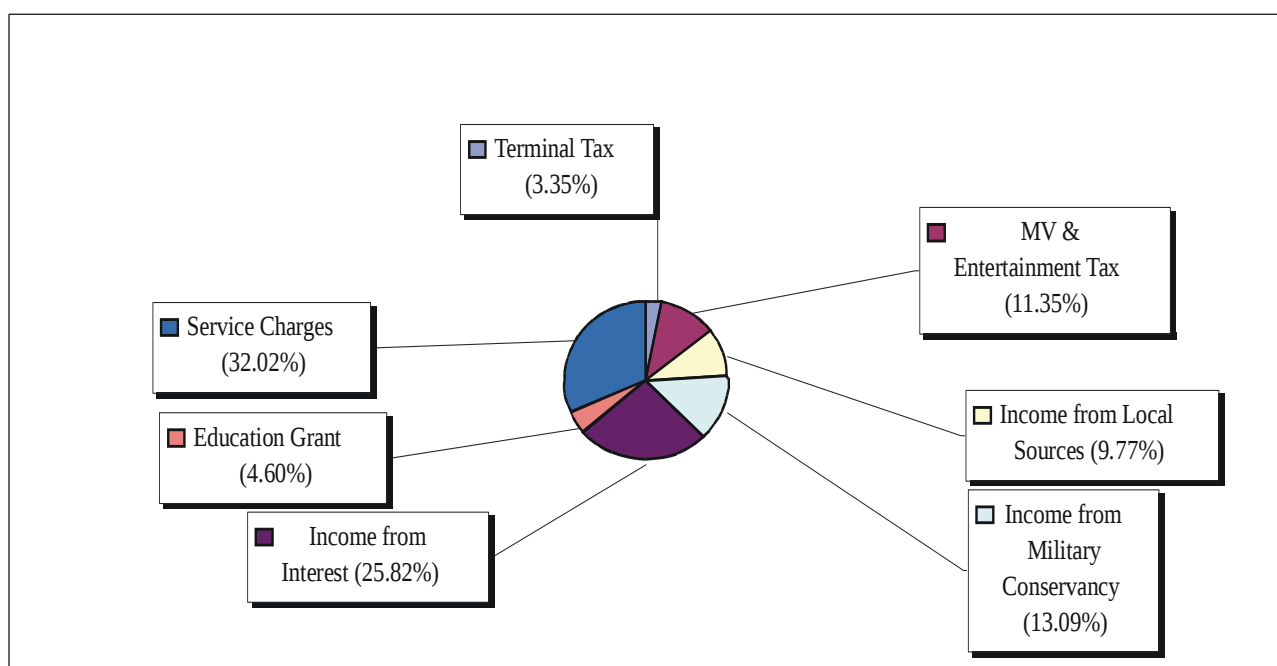
Figure: 16.3 – Total receipt and total expenditure of DCB during 1994-1995 to 2004-2005



**Projections:
Past Trends
and Future
Needs**

16.27 Figure 16.4 depicts the percentage share of total revenues from various sources for the period 2001-2002 to 2005-2006. Figure 16.4 depicts the percentage share of total revenues from various sources for the period 2001-2002 to 2005-2006.

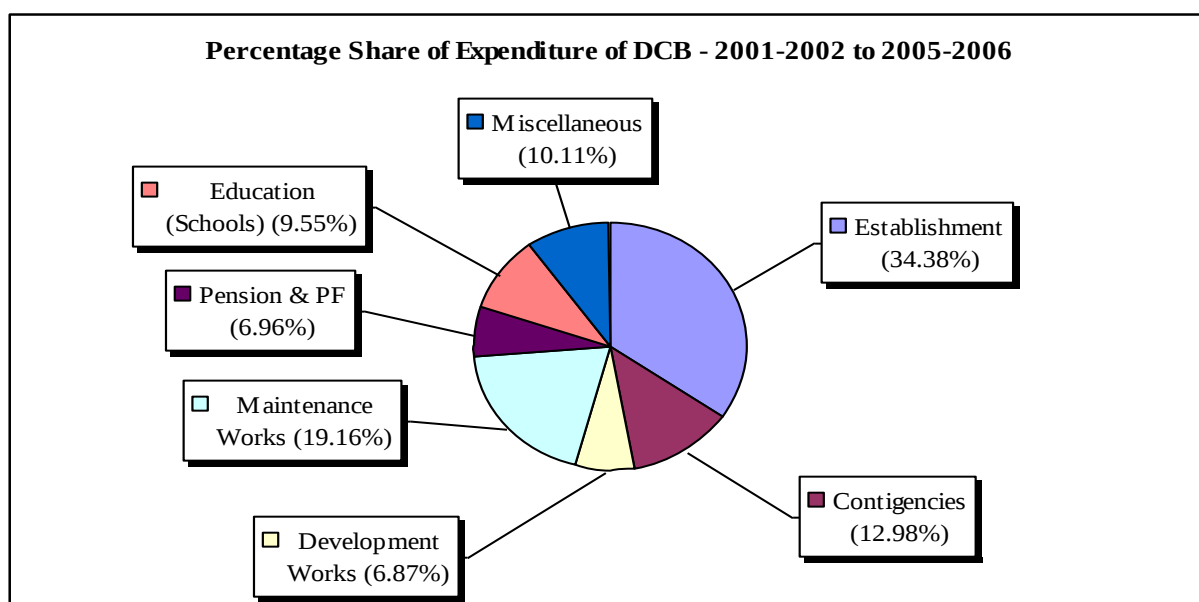
Figure: 16.4- percentage share of total revenues from various sources for the period 2001-2002 to 2005 -2006 Error!



- The data confirm that the DCB had a surplus in all the years except in 2004-2005.
- Total receipts during the period 2001-2002 to 2005-2006 were to the tune of Rupees 15615.29 lakh and the total expenditure in this period was Rupees 10646.02 lakh, leaving an overall surplus of Rupees 4969.27 lakh.
- Revenues from service charges have declined. In 2001-2002 the receipts from service charges were Rupees 2212.59 lakh. It declined to Rupees 1085.54 lakh in 2004-2005 and to Rupees 208.05 lakh in 2004-2005. In 2005-2006 it recovered slightly and was Rupees 258.05 lakh.
- Income from military conservancy has been on the increase. It increased from Rupees 298.33 lakh (2001-2002) to Rupees 769.26 lakh (2005-2006). In other years, with the exception of 2004-2005, the revenues have an upward trend.
- Interest income has displayed a mixed trend. It has increased as well as decreased during the five year period. Despite the ups and downs, the fact is that interest income constitutes a major source of revenues. It is second only to service charges. Indeed, in the five year period total income from interest was Rupees 40.32 crore. This implies that the annual average income from this source is more than Rupees 8.00 crore.
- The DCB is clearly depending on interest income quite substantially. This is not likely to be a stable source of revenues and the DCB needs to pursue proposals for the revision of existing tax and non-tax revenues more actively.
- The total receipts were the lowest in 2004-2005. This is the year in which expenditure was the highest and also the only year in which there has been a deficit of Rupees 1341.72 lakh.

16.28 Figure 16.5 reveals the expenditure pattern in the DCB. The total expenditure has increased from Rupees 1374.14 lakh in 2001-2002 to Rupees 2658.65 lakh (2005-2006). In the intervening years the total expenditure reached a peak of Rupees 2981.33 lakh in 2004-2005.

Figure: 16.5- percentage share of total revenues from various sources for the period 2001-2002 to 2005-2006



- The composition of expenditure reveals that there was an abnormal increase in expenditure on 'miscellaneous items' in 2004-2005. It increased from Rupees 16.39 lakh (2003-2004) to Rupees 1003.34 lakh (2004-2005) as shown in Table 16.13

Table: 16.13-.Receipt & Expenditure of Delhi Cantonment Board - 20001-2002 to 2005-2006 (Rs. in Lakh)

S.No.	Item	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total
	Receipt						
	Share From Delhi Govt.						
1	Terminal Tax	96.80	95.00	100.00	110.00	121.00	522.80
2	MV & Entertainment Tax	310.50	335.00	340.22	374.37	411.65	1771.74
	One Revenue Receipt						
3	Income from Local Sources	64.65	66.74	203.79	125.17	1065.01	1525.36
4	Income from Military Conservancy	298.33	365.00	602.16	9.82	769.26	2044.57
5	Income from Interest	912.22	765.40	950.00	690.79	713.59	4032.00
6	Education Grant	81.50	126.55	178.26	121.41	210.59	718.31
7	Service Charges	2212.59	1085.54	1236.28	208.05	258.05	5000.51
	Total	3976.59	2839.23	3610.71	1639.61	3549.15	15615.29
	Expenditure						
1	Establishment	626.46	682.46	857.87	720.47	772.51	3659.77
2	Contingencies	140.92	240.23	146.38	284.63	569.65	1381.81
3	Development Works	48.62	32.22	17.55	236.18	396.55	731.12
4	Maintenance Works	260.52	403.98	535.24	380.14	459.98	2039.86
5	Pension & PF	94.53	119.04	130.41	157.85	239.12	740.95
6	Education (Schools)	183.50	222.37	205.90	198.72	205.98	1016.47
7	Miscellaneous	19.59	21.86	16.39	1003.34	14.86	1076.04
	Total	1374.14	1722.16	1909.74	2981.33	2658.65	10646.02
	Revenue Gap/Surplus	2602.45	1117.07	1700.97	-1341.72	890.50	4969.27

16.29 Table 16.14 depicts the outstanding demand against service charges raised by the DCB in the period 1982 to 2007. The outstanding demand has been calculated on the basis of data furnished by the DCB with regard to the year wise demands raised and the amounts received.

- The demand in the period 1982 to 1985 was Rupees 21.96 crore. It was Rupees 7.32 crore per annum from 1985-1986 to 1989-1990. In 1990-1991 and 1991-1992 it was Rupees 6.92 crore annually. It was around Rupees 31.00 crore in the period from 1993-1994 to 2003-2004. Then suddenly the demand increased to Rupees 217.87 crore in 2004-2005 and finally the demand was for Rupees 214.17 crore in 2005-2006 and 2006-2007.
- Against this the total outstanding demand for the period of 25 years is Rupees 926.60 crore. The DCB needs to take action for recovering the outstanding amount.

Table: 16.14-Details of Outstanding Service Charges - Delhi Cantonment Board(Rs. in lakh)

Year	Opening Balance	Demand	Total	Amount Received	Closing Balance
1982 - 1985	0.00	2196.35	2196.35	336.61	1859.74
1985-1986	1859.74	732.12	2591.86	11.97	2579.89
1986-1987	2579.89	732.12	3312.01	74.13	3237.88
1987-1988	3237.88	732.12	3970.00	154.13	3815.87
1988-1989	3815.87	732.12	4547.99	217.03	4330.96
1989-1990	4330.96	732.12	5063.08	193.05	4870.03
1990-1991	4870.03	692.07	5562.10	831.00	4731.10
1991-1992	4731.10	692.07	5423.17	0.00	5423.17
1992-1993	5423.17	3419.41	8842.58	94.85	8747.73
1993-1994	8747.73	3117.28	11865.01	331.74	11533.27
1994-1995	11533.27	3117.28	14650.55	289.53	14361.02
1995-1996	14361.02	3117.28	17478.30	566.03	16912.27
1996-1997	16912.27	3118.09	20030.36	785.17	19245.19
1997-1998	19245.19	3118.09	22363.28	1675.18	20688.10
1998-1999	20688.10	3117.18	23805.28	1760.66	22044.62
1999-2000	22044.62	3117.18	25161.80	3443.10	21718.70
2000-2001	21718.70	3117.18	24835.88	1517.18	23318.70
2001-2002	23318.70	3117.18	26435.88	2205.39	24230.49
2002-2003	24230.49	3117.18	27347.67	1076.45	26271.22
2003-2004	26271.22	3117.18	29388.40	900.00	28488.40
2004-2005	28488.40	21787.23	50275.63	200.00	50075.63
2005-2006	50075.63	21417.05	71492.68	250.00	71242.68
2006-2007	71242.68	21417.05	92659.73	0.00	92659.73

16.30 Table 16.15 provides details of the projected revenue and expenditure during the period 2006-2007 to 2010-2011. The revenues have been projected at

Rupees 156.15 crore and the expenditure at Rupees 209.59 crore. This makes for a resource gap of Rupees 53.44 crore.

- Out of the total projected expenditure the normal expenditure is Rupees 125.00 crore and the balance of Rupees 84.59 crore is for specific projects and programs such as city center (Rupees 20.00 crore), airport support service center (Rupees 20.00 crore), remodeling of various major roads (Rupees 18 crore), and a 100 bed hospital (Rupees 10.00 crore).
- Some of the proposed expenditure is in the urban villages and bazaar areas. This expenditure presumably would service the civilian population

Table: 16.15-The expansion plan of Delhi Cantonment Board for the next five years 2006-2007 to 2010-2011

S.No.	Items	Rupees in lakh
1	City Centre	2000.00
2	100 bedded hospital	1000.00
3	Water treatment plants	500.00
4	Airport support service center	2000.00
5	Remodeling of various major roads	1800.00
6	Community centre at Jharera	100.00
7	Reconstruction of Model School Sadar Bazar	300.00
8	Reconstruction of CB Schools, Mehram Nagar and Village Old Nangal	500.00
9	Construction of Sub-way at Station Road	59.00
10	Construction of Departmental Store, Library at Sadar Bazar	200.00
	Total Projected Expenditure	8459.00
11	Normal cost of establishment, school, hospital and routine contingencies, stores and maintenance works	12500.00
	Total	20959.00
	Projected Revenue Receipts in Five years 2006-2007 to 2010-2011	Rupees in lakh
1	Terminal Tax	522.80
2	MV & Entertainment Tax	1771.75
3	Income from local sources	1525.36
4	Income from Military conservancy	2044.57
5	Income from interest	4032.00
6	Education Grant	718.30
7	Service Charges	5000.52
	Total Projected Receipts	15615.30
	Projected Revenue Gap	-5343.70

16.31 The DCB is a relatively small player in the urban affairs of the NCT. The first Finance Commission concluded that the DCB did not fall within the purview of the Commission's work, although under the present scheme of sharing of revenues the DCB has been kept at par with the MCD and the NDMC in being allocated a share in the proceeds of the assigned taxes. The DCB does not qualify as a 'municipality' because it does not meet the criteria laid down in Part IX A of the Constitution and is a body functioning directly under the control of the Ministry of Defence.

16.32 The second Finance Commission made no special observations about the DCB. The state government in the Memorandum submitted to this Commission has taken the position that, 'in terms of article 243P of the Constitution of India, DCB does not qualify to be a municipal body and as such it is not entitled to be covered in the scheme of devolution of funds of a Finance Commission.' We shall revert to this aspect in the chapter dealing with analysis and assessments.