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Ministry of Finance
Government of India

Classification of Government Transactions

Report of the Expert Group Constituted to Review the Classification System for Government Transactions

JULY 2004

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Preface

The Expert Group wishes to place on record its appreciation for the co-operation extended by the office of the Controller General of Accounts, Ministry of Finance, Government of India, for technical and administrative assistance, and the National Institute of Public Finance & Policy for its research on the issue of gender budgeting in India.

Ashok Lahiri
Chief Economic Advisor
Government of India

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Executive Summary

A need has been felt for quite some time to review the present classification of government transactions to evolve a system better suited to display the nature and objective of Government expenditure harmonising budgetary, accounting and economic classification and introduce gender budgeting.

With these objectives in mind, the Government constituted an Expert Group to:

1. Review the existing norms for classification of expenditure between capital and revenue and suggest improvements with a view to reflecting a true and fair view of Government Accounts;
2. Examine the feasibility of and suggest the general approach to gender budgeting and economic classification; and
3. Suggest improvements in the current system for harmonising budgetary, accounting and economic classification.

The Expert Group had representation from the Comptroller & Auditor General of India; Office of the Controller General of Accounts, Ministry of Finance, Government of India; Budget Division, Ministry of Finance, Government of India; and three State Governments.

The Expert Group, pursuant to this Government of India decision, has prepared this report. The report is organized in three parts. Part I contains the main report of the Group and the Group's recommendations. Part II contains the detailed reports of the Sub-Group on introduction of gender budgeting and Part III contains the Sub-Group's report on introduction of a multidimensional classification structure.

On the issue of classification of government expenditure between revenue and capital, the Expert Group is of the opinion that the current norms for distinguishing revenue and capital expenditures are based on sound accounting principles and are in line with the international practice. It is important to recognize that the Union Government as transferor and states as transferee are two different accounting entities and while a grant from the former to the latter may result in the creation of a national asset(s), it is the ownership of assets that decides whether the expenditure is treated as capital or revenue expenditure. In our view, an expenditure can be classified as capital if it results in creation of assets that are controlled by the entity incurring the expenditure and that are likely to serve the entity over several accounting cycles.

For the sake of disclosure, however, such transfers that are meant for capital expenditure by the transferee may be classified as “Capital Grants” under the Revenue Section in the books of the transferor.

Though there is no presently known evidence of classification of transfer payments as capital expenditure by any government internationally, the Group is aware that a similar debate is currently underway in the UK Treasury. The Group, therefore, recommends that this issue may be kept alive and reviewed in the future based on international developments in the area.

On the issue of gender budgeting, the Expert Group is of the view that budgetary policies can have differential impacts across genders due to the systemic differences between men and women in relation with the economy. The Group favours a gender-sensitive budget aimed at examining budgetary allocations through a gender lens. The Group recommends a dissection of the budget to translate gender commitments into budgetary commitments with a view to ensure effective targeting of public spending.

The Group recommends setting up of a Gender Budgeting Directorate (GBD) in the Department of Expenditure, Ministry of Finance and an Inter-Departmental Committee chaired by Secretary (Expenditure), Ministry of Finance with Secretary, Department of Woman & Child Development (WCD) as one of its members. Secretarial support to the Interdepartmental Committee may be provided by the Department of Expenditure.

The Group also recommends adoption of the six analytical matrices designed by the Sub-Group (Appendix – II of the Sub-Group Report) for data collation and representation in the budget documents.

Acknowledging the countrywide importance of the subject, the Group recommends pilot introduction of gender budgeting in one of the States on similar lines. The state of Karnataka may be chosen for this purpose.

The Group also recommends that the Government may undertake periodical benefit-incidence analysis of its programmes/schemes to assess their impact on the targeted beneficiaries.

On the issue of harmonization of different classification systems, the Group recommends adoption of a multidimensional classification structure with linkages between the accounting classification and standard international classification systems such as Government Finance Statistics (GFS) and System of Nationla Accounts (SNA). The multidimentional structure may be tested on a pilot-cum-parallel-run basis in the Ministries of Education and Health in the Union Government for its suitability to Government information requirement.

Background

The task of any classification system is to identify basic similarities in government operations and organise individual transactions into relatively homogeneous categories, which can provide some meaningful information on the nature, composition and impact of these transactions. The objective is to facilitate analysis and decision-making. The classification of government accounts reflects the needs of the time.

The current structure of the budget and accounting classification was introduced in 1974. It replaced the previously followed organization-based classification of transactions with a function-and programme-based classification. A major effort to harmonise the classification of plan schemes with the accounting classification was attempted in 1987; and a rationalisation of object heads was carried out in 1994. Though the classification system has evolved with the needs of the time, its basic structure has remained more or less the same for over a quarter of a century.

One of the major areas of concern has been the treatment accorded to transfer payments, which are bunched together as Grants-in-Aid in the books of accounts without assignment to any function or programme. In a federal setup such as ours, such payments constitute a significant portion of the total expenditure of the Union Government. Such payments are recorded as revenue expenditure of the Government, irrespective of whether the funds are utilized for asset creation or not. Thus, the distribution of government expenditure into revenue and capital shown by the accounts cannot always be taken as a measure of the developmental expenditure undertaken by the Government.

The then Secretary (Expenditure), Shri D C Gupta had very succinctly observed that:

"These grants are given to the State Governments and other autonomous bodies, and in the Government of India accounts, they are shown as revenue expenditure whereas ultimately the funds might be utilised for capital expenditure by the respective agencies which will be reflected in their accounts……. Overall, (on account of this) it will appear that about 60 percent of the Plan expenditure and 90 percent of Non-Plan expenditure is revenue in nature which, ordinarily would not provide returns in financial terms."

Accordingly, a need was felt to review the present classification system to evolve a system better suited to display the nature and objective of Government expenditure harmonising budgetary, accounting and economic classification. It was also felt that the emerging areas of classification of Government spending like Gender Budgeting could also be included as a part of this review.

With these objectives in mind, the Government constituted an Expert Group to:

1. Review the existing norms for classification of expenditure between capital and revenue and suggest improvements with a view to reflecting a true and fair view of Government Accounts;
2. Examine the feasibility of and suggest the general approach to gender budgeting and economic classification; and
3. Suggest improvements in the current system for harmonising budgetary, accounting and economic classification.

The Expert Group had representation of the Comptroller & Auditor General of India; Office of the Controller General of Accounts, Ministry of Finance, Government of India; Budget Division, Ministry of Finance, Government of India and three State Governments. The members of the Expert Group were: -

1.	Dr. Ashok K. Lahiri Chief Economic Adviser Ministry of Finance Government of India	Chairman
2.	Smt. Aruna Makhan Controller General of Accounts Ministry of Finance Government of India (Since retired)	Member
3.	Sh. D. Swarup Additional Secretary (Budget) Ministry of Finance Government of India (Presently Secretary Expenditure)	Member
4.	Principal Finance Secretary Government of Uttar Pradesh	Member
5.	Principal Finance Secretary Government of Andhra Pradesh	Member
6.	Principal Finance Secretary Government of Karnataka	Member
7.	Representative of the C&AG in the rank of Principal AG	Member

8. Sh. M. J. Joseph — Member Secretary
Joint Controller General of Accounts
Department of Expenditure
Ministry of Finance
Government of India

The office order constituting the Expert Group, its membership and terms of reference is placed at Annex "A".

The office of the Controller General of Accounts provided the technical and secretarial assistance to the Expert Group.

This report has been prepared by the Expert Group pursuant to this GOI decision. The report is organised in three parts. Part I contains the main report of the Group and the Group's recommendations on each of the terms of reference, namely classification of expenditure between revenue and capital, gender budgeting, and harmonising budgetary, accounting and economic classification. Part II contains detailed reports of the Sub-Group on introduction of gender budgeting, and Part III contains the Sub-Group's report on introduction of a multidimensional classification structure.

The recommendations contained in this report are the culmination of several rounds of discussions among the Group members between September 2003 and January 2004, consultations with professional agencies like the National Institute of Public Finance & Policy (NIPFP), and the World Bank and in-depth study of specific issues of gender budgeting and multidimensional classification by the two Sub-Groups.

Classification of Expenditure between Revenue & Capital

Need for Distinction

The Constitution requires revenue and capital expenditures to be shown separately in the budget. Article 112 (2) requires that "*The estimates of expenditure embodied in the annual financial statement shall show separately – (a) the sums required to meet expenditure described by this Constitution as expenditure charged upon the Consolidated Fund of India; and (b) the sums required to meet other expenditure proposed to be made from the Consolidated fund of India, and <u>shall distinguish expenditure on revenue account from other expenditure</u>.*"

The same provision is repeated under Article 202 under the State Section.

The Team of Reforms in the Structure of Budget & Accounts, headed by the then Dy. Comptroller & Auditor General, Sh. Mukherjee noted in its report of 1972,

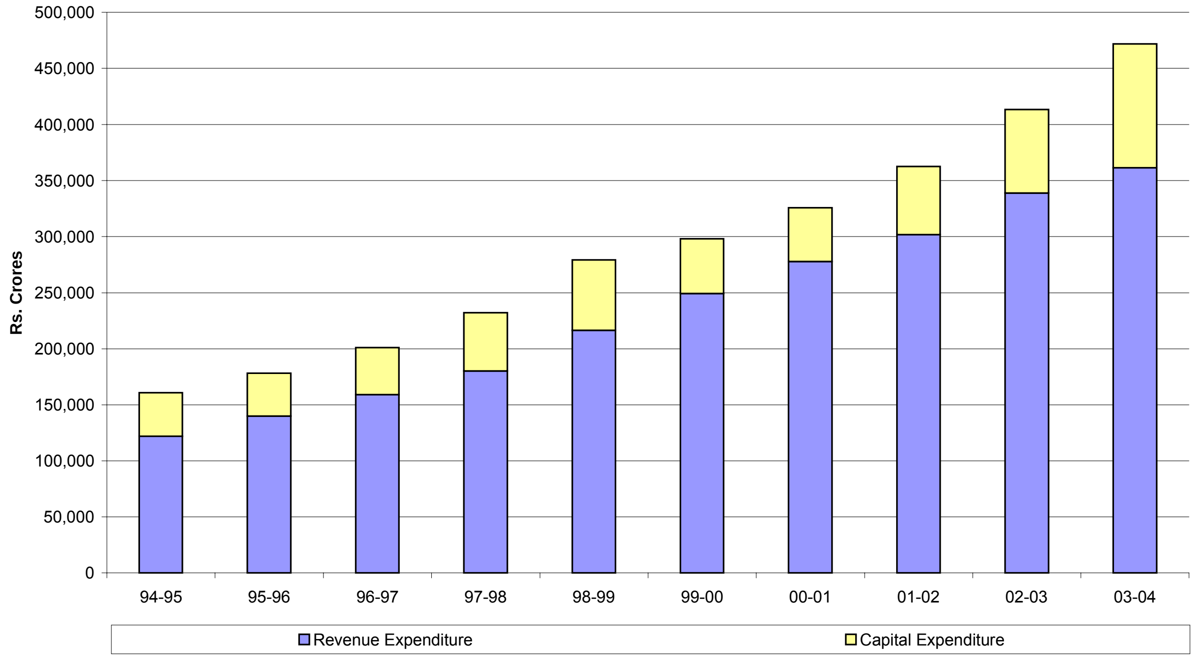
"Article 112 & 202 of the Constitution which envisage distinguishing in budget, expenditure on revenue account from other expenditure, we cannot completely give up the distinct exhibition of expenditure on revenue and capital accounts, even though this distinction leads to dispersal of programme costs in budget and accounts."

The distinction between revenue and capital expenditures not only is a constitutional requirement but also an essential ingredient for policy formulation and efficient resource allocation. The recently enacted Fiscal Reforms and Budget Management Act 2003 highlights the significance of keeping the revenue expenditure under control and envisages elimination of the revenue deficit by the end of 2007-08.

Problems in Classification

The expenditure pattern for the Union Government reveals a heavy revenue or current component despite the fact that a sizeable chunk of some of this component may be creating tangible assets. The position for the period 1995-96 to 2003-04 reveals that, on an average, revenue expenditure constitutes 80 per cent of the total expenditure for the Government of India.

Union Government Expenditure



The Expert Group noted that often expenditure classified as revenue or current expenditure may eventually lead to the creation of tangible assets. For example, payments against cess collected on coal dispatches under Major Head 2803 – Coal & Lignite is classified as revenue expenditure. But, it is ultimately used for the development of transportation infrastructure in coal-field areas. Moreover, transfers to State Governments/Union Territory Governments from the Centre are classified as Revenue Expenditure, even though all of it is not used to fund recurrent expenditure by the grantees and a significant portion may be utilized for creation of capital assets. The same holds true for State Governments vis-a-vis local bodies.

In such a situation, it may be argued that the revenue-capital distribution of government's expenditure shown in the accounts does not present a fair picture of the Government's budgetary allocation towards capital expenditure in the final analysis.

Principles of Classification

The existing practice of classification between revenue and capital is based on the criteria laid down by the Team of Reforms in the Structure of Budget & Accounts (Mukherjee Committee) in its report of 1972, which defined capital expenditure as "*Expenditure on acquisition of assets of material and permanent character. Expenditure on extinguishing recurring liability is also treated as capital expenditure but the latter is usually written* *back to revenue over a period of years.*[1]*"* The Mukherjee Committee also observed, *"Expenditure on assets which do not vest in Government is not treated as capital expenditure."*

The General Financial Rules (GFR) and the Government Accounting Rules also define capital expenditure as "*Expenditure incurred with the object of increasing concrete assets of a material and permanent character*[2]*".* Note 1 below GFR 291(1) ibid further states that *"Expenditure on a temporary asset or on Grants-in-aid cannot ordinarily be considered as a Capital expenditure".* The use of word "ordinarily" in the Note 1 below GFR 291(1) was perhaps intended to provide for deviation from the rule in specific cases, if considered necessary[3].

Thus, the key issue before the Export Group was whether such transfer payments that are meant for asset creation can be classified as capital expenditure in the books of the transferor.

In this connection it would be worth looking at what constitutes an asset. The International Public Sector Accounting Standards (IPSAS) of the International Federation of Accountants (IFAC) defines an asset as the *"Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity".*

As can be seen, the emphasis has been placed on **control of resources and future economic benefits or service potential;** the latter has been clarified as "*Assets provide a means for entities to achieve their objectives. Assets that are used to deliver goods and services in accordance with an entity's objectives but which do not directly generate net cash inflows are often described as embodying "service potential". Assets that are used to generate net cash inflows are often described as embodying "future economic benefits"*[4]*".*

The Government Financial Statistics (GFS) Manual of IMF clearly states that two core elements of an asset are **ownership rights** and **deriving of economic benefits** by holding or using these assets over a period of time. "*The assets included in the Balance Sheet of the general government sector are assets over which general government units enforce ownership rights and from which they may derive economic benefits by holding or using them over a period of time. Assets not owned and controlled by a general government unit and assets that have no economic value are*

[1] Para 3.15.1, Classification of Government Transactions in Accounts & Plan, Second Report of the Team on Reforms in the Structure of Budget and Accounts, 1972
[2] Rule 291(1), General Financial Rules
[3] Group noted that there is no known precedent of use of this provision for classification of grants as capital expenditure. The Group also tried to identify some cases that could be classified capital using this provision but could not come across a single instance where it could be used.
[4] IPSAS 1, International Federation of Accountants

excluded[5].” Though the IMF manual refers to a general government balance sheet, the same principles would apply to the balance sheets of the constituent entities.

Thus, **ownership of assets is the key factor deciding whether the expenditure incurred on its acquisition can qualify to be classified as capital expenditure.** It is important because ownership decides the convertibility of an asset to cash in the hands of the owner.

Purely from an accounting point of view, assets that are financed by an entity but not owned by it should be excluded from its balance sheet since they neither are available to the entity for financing its liabilities nor provide any future financial benefit to it.

Extending these principles to Government accounts maintained on cash basis, there is great force in the arguments given by the Mukherjee Committee and that reflected in the GFR and Government Accounting Rules. The risk in deviating from this line consists in the Government accounts presenting an inflated picture of government asset holding, leading to wrong fiscal policy decisions.

International Practices

In countries where the accrual basis of accounting has been adopted, there is a provision to classify ‘Transfers’ as a separate item, which in turn is broken up into current & capital transfers. The Budget Financial Statements of Australia shows Grant expenses under Current Transfers. The Condensed Financial Statements of Canada also shows Transfer payments as a separate item distinguished from operating and Capital expenditure. In the Forecast Statement of New Zealand also, subsidies and transfers is shown as a separate item. The Statement of Expenditure by Economic Categories of the United Kingdom specifically mentions the item “Current Transfers Abroad”.

Interestingly, though a distinction is drawn between capital and current or operating expenses, not many countries distinguish between current or revenue and capital budgets. Even the Mukherjee Committee noted this:

“In United States, the President’s Commission on Budget concepts recommended against a Capital budget, as according to the Commission such a budget would seriously distort the budget as a decision making tool[6].“

[5] Para 4.54, Government Financial Statistics Manual, 2001, International Monetary Fund.

6Para 3.15.2, Classification of Government Transactions in Accounts & Plan, Second Report of the Team on Reforms in the Structure of Budget and Accounts, 1972

Box 1 below reproduces definitions of Expenses/Expenditures followed by some developed countries, as well as by International standards. It may be noted that 'Expenditures' as a term is used usually to denote cash disbursements under the cash and modified cash based accounting systems and to denote cost of goods & services acquired under the modified accrual system. 'Expense' is normally used under the full accrual system of accounting and represents consumption of resources during the accounting period.

Box 1: Definitions of Expenses/Expenditures[7]	
Expenditures	
Public Sector Accounting Recommendations (Canada)	"Expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices received and include transfer payments due where no value is received directly in return." (Section PS 1500, paragraph 71, 1995)
Governmental Accounting Standards Board (USA)	"Operating expenditures result from claims against financial resources that arise from transactions or events other than capital asset acquisitions, debt service, operating and residual equity transfers-out, and other transactions reported as other financing uses. Capital expenditures result from acquiring capital assets through purchase, construction, or capital lease." (State 11, paragraphs 74 and 82, 1980)
TREASURY (UK)	Operating Costs: "The operating cost statement should include the full costs of goods and services consumed or received in the period." (Recourse Accounting and Budgeting in Government – A Summary of Accounting Policies – Working Draft, 1994)
INTOSAI Committee on Accounting Standards	"Expenditures are amounts paid during or in respect of a period to acquire goods and services, other than amounts spent to acquire things of value that the government recognizes as assets or spending to repay amounts due that the government recognizes as liabilities." (Accounting Standards Framework, Volume 1, paragraph 22, 1995)
Expenses	
Federal Accounting Standards Advisory Board (USA)	"Outflows or other using up of assets or incurrence of liabilities (or a combination of both) during a period of providing goods, rendering services or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period." (Statement 1, page 49, 1993)
Australian Accounting Research Foundation (Australia)	"Expenses are consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in equity during the reporting period." (SAC 4, paragraph 117, 1995)
Comision de Principios y Normas Contables	"Expenses are outflows that represent the negative component of the financial result produced along budgeted and non-budgeted activities during that accounting period that result in a depletion of assets or

[7] Study 10, Definition and Recognition of Expenses/Expenditures, International Federation of Accountants (IFAC), 1996

Publicas (CPNPC) (Spain)	incurrence of liabilities that result in decreases in equity.
New Zealand Society of Accountants (New Zealand)	"Expenses are consumptions or losses of service potential or future economic benefits in the from of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in equity during the reporting period." (SC, paragraph 7.22, 1993)
INTOSAI Committee on Accounting Standards	"Expenses are the cost of goods and services consumed during a period." (Accounting Standards Framework, Volume 1, paragraph 22, 1995).

Better Disclosure

Transfer payments from the Centre to the States that result in asset creation get registered as capital expenditure in the consolidated accounts of the Centre and the States. The National Accounts produced by the Central Statistical Organisation (CSO) also record transfer payments that are meant for asset creation in the capital account, in line with the System of National Accounts (SNA) given by the United Nations.

In view of this, the Group feels that explicit disclosure of such payments as capital transfers under revenue expenditure in the Government accounts will aid analysis and policy formulation. This can be achieved by making a distinction between transfer payments that are meant for creating assets from other transfer payments. This distinction in the accounts can be made by classifying "Current Transfers" and "Capital Transfers" separately without amending the basic principles of classification.

This approach is supported by the GFS manual of the IMF and also followed by a number of developed economies. The Economic Classification of Expenditure as laid down in the GFS Manual of the IMF treats all grants as expense, though, for the purpose of disclosure, they are bifurcated into current and capital grants.

"Current grants are those made for purposes of current expenses and are not linked to or conditional on the acquisition of an asset by the recipient. Capital grants involve the acquisition of assets by the recipient and may consist of transfer of cash that the recipient is expected or required to use to acquire an asset or assets (other than inventories) …If doubt exists regarding the character of a grant, it should be classified as current[8]."

[8] Para 6.64, Government Finance Statistics Manual 2001, International Monetary Fund.

Conclusions & Recommendations

The Expert Group is of the opinion that the current norms for distinguishing revenue and capital expenditures are based on sound accounting principles and are in line with international practice. It is important to recognize that the Union Government as transferor and states as transferee are two different accounting entities and while a grant from the former to the latter may result in the creation of a national asset(s), it is the ownership of assets that would decide whether the expenditure would be treated as capital or revenue expenditure. An expenditure can be classified as capital only if it results in creation of assets that are controlled by the entity incurring the expenditure, and are likely to serve the entity over several accounting cycles.

For the sake of disclosure, such transfers that are meant for capital expenditure by the transferee may be classified as “Capital Grants” under the Revenue Section in the books of the transferor.

Though there is no presently known evidence of classification of transfer payments as capital expenditure by any government internationally, the Group is aware that a similar debate is currently underway in the UK Treasury. The Group, therefore, recommends that this issue may be kept alive and may be reviewed in future, based on international developments in the area.

Gender Budgeting

Importance

Gender Budgeting refers to presentation of budgetary data in a manner so that the gender sensitivities of the budgetary allocations are clearly highlighted. It envisages highlighting the budgetary allocations not only to women-specific programmes but also to quantify pro-women allocations in the composite or gender-neutral programmes under various departments. Gender Budgeting also involves carrying out an impact analysis of government programmes and its budgetary allocations on the overall socio-economic status of women in the country. The ultimate aim of gender analysis of national budgets is to incorporate gender variables into the models on which planning and budgeting is based.

Many countries, both in the developed and the developing world, have undertaken gender budgeting. Australia, Canada, UK, South Africa, Sri Lanka, and some of the African nations have been practicing gender budgeting in different forms. The practices vary from gender audit in Australia to cross-sectoral gender sensitive analysis of expenditure in South Africa and to gender conscious planning and sex-segregated data collation in Sri Lanka, and presentation of a Gender Impact Statement along with the budget in the UK.

Development in India

In India, gender budgeting has so far been restricted to making references to women-specific programmes in the budget speeches and reference to gender inequality in the Economic Surveys. Special references in the Budget speech, 2000-01 pertaining to the access of women to national resources marks the dawn of gender-sensitive budgeting in India.

"There is an urgent need of improving the access of women to national resources and for ensuring their rightful place in the mainstream of economic development. Towards this objective, the Government will set up a Task Force under an eminent person to review all existing legislation and Government schemes pertaining to the role of women in the national economy. The Task Force will help us chalk out specific programmes for observing 2001 as "Women's Empowerment Year"[9]."

[9] Para 23, Finance Minister's budget speech, 2000-01

The Expert Group unanimously is of the opinion that there is a need to explicitly depict women-centric allocations in the budget documents. A Sub-Group with representation from the office of the CGA, and NIPFP was constituted to study the subject and suggest a framework for introduction of gender budgeting in the Government.

Sub-Group's Recommendations

The Report submitted by the Sub-Group is contained in Part II of this Report. It focuses essentially on identifying the Institutional framework that could facilitate the introduction of Gender Budgeting in the Government and developing matrices aimed at capturing financial data of budgetary allocations from the gender perspective.

The major recommendations of the Sub-Group are as follows:-

1. All programmes/schemes of the Government may be classified from the gender perspective into the following three categories:
    a. Women-centric programmes/schemes with 100 per cent pro-women allocation;
    b. Schemes/Programmes that have a significant (over 30 per cent) allocation for women; and
    c. Schemes/Programmes that cannot have gender sensitive elements.
2. An institutional setup may be created in the Ministries/Departments to collect gender-disaggregated data, targets and indicators. Gender Budgeting Units (GBUs), headed by an officer of the rank of Joint Secretary, may be established in the Ministries/Departments for this purpose.
3. An Inter-Departmental Standing Committee (ISC) on Gender Budgeting may be set up to identify and share issues on the subject that cut across Ministries/Departments like budgetary allocations, micro finance, and homelessness. ISC can also identify and share best practices on implementing gender budgeting.
4. A Gender Budgeting Directorate (GBD) may be set up in the Department of Expenditure to function as a focal point for coordination, facilitation and support of Gender Budgeting activities across Ministries/Departments.
5. A Detailed Head "Women's Development" may be opened for classifying pro-women allocation in the programmes/schemes. This

will ensure earmarking of funds on pro-women activities and subsequent monitoring of their utilization.

6. Small schemes (with a provision of Rs.10 crore or less) may be reviewed, merged or consolidated to ensure a meaningful impact on the beneficiaries.
7. Outputs as well as inputs may be closely monitored to ensure proper implementation of schemes with reference to stated goals.
8. Gender budgeting and assessment studies may also be introduced in the State Governments since a major portion of the social sector spending on education, health, nutrition, etc. is through the State Governments.
9. With the devolution of powers, functions and finance to the local bodies and Panchayats after the enactment of the 73rd and 74th Constitutional amendments, State Governments may also initiate studies on gender budgeting at these decentralised levels of administration.
10. Periodical gender audits of Government plans, policies and programmes may be conducted. Department of Woman & Child Development (DWCD) may be the nodal agency for this purpose.

Conclusions & Recommendations

The Expert Group is firmly of the view that budgetary policies can have differential impacts across genders due to the systemic differences between men and women in relation with the economy. The Group favours a gender sensitive budget aimed at examining budgetary allocations through a gender lens. The Group recommends a dissection of the budget to translate gender commitments into budgetary commitments with a view to ensure effective targeting of public spending.

From the institutional point of view, the Expert Group recommends the setting up of a GBD in the Department of Expenditure, Ministry of Finance and an Inter-Departmental Committee chaired by Secretary (Expenditure), Ministry of Finance with Secretary, DWCD as one of its members. Secretarial support to the Interdepartmental Committee may be provided by the Department of Expenditure.

The Group also recommends adoption of the six analytical matrices designed by the Sub-Group (Appendix – II of the Sub-Group Report) for data collation and representation in the budget documents.

Acknowledging the countrywide importance of the subject, the Group recommends pilot introduction of gender budgeting in one of the States on similar lines. The state of Karnataka may be chosen for this purpose.

The Group also recommends that the Government may undertake periodical benefit incidence analysis of its programmes/schemes to assess their impact on the targeted beneficiaries.

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Importance of Classification

Classification of government expenditure is important for policy formulation and decision-making on sectoral allocation of funds, performance monitoring of various government programs and activities, establishment of accountability for budgetary compliance, and in the analysis of overall economic impact of government policies. It provides a normative framework for both policy formulation and accountability.

Schemes of Classification

No single scheme of classification can possibly satisfy the divergent information requirements for different classes of stakeholders. Most governments, therefore, classify their expenses on a set of different and mutually exclusive schemes, which include classification by:

- Functions
- Programs
- Organization
- Inputs
- Outputs
- Economic Categories
- Financial Categories and
- Funds

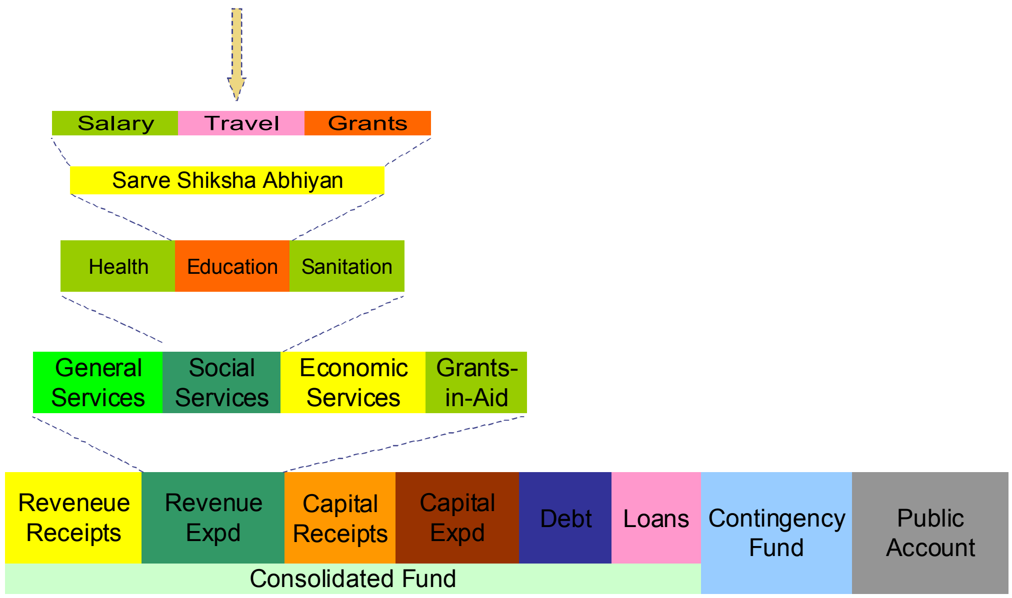
Classification of government revenues, on the other hand, is much simpler and standardized. It is important for identifying the sources of revenue and determination of government's reliance on any particular source and, consequently, the sustainability of its fiscal position. Revenues could be classified by their source, by the type of activity generating the revenue, by the nature of inflow, whether reciprocal or non-reciprocal, and by the organization responsible for collecting it.

The main challenge in designing a classification scheme for government expenditure is to keep it simple and yet meet the requirements of budget management and reporting to different stakeholders. The guiding principle, particularly in developing countries, should be the administration's capacity to consistently capture different attributes with sufficient reliable details. An over-ambitious classification scheme may give inconsistent results and become difficult to administer.

Existing System of Classification in the Government of India

The existing system of functional classification has a uni-dimensional structure which flows in one direction from Fund to sector/ sub-sector to functions / programmes to schemes etc.

Existing System – Different attributes dovetailed into one stream



Problems with the Existing Classification System

The current system of classification, devised about three decades back, has the advantage of easy applicability in an environment where maintenance of accounting data is primarily manual. With the advent of Information Technology and increasing demands for good governance, there is a case for remodeling this system of classification into one that is Management Information Services (MIS) oriented and facilitates governmental performance evaluation.

Operation of economic and financial activities in a federal governmental environment require mapping of complex linkages between functions, programmes and schemes at different levels. Given the fact that India has a planning process too, dovetailing the operation of planning with that of accounting is also required. It has been observed that the relationship between functions, programmes and schemes are not always linear and cut across various functions. Similarly, there is gap between the Heads of development operated by the planning commission for plan implementation and the Heads of accounts. The area of grant devolution also needs proper integration with heads of accounts.

A Sub-Group comprising representatives from the office of the CGA, the Budget Division of the Ministry of Finance and the C&AG's office was constituted to suggest structural changes and improvements in the existing system of classification with an objective of harmonizing accounting, planning and economic classification and establishing linkages with the standard international systems of classification such as the GFS and SNA.

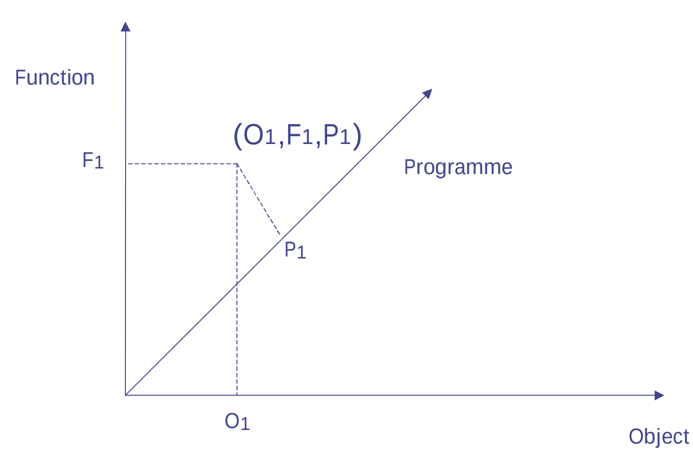
Multidimensional Classification System

The Report of the Sub-Group forms Part III of the Expert Group's Report. The Report proposes replacing the current classification system with a multidimensional structure having four separate segments representing Fund, Economic Categories, Functions, and Programmes, each of the segments having their own hierarchies. The proposed structure attaches a multi-digit numeric code to every expenditure item that allows its classification by fund, economic category, function and programme head. For example grants to a State Government for crop husbandry shall be recorded as follows:

CFI\Grants-in-Aid to State Governments\Crop Husbandry\Development of Pulses

A multi-digit numeric composite key will be used to represent this classification.

Multi-Dimensional System



The Sub-Group's report provides a conceptual prototype of a multi-dimensional classification structure. Development of a proper model requires detailed analysis of the entire list of accounting heads with over 23,000 entries and was clearly impossible within the short time available to the Group.

The Sub-Group is of the opinion that the following benefits will accrue from the proposed structure:

1. Extraction of any sub-set, such as a combination of functions and programmes under these functions or object wise details under a programme, is possible.
2. Allows for attributing transfers to functions and programmes (if known).
3. Data on functions and programmes is not scattered.
4. Chart of Accounts is simplified and easier to maintain.
5. Allows for Fund-based accounting
6. Facilitates transition to Accrual Accounting

Conclusions & Recommendations

The Expert Group acknowledges the limitations of the structure of the current system of essentially unidimensional classification. The Group also acknowledges the constraints of the present system to provide mapping of complex linkages between functions, programmes and schemes at different levels in order to assist the policy formulators and decision-makers in effective monitoring.

The proposed system will be more computer-friendly and facilitate easy retrieval of information and flexible reporting. The proposed transition will require modification to the accounting software currently in use at the Centre as well as States, which will have to be separately assessed and undertaken

The Group recommends that the proposed multidimensional hierarchy of classification may be tested on a pilot cum parallel run basis in the Departments of Education & Health in the Union Government. Testing of the new system in the States may not be possible at present because of the wide range of accounting heads operated by the state treasuries. Also, the concerns of uniformity of classification system being followed at the Centre and the States needs to be addressed first.

The Group recommends, on successful implementation of the pilot in the identified ministries, adoption of the proposed system in the GOI budget of 2005-06.

The Group also likes to place on record concerns that would need to be addressed at the time of testing and subsequent adoption of the proposed system. These are: -

- ❖ The system should facilitate generation of Reports that are compatible with International standards like GFS etc;
- ❖ The system should provide flexibility for incorporation of new fields like geographical spread that may be required in the future; and
- ❖ The system should be robust enough to provide a key for comparative analysis of past periods.

The Group fully recognizes the complexities involved in the process of conversion from the current system to the proposed multidimensional system. It requires a complete remodeling of the existing list of account heads, which requires a mammoth effort, expertise and more importantly full commitment from the Government to make it operational. The success of this project will require the full support of the Government in terms of financial and manpower resources.

(Dr.Ashok Lahiri) Chairman	(D. Swarup) Member	(H. P. Rao) Member (Aruna Makhan has since retired from service)	(K. G. Mahalingam) Member
Pr.Secretary (Finance) Govt. of Andhra Pradesh	Pr.Secretary (Finance) Govt. of Uttar Pradesh	Pr.Secretary (Finance) Govt. of Karnataka	(M. J. Joseph) Member Secretary

PART II

Report on Introduction of 'Gender Budgeting' in the Government of India

for the consideration of the 'Committee on Budget Classification'.

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Background

This paper has been prepared for the consideration of the Committee on Budget Classification constituted by the Honorable Finance Minister. One of the Terms of Reference of this Committee is on Gender Budgeting.

At the first meeting of the Committee held on September 11th, 2003, it was decided to constitute a sub-group with the task of preparing a framework for the introduction of Gender Budgeting in the Government of India. It was also decided that the sub-group could associate National Institute of Public Finance and Policy (NIPFP) in this task, as the latter agency has done extensive work on the subject.

The sub-group consisting of Shri M. J. Joseph, Joint Controller General of Accounts, Ministry of Finance, Shri Sandeep Saxena, Deputy Controller General of Accounts, Ministry of Finance and Ms. Lekha S Chakraborty, Senior Economist, NIPFP held three meetings to deliberate the framework which could facilitate introduction of Gender Budgeting in the Government of India. The sub-group has drawn extensively on the pioneering work done on the subject by NIPFP in its Report of July 2002, prepared by the then Director of NIPFP, Dr Ashok K Lahiri and his collegues Ms Lekha S Chakraborty, Economist and Shri P N Bhattacharyya, Senior Consultant.

The subgroup has concentrated its efforts mainly on (a) identifying an institutional framework within the concerned Ministries/Departments of the Government of India which could facilitate introduction of gender budgeting and (b) developing matrices aimed at capturing financial data of budgetary allocation from gender perspective. Seven matrices have been identified in this respect and are reflected in this Report.

Gender Budgeting in the Government of India

Introduction

Prima facie budgets can be gender neutral. But budgetary policies can have differential impacts across gender1 due to the systemic differences between men and women in relation to the economy. A gender-sensitive budget aims at examining the budgetary allocation through a gender lens. It is not a separate budget for women; rather it is a dissection of the government budget to establish its gender-specific impact and to translate gender commitments into budgetary commitments. It also examines the gendered incidence of budgetary policies for the effective targeting of public spending and offsetting any undesirable gender-specific consequences of previous budgetary measures2.

In the contemporary global restructuring, there is a growing recognition towards the integration of 'Sustainable Human Development' paradigm into macro policy framework, which takes gender equality along with poverty eradication, environmental regeneration and democratic governance as its corner stones3. One of the logical entry points to such paradigm shift has been gender-sensitive budgeting along with pro-poor budgeting and environment-sensitive budgeting. Moreover, in the backdrop of Beijing 1995 Conference, an international consensus was arrived at mainstreaming gender into macro policies.

Worldwide, comprehensive assessment of budgets from gender perspective has been undertaken to understand the gender differential impacts of the budgetary allocations (Box 1). In India, the initiative for gender sensitive budget analysis began in the year 2000. It is to be noted that India's commitment to gender equality makes the case for gender responsive budgeting a compelling one4. On

[1] Gender can be defined as the set of characteristics, roles and behaviour patterns that distinguish women from men which are not constructed biologically but socially and culturally. In other words, sex of an individual is biologically determined while 'gender' characteristic is a social construct. 'Gender' refers not only to women and men but importantly to the relations of power between them.

2 Elson (1999)

3 Cagatay, Keklik, Lal and Lang, 2000

4 India became a signatory of the Convention for the Elimination of Discrimination against Women (CEDAW) on July 30, 1980. CEDAW, adopted by the United Nations General Assembly on December 18, 1979, is comparable to an international bill of rights for women. India ratified the convention on July 9, 1993, subject to some reservations, including its right to implement articles in conformity with its policy of non-interference in the personal affairs of any community without its initiative and consent. Removal of inequalities in the opportunities and predicaments of identified groups of the population has been an important objective in the Indian Republic over the last fifty years. Gender equality is recognized as a part of the fundamental human rights enshrined in the Indian Constitution. Articles 14, 15, 16, 39, 42 and 51 of the Constitution are relevant in this context (Lahiri, Lekha and Bhattacharya (2000).

February 19, 1999, the National Development Council, one of the highest policy making bodies in the country, adopted the empowerment of women and socially disadvantaged groups as agents of socio-economic change and development as a specific objective of the Ninth Plan (1997-2002).

Box 1: Cross country experiences on Gender Budgeting

1. **Australia**: Australia was the pioneer in developing a gender-sensitive budget statement. In 1984, a comprehensive assessment of gender differential implications of the Federal Budget was introduced in Australia. It was found that expenditures specifically targeted to women and girls in Australia made up only less than 1 per cent of the total budget[5].
2. **South Africa:** In South Africa, gender sensitive budgeting had two dimensions. First phase was initiated in 1995, which was a joint effort of parliamentarians and non-governmental organisations. This parliamentary-NGO initiative had undertaken a detailed gender-sensitive analysis of expenditure portfolios like education, health, welfare, housing, labour, trade and industry, land affairs, agriculture, safety and security, transport, energy, foreign affairs as well as the cross-sectoral areas of public sector employment and taxation. It is to be noted that a parallel initiative had begun in 1997 within the Department of Finance, as a pilot for the Commonwealth initiative to integrate gender perspective into expenditure policy. Commonwealth Secretariat co-ordinated the implementation of gender responsive budgets in Barbados, Fiji Islands, St Kitts and Nevis, South Africa and Sri Lanka. Though the nature of gender responsive budget initiatives varies from country to country, one of the prominent features of Commonwealth Secretariat initiative has been the direct engagement and co-ordination of the programme by Ministry of Finance[6].
3. **Other African Countries:** In *Mozambique*, the Ministry of Planning and Finance has initiated a gender-sensitive budget exercise, with financial assistance from the Swiss Development Corporation. In *Namibia*, the staff of Ministry of Finance worked with consultants from the Swedish International Development Agency (SIDA) and produced an analysis of selected portfolios for the 1998 National Budget. In *Tanzania*, Gender Budgeting Initiative (GBI) began as a civil society initiative involving more than 20 non-governmental organisations; which grew out of a shared vision by Tanzania Gender Networking Programme (TGNP) and Feminist Activism Coalition (FemAct) to transform the conceptual paradigms of development and economic governance (Rusimbi, 2002). In *Uganda*, the strong parliamentary *Women's Caucus* and the affiliated NGO *Forum for Women in Democracy (FOWODE)* have taken the lead in initiating a gender budget exercise, initially focusing on selected portfolios (Byanyima, 2002).
4. **UK:** In UK, *Women's Budget Group* is spearheading the process of gender-sensitive budget analysis. Their core recommendations to the UK Government is the inclusion of a comparative 'gender impact statement' published with every Budget and Public Expenditure White Paper. The Women's Budget Group argued successfully that Working Families Tax Credit (WFTC) in UK should be reformed to make it more effective by splitting it into two separate tax credits, Employment Tax Credit (ETC) and Integrated Child Credit (ICC). This is to reorient the employment incentive effects in such a manner to target both men and women equally, so that work pays equally well for both sexes and that a sharing of caring and earning roles between parents are encouraged (Diane, 2002).
5. **Canada:** In Canada, though there are no formal guidelines regarding gender budgeting. However, Human Resource Development Canada (HRDC) is committed to implementing a gender-based analysis (GBA) as a part of their policy and programme development process. In the backdrop of its international commitment to the *Platform for Action* initiative, the Government of Canada adopted the *Federal Plan for Gender Equality (1995-2000)*. This Federal Plan was prepared through the collaboration of 24 Departments and agencies, led by 'Status of Women Canada' (SWC). Parallely, members of *Centre for Policy Alternatives*, a social justice research group in Canada, have developed a gender-sensitive budget as part of the Centre's annual Alternative Federal Budget.
6. **Nepal:** In Nepal, a gender budget audit has been conducted to assess the expenditure policies and revenue measures from a gender perspective (Institute of Integrated Development Studies, 2002).
7. **Sri Lanka:** Gender budgeting initiative in Sri Lanka has two phases. Sri Lanka joined the Commonwealth countries' pilot project in 1997, which was the first phase. The initial gender-sensitive budget analysis in Sri Lanka was co-ordinated by the Department of National Planning. It focused on the portfolios of health, education, public sector employment, agriculture, industry and social services[7]. The second phase of study initiated in December 2002 categorized the financial inputs from gender perspective with special reference to Ministries of Women's Affairs, Samurdhi, Social Welfare, Tertiary Education and Training, Employment and Labour under the initiative of Ministry of Women's Affairs in co-ordination with UNIFEM, South Asia[8].

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5 Bundlender, Debbie and Sharp, Rhonda (1998)

6 for details, Budlender, Elson, Hewitt and Mukhopadyaya (2002).

7 Department of National Planning & Ministry of Finance and Planning, Sri Lanka (2000)

8 Chakraborty, Lekha (2003).

One of the strategies adopted for achieving this objective was to identify a “Women’s component plan” to ensure that not less than 30 per cent of funds and benefits flow to women from developmental sectors. Apart from the Women’s Component Plan, which covers only the plan expenditure of the Government, and relates to women, the concept of Gender Budgeting has gathered momentum for analyzing the whole budgetary process through a gender lens.

The Department of Women and Child Development (DWCD), Ministry of Human Resource Development, Government of India in collaboration with United Nations Development Fund for Women (UNIFEM) has taken the initiative in gender analysis of budget allocations in India and a study was entrusted to the National Institute of Public Finance and Policy (NIPFP) in October 2000. The section on ‘gender inequality’, which appeared in the Economic Survey, 2000-2001 was based on the Interim Report on Gender Budgeting done by NIPFP9. Similarly, NIPFP prepared the Midterm Report in December 2001 titled “Gender Diagnosis and Budgeting”, which provided inputs for Economic Survey 2001-02.

In the light of facilitating a more informed debate on gender issues in Parliament during the discussion on Demand for Grants10, NIPFP has prepared two post budget assessment reports through the gender lens, for the Union Budgets 2001-02 and 2002-03. DWCD has also commissioned several studies on gender budgeting for the major states on the model set by the NIPFP study11.

Against the backdrop of these policy developments, this Report seeks to integrate gender into budgetary policies to ensure better transparency and accountability in the allocations meant for women.

[9] Lahiri, Lekha and Bhattacharya (2000)

[10] The Demands for Grants are normally taken up for consideration by Parliament in two distinct stages. First, during the recess of Parliament, by the Departmental Standing Committees attached to various Ministries/Departments. Later, on Parliament’s reassembling, the Demands are formally debated in the backdrop of the Reports of the Standing Committees and put to vote. Specific hours are allotted for these discussions. The Demands of Ministries that are to be discussed and voted are formally listed. These number only a few, and all the other Demands are finally guillotined and passed on the conclusion of the debate.

11The chapter on 'Gender Budgeting' of Annual Reports of DWCD, based on the state level analysis of gender budgeting, is appended to the Report.

The Report has four sections. Section two discusses the rationale for gender budgeting, while section three maps out the analytical framework for gender budgeting. Section four highlights some recommendations for integrating gender budgeting in the Government of India.

II. Rationale for Gender Budgeting

1. Equality Vs Efficiency: Integrating gender perspective into budgetary policy has dual dimensions: an equality dimension and an efficiency dimension. In the context of growing recognition that problems of inequality cannot be resolved by the trickle down effects of macroeconomic policies, the concerns of gender-inequality needs to be built in to the macroeconomic policy framework. Apart from the basic principle of promoting equality among citizens, gender equality can benefit the economy through efficiency gains. From the efficiency consideration, what is important is the social rate of return of investment in women, and in cases, this can be greater than the corresponding rate for men. There is a growing awareness that gender inequality is inefficient and costly to development12.

2. 'Systemic Differences' Across Gender: Men and women frequently have different priorities for budgetary policies and are affected differently by most of these policies due to the gender differentials in the constraints, options, incentives and needs. Men and women face different constraints, assume different socially determined responsibilities and consequently make different social preferences. Legacies of adverse intra-household gender relations inhibit women from playing their rightful role, contributing to the economy, and getting their due share of the economic benefits in many countries, particularly developing ones. Women therefore are affected by, and respond, to the budgetary policies differently from men. Disaggregation by gender is vital because there are systemic differences between men and women in relation to the economy13.

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[12] Empirical literature draws attention to these efficiency dimensions of integrating gender perspective into macroeconomic policies. For example, the striking *good mother thesis* noted that women tend to have a higher marginal propensity to spend than men on goods that enhance the capabilities of children. These empirical evidences suggested that the likelihood of children being enrolled in school goes up with their mother's educational level, and mother's extra income has more positive impact on household investments in nutrition, health and education of children than extra income accruing to fathers. Also, literature on gender inequality in labour market shows that eliminating gender discrimination in occupation and wages could increase not only women's income, but also national income.

[13] For detailed discussion, see Himmelweit (1998)

3. Existing Gender Neutrality of Budgets: The existing gender-neutral budgets ignore the gender specific impacts of budgetary policies. Generally, budgeting involves four components: (i) the budgetary allocation of resources to various heads, (ii) the actual Government outlays on various heads, (iii) an accounting of how resources are utilized for a particular purpose (e.g. on administrative overheads and wages and salaries, operation and maintenance, etc.), and (iv) an evaluation of the effectiveness of the resources utilised in delivering the intended results. Gender budgeting involves looking at all the four components from the point of view of women as beneficiaries. While many public goods and services like defense are not amenable to gender partitioning, many others have differential impact on the two sexes. For example, outlays for augmenting the supply of safe drinking water can benefit women more than men by cutting down on the time spent in fetching water from the river or ponds. The existing practice of budgeting does not pay any special attention to the impact of budgets on women.

4. Ensure Transparency and Accountability: Gender budgeting ensures transparency in the budgetary allocation for women and it protects these provisions from reappropriation and thereby enhances accountability.

5. Empirical Evidences from Gender Diagnosis in India: Considering the gender bias inherent in a male dominated society like India – and the evidence from the trends in sex ratio and other socio-economic indicators show how the bias is getting accentuated in many parts of India (Box 2) – it is time the budgets of the government provided a clear indication of how much is earmarked specifically for the benefit of women. The suggestion is not to provide gender-wise break-up of all government expenditures, but that the expenditures meant primarily for women be shown separately so that they can be easily culled out from budget heads of social and economic services in which it is possible to segregate such expenditures.

Box 2: Gender Diagnosis in India

1. **Gender Development Index (GDI):** Gender development index (GDI) is a gender-sensitive adaptation of the human development index (HDI). It adjusts the HDI for gender inequality in life expectancy, educational attainment (gross enrolment ratio and literacy rate) and income (Appendix 1). India's overall index on gender-related development has improved from 0.401 in 1992 to 0.533 in 2001,but it is still poor in comparison with the country's human development levels. India's GDI is lower than that of Sri Lanka, China and Indonesia, but better than that of Pakistan, Nepal and Bangladesh.
2. **Gender Empowerment Measure (GEM)**: GEM attempts to capture gender inequality in key areas of economic and political participation and decision-making. It differs from the GDI in that it focuses on women's opportunities rather than on gender inequality in basic capabilities. The GEM is constructed on the basis of the percentage share of men and women (i) in parliament, (ii) in administrative and managerial positions and professional and technical jobs, and (iii) in unadjusted GDP per capita. India's

GEM of only 0.240 reveals the fact that women in India lag much behind in gaining access to economic and political opportunities[14]

3. **Sex ratio**: Females have an evident biological advantage of survival over males. Despite this biological advantage, the sex ratio is generally adverse to women in India. The problem of "missing women" is primarily the consequence of high levels of female mortality, which begins *at birth or even before birth and continues after birth.* The decennial censuses conducted in India suggest that there has been an almost monotonic decline in the sex ratio in India. In 1901, the sex ratio was 972 females for every 1000 males; by 1991 it had reached the lowest point at 927. In Census 2001, the sex ratio increased by six points to 933.

Box 2: Gender Diagnosis in India (contd.)

4. **Juvenile sex ratio:** This sex ratio (in age group 0-6 years) declined to 927 in 2001 relative to 945 in 1991. It is to be noted that in Punjab, where the problem of "missing girl child" is acute, the child sex ratio in 2001 was only 793, a decline from 875 in 1991. Though Kerala's overall sex ratio is favourable to women at 1058, the sex ratio of 0-6 years is only 963.
5. **Life Expectancy at birth:** Life expectancy has increased for both men and women in India over the years, with a reversal in trend and an increasing difference between female and male life expectancy since 1981. Since 1981, the female life expectancy at birth has marginally surpassed that of males in India and the gender gap of 0.3 years in the eighties has increased to 1.4 years by the mid-nineties.
6. **Maternal Mortality Rate:** According to National Family Health Survey (NFHS) second round of India, 2000, the average maternal mortality rate was 540 deaths per one lakh live births in 1997-98 as against the rate of 424 in NFHS first round conducted in 1991-92. This deterioration is mainly due to the lack of timely health care for pregnant and post-partum women. The differentials are wider for urban and rural maternal mortality rates. The rural maternal mortality rate is much higher than the urban rate (434 compared with 385 in NFHS-1 and 619 compared with 267 in NFHS-2).
7. **Child mortality rate** (CMR): CMR captures the effect of nutritional disadvantage and lack of proper access to medical care. Despite the natural biological advantage of females, the female child mortality rates per 1000 (36.7) over the corresponding male rates (24.9) indicates discrimination against girl children in medical care and nutrition.
8. **Nutritional Disadvantage:** The nutritional status of children under three years calculated on the basis of anthropometric data by NFHS-2 revealed that around half the children under three are underweight, with 45.3 per cent male and 48.9 per cent female children disadvantaged nutritionally**.**
9. **Infant Mortality rate (IMR):** The national average of infant mortality rate of girls at 68.0 per 1000 live births and boys at 69.8, the available data indicates enormous difference between States. Infant mortality rate in Kerala is as low as 15.3 for girls and 13.7 for boys. Conversely, the states of Orissa (IMR of 97.3 for males and 96.0 for females), Madhya Pradesh (89.6 for males and 89.5 for females) and Uttar Pradesh (85.2 for males and 83.5 for females) were the highest three States in infant mortality rates.
10. **Gross Enrolment ratio (GER):** GER is defined as enrolment in classes as a percentage of the estimated child population in the particular age group. GER estimates often exceed 100 per cent because of inclusion of under-age and over-age children. GER of girls at the primary stage is still only 85.18 per cent as compared to 104.08 per cent or boys in the year 1999-00.
11. **Drop Out Ratio:** In India, the drop-out rates of girls at the primary and secondary levels are significantly higher than that of boys (38.67 per cent in 1999-00). At the primary level, the drop-out rate of girls, however, has declined considerably from 70.9 per cent in 1960-61 to 42.28 per cent in 1999-2000.
12. **Literacy Rate:** As per Census 2001, Nearly half the Indian women are illiterate (54.16 per cent) as compared to men (75.85 per cent). Female literacy rate ranges from 87.86 per cent in Kerala and 86.13 per cent in Mizoram to 39.38 per cent in Jharkand and 33.57 per cent in Bihar.
13. **Feminization of Poverty:** It is estimated that 35.47 per cent of Indian women are poor compared to 33.52 per cent of men in 1999-2000. In rural India, 37.34 per cent of women lived Below Poverty Line (BPL) households compared to 35.55 per cent of males; whereas in urban India, it is 29.83 per cent of females compared to 27.68 per cent of males in the year 1999-2000 (Sundaram, 2001).
14. **Work in Care Economy:** In India, on an average, a male spends about 42 hours per week in SNA activities as compared to 19 hours by a female. However, in non-SNA activities (extended SNA activities

[14] refer Human Development Reports, UNDP, various issues.

in the care economy), an average male spends only about 3.6 hours as compared to 34.6 hours by an average female. In care economy activities, females in Gujarat scored the highest time spent (39.08 hours per week), followed by Madhya Pradesh (35.79 hours) and Orissa (35.70 hours) (Time Use Survey, 2000).

15. **Work participation rate (WPR):** Trends in work participation rate in India according to the Census data reveal that there has been a continuous decline in the work participation rates of males in India from 60.8 per cent in 1901 to 51.6 per cent in 1991. The Census, however, show that the work participation rate for females, after declining until 1971, has started increasing in recent times. It increased from 14.2 per cent in 1971 to 22.3 per cent in 1991.

Source: Lahiri, Ashok; Chakraborty, Lekha and Bhattacharyya, P N (2002)

III. Analytical Matrix for Gender Budgeting

Gender sensitive budget analysis begins with the identification of three categories of public expenditure: (i) specifically targeted expenditure to women and girls (100 per cent targeted for women), (ii) pro-women allocations; which are the composite expenditure schemes with a women component (that is, a scale of 100> exp. ≥ 30; at least 30 per cent targeted for women) and (iii) residual public expenditures that have gender-differential impacts (that is, a scale of 0 < exp. < 30) 15. It is relatively easy to identify the specifically targeted programmes for women across ministries from the Expenditure Budget documents. But the challenge is that the information on the women component intrinsic in the composite programmes is not readily available in the budget documents.

Within the analytical framework of gender budgeting, seven matrices can be developed to categorize the financial inputs from gender perspective and can be sent to the identified Ministries/Departments to obtain the budgetary allocations in terms of gender budgeting. Out of seven matrices, three matrices form a categorisation of public expenditure in the scale of zero to hundred in terms of the proportions of beneficiaries who are women. In other words, the first matrix collates the specifically targeted programmes on women with 100 per cent of allocations on women; while the second matrix collates the public expenditure programmes with pro-women allocations, which is defined as at least 30 per cent of the budgetary allocations which benefit women (that is, a scale of 100> exp. >30). Pro-women allocation (W-pro) can be ex-ante (if it is calculated on the basis of amounts 'earmarked' for women) or ex-post (if it is based on the 'beneficiaries'). Third matrix collates the allocations, which are residual in nature, in the sense the programmes does not come under

[15] It is important to note in this context that gender sensitive analysis of budgets *begins* with categorizing expenditure, but it does not *stop* there. The categorisation has to be followed by a number of exercises that examine what *use* has been made of expenditures and what *impact* this has had (that is, from the financial inputs to the gendered outputs and impacts).

the first and second matrices. These residual expenditure may have gendered impacts, if not proved otherwise. In the scale, the allocations come under third category forms a range of gender specific allocations of less than 30 percent (that is, 0< exp. <30).

Public expenditure specifically targeted to women can be categorised into four clusters. First, there are protective and welfare services that are important to prevent the atrocities against women such as domestic violence, rape, kidnapping, dowry deaths including rehabilitation programmes. All citizens irrespective of caste, creed or sex enjoy the benefits of public expenditure on the maintenance of law and order and dispensation of justice and their consumption is "non-rival" in nature. Still, such expenditure has got a gender dimension as women and children are more vulnerable to social stress and violence. Second, there are regulatory services and awareness generation programmes for women, in particular, the institutional mechanism like National Commission for Women, etc. Third, there are economic services such as self-employment and training programmes, economic empowerment programmes and fuel supply management programmes, which can provide economic empowerment for women. Fourth, there are social services such as education, water supply and sanitation, housing, health and nutrition schemes, which can empower women to play their rightful role in the economy. Next two matrices deal with these four clusters of protective, regulatory, economic and social (PRES) services.

Last two matrices collate the economic classification of gender specific expenditure programmes of specifically targeted programmes and programmes with pro-women allocations, respectively. These two matrices aims at understanding the structure of gender specific programmes; whether a major part of these allocations is committed expenditure in the form of wages and salaries or a considerable part is discretionary component. These seven matrices are given in Appendix.

IV: RECOMMENDATIONS

(i) Building an analytical matrix for gender budgeting

It is important for this effort to be led by Ministry of Finance, in co-ordination with Department of Women and Child Development (DWCD) in developing the matrix for gender budgeting and disseminate the matrices to identified Departments/Ministries. A tentative list of some Ministries/Departments identified for gender budgeting is given in Box 3. Collation of gender disaggregated data across Ministries within the framework of these developed matrices is the next significant step.

Box 3: Selected Ministries for Gender Budgeting
1. Agriculture
2. Agro and Rural Industries
3. Communications and Information Technology
4. Environment and Forests
5. Food Processing Industries
6. Health and Family Welfare
7. Home Affairs
8. Human Resource Development
9. Labour
10. Law and Justice
11. Non-conventional Energy Resources
12. Rural Development
13. Science and Technology
14. Social Justice and Empowerment
15. Small Scale Industries
16. Tribal Affairs
17. Urban Employment and Poverty Alleviation
18. Youth Affairs and Sports

(ii) Collation of gender disaggregated data in Ministries

A system should be set up in identified Ministries/Departments to collate gender-disaggregated data to obtain the gender-wise relevant statistical database, targets and indicators. A gender audit of plans, policies and programmes of various identified Ministries should be conducted for evaluation of the progress. DWCD could be tasked to be the nodal Department and organize periodical gender audit assessments.

(iii) Open a Subhead/ Detailed Head in Budget on 'Women Development'

This is to segregate the provisions for women in the composite programmes under education, health and rural development sectors, which target girls/women as the principal beneficiaries. This segregation of the provisions is important to protect the provisions by placing restrictions on their reappropriation for other purposes. It is necessary to ensure that the funds so earmarked are spent on intended purposes16. Instructions may be issued that funds earmarked for this purpose cannot be reappropriated to other programmes/schemes on the lines of the funds earmarked for the development of North East.

(iv) Consolidation of Schemes

[16] The point sought to be made is that if the expectations set forth in the Budget are achieved, even partially, the end results are bound to be positive. The absence of such identification in the provisions and the related targets, on the contrary, greatly vitiates the implementation of the programmes, as is being observed over the years. Segregation of the provisions for the benefit of women and their implementation as such would significantly contribute to the ultimate empowerment of women.

It is doubtful that given the size of the country, its population and the magnitude of the problems, schemes with small provisions have much practical significance in the overall context, except perhaps for demonstrative or experimental reasons. Such schemes (with provision of Rs.10 crore or less) should be reviewed, merged or consolidated, to secure a meaningful impact.

(v) **Monitoring output as well as input**

It is necessary to tighten the system and closely monitor implementation of each scheme, against the stated goals. Focusing on how much money has been allocated for schemes benefiting women can be counter-productive if the outcome of schemes depart substantially from the objectives that they were designed to serve.

(vi) Gender Budgeting Units (GBUs) in Identified Departments

Establishing Gender Budgeting Units (GBUs) in identified Departments, under an identified Joint Secretary to supervise the formulation of the process of gender budgeting within the Ministry; support to integrate the framework into policies, programmes and workplans of the Ministry and also to identify and initiate research on specific gender aspects related to the work of the Ministry. Moreover, GBUs can be given training by Ministry of Finance (in co-ordination with DWCD) in the analytical matrices on gender budgeting. In the process of mainstreaming gender in budgetary policies across Ministries, GBUs can form an Interdepartmental Steering Committee (ISC) on Gender Budgeting. In order to do so effectively, the personnel to man the GBUs in the identified Departments may be drawn from professional bodies associated with 'gender development' issues, so as to give programmes better direction and thrust.

(vii) Interdepartmental Steering Committee (ISC) on Gender Budgeting

In addition to GBUs in individual Departments/Ministries, the formation of ISC on gender budgeting stands relevant to identify and share the issues of gender budgeting which cut across departments, for instance, the issues of budgetary allocations related to domestic violence, microfinance, homelessness, etc. ISC can also identify and share the best practices on implementing gender budgeting. ISC may also include external experts as technical advisors who support the process of gender budgeting. ISC's task is to develop an overall time-bound programme for gender budgeting in identified Ministries and also to monitor and review the progress. The Secretary of Department of Women and Child Development (DWCD) should be the Chairperson of the ISC.

(viii) Gender Budgeting Directorate' (GBD) in DWCD

GB Directorate can work with other departments to integrate gender budgeting in their work, develop training modules and establish appropriate interdepartmental mechanisms to advance implementation. The GB Directorate will be the focal point for co-ordination, facilitation and support of gender budgeting activities across Departments. This Directorate can encourage and assist other identified Departments to ensure that gender budgeting is incorporated into the Ministries.

(ix) Applicability of Gender Budgeting in State Governments

As mentioned in Page 4 of the Report, DWCD has already commissioned gender Budgeting studies in several State Governments, in association with NIPCCD (National Institute of Public Co-operation and Child Development). The framework suggested in this Report is equally applicable to State Government. In this connection, it may be mentioned that a major portion of expenditures incurred in the social services sector (viz., education, health etc) is through the State Governments. It is therefore equally important that State Governments also introduce Gender Budgeting and assessment studies.

(x) Gender Budgeting at the third tier of Government

In the backdrop of 73rd and 74rth Constitutional Amendments, with the devolution of powers, functions and finance to the third tier of government, viz., urban and rural local bodies, it is equally important for the State government to initiate studies on gender budgeting at decentralized levels of administration. At the first juncture, paucity of data is recognized to be the major impediment to conduct such studies. Be that as it may, State Governments should endeavor to encourage such studies at the earliest, including the collation of data on public finance statistics, gender indicators etc.

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APPENDIX I:

GENDER DEVELOPMENT INDEX

Gender Development Index

The Human Development Index [HDI] is a gender-neutral measure of the average achievements of a country in three basic dimensions of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth, knowledge by adult literacy and the combined gross primary, secondary and tertiary enrolment ratio, and standard of living by Gross Domestic Product (GDP) per capita in US dollars in purchasing power parity (PPP) terms.

Let L denote life expectancy at birth in years, A adult literacy as per cent, E combined gross primary, secondary and tertiary enrolment ratio in per cent, and Y per capita GDP in PPP US dollar terms. The value of each variable for a country is transformed into its deviation from the minimum possible value of the variable expressed as a proportion of the maximum deviation possible, i.e. maximum less minimum. Thus, after transformation we have

$$L^* = (L-25)/(85-25),\ \ A^* = A/100,\ E^* = E/100, \text{ and } Y^* = (Y - \min Y)(\max Y - \min Y).$$

Given the minimum life expectancy for women and men of 27.5 years and 22.5 years, respectively, the average minimum life expectancy is taken as 25 [= (27.5 + 22.5)/2]. Similarly, maximum life expectancy is taken as 85. The maximum and minimum of both adult literacy and enrollment are taken as 100 and 0, respectively. The maximum and minimum for Y are exogenously fixed. HDI is computed as

$$\{L^* + (2/3 \text{ x } A^* + 1/3 \text{ x } E^*) + Y^*\}/3.$$

The Gender Development Index (GDI) uses the same variables as HDI, but adjusts for the degree of disparity in achievement across genders. The average value of each of the component variables is substituted by "equally distributed equivalent achievements". The equally distributed equivalent achievement for a variable is taken as that level of achievement that if attained equally by women and men would be judged to be exactly as valuable socially as the actually observed disparate achievements. Taking an additively separable, symmetric and constant elasticity marginal valuation function with elasticity 2, the equally distributed equivalent achievement X_{ede} for any variable X turns out to be

$$X_{ede} = [\, n_f\,(1/X_f) + n_m\,(1/X_m)]^{-1}$$

where X_f and X_m are the values of the variable for females and males, and n_f and n_m are the population shares of females and males. X_{ede} is a 'gender-equity-sensitive indicator' (GESI).

Thus, for this chosen value of 2 for the constant elasticity marginal valuation function, GDI is computed as

$$\{L_{ede} + (2/3 \text{ x } A_{ede} + 1/3 \text{ x } E_{ede}) + Y_{ede}\}/3.$$

APPENDIX II
ANALYTICAL MATRICES FOR GENDER BUDGETING

GRANT No: ------
(in crores)

MATRIX - I: Public Expenditure Specifically Targeting Women (100%)

1. Name of the Programme /Schemes (Head of Account)	2003-04 BE			2003-04 RE			2003-04 Actuals			2004-05 BE		
	P	NP	T	P	NP	T	P	NP	T	P	NP	T
1. --------												
2. -------												
3. ------												
TOTAL												

Note: Trace the matrix back to 1999 to analyse the trends in allocation. P is Plan, NP is Non-Plan and T is Total.

GRANT No: ------
(in crores)

MATRIX II: Public Expenditure with Pro-women Allocation (100> exp. ≥ 30)

	2003-04						**2004-05**	
Name of the Programme/Scheme	W-exp (**BE**)	Ex-ante W-pro (%)	W-exp (**RE)**	Ex-ante W-pro (%)	W-exp **Actual**	Ex-post W-pro (%)	W-exp (BE)	Ex-ante W-pro (%)
1. -----								
2.------								
3…….								
TOTAL								

Note: (i) Trace the matrix back to 1999 to analyse the trends in allocation.
(ii). W-exp is the expenditure on women, (that is, W-exp = TE * W-pro) where TE is the total expenditure and W-pro is the pro-women allocation in percentage terms.
(iii). Ex ante W-pro is the percentage of allocation 'earmarked' for women. Ex-post W-pro is the percentage of allocation on the basis of 'actual beneficiaries'.
(iv). Give Plan and Non-Plan allocation separately in addition to Total allocation.

GRANT No: ------
(in crores)

MATRIX III: Residual Expenditure (0 ≥ exp. > 30)

	2003						2004	
Name of the Programme/Scheme	W-exp (**BE**)	Ex-ante W-pro (%)	W-exp (**RE)**	Ex-ante W-pro (%)	W-exp **Actual**	Ex-post W-pro (%)	W-exp (BE)	Ex-ante W-pro (%)
1. ----- 2. ------ 3……. TOTAL								

Note: (i) Trace the matrix back to 1999 to analyse the trends in allocation.
(ii). W-exp is the expenditure on women, (that is, W-exp = TE * W-pro) where TE is the total expenditure and W-pro is the pro-women allocation in percentage terms.
(iii). Ex ante W-pro is the percentage of allocation 'earmarked' for women. Ex-post W-pro is the percentage
of allocation on the basis of 'actual beneficiaries'.
(iv). Denote 'zero' in W-pro columns, if the expenditure is strictly gender neutral.
(v). Denote 'α' in W-pro columns, if the expenditure is not strictly gender neutral, but cannot be gender-partitioned. Also, state the reason why it cannot be gender-partitioned; whether due to paucity of data, conceptual problems or any other reasons.
(vi). Give Plan and Non-Plan allocation separately in addition to Total allocation.

MATRIX IV: Categorisation of Specifically Targeted Programmes in 'PRES' Framework

Name of the contributing programme under each cluster	**2003-04 (BE)**	**2003-04 (RE)**	**2003-04 (Actual)**	**2004-05 (BE)**
Protective & Welfare Services 1. 2. 3. TOTAL				
Regulatory Services 1. 2. 3. TOTAL				
Economic Services 1. 2. 3. TOTAL				
Social Services 1. 2. 3. TOTAL				

Note: Trace the matrix back to 1999-00 to analyse the trends in allocation

MATRIX V: Categorisation of Public Expenditure with Pro-women Allocation in 'PRES' Framework

Name of the contributing programme under each cluster	2003-04 (BE)	2003-04 (RE)	2003-04 (Actual)	2004-05 (BE)
Protective & Welfare Services 1. 2. 3. TOTAL				
Regulatory Services 1. 2. 3. TOTAL				
Economic Services 1. 2. 3. TOTAL				
Social Services 1. 2. 3. TOTAL				

Note: Trace the matrix back to 1999-00 to analyse the trends in allocation

MATRIX VI: Economic Classification of Specifically Targeted Expenditure on Women

Name of the programme/scheme	**2003-04 (BE)**	**2003-04 (RE)**	**2003 -04 (Actual)**	**2004-05 (BE)**
I.---------- Wages and Salaries Transfer Payments (subsidies, grants etc) Capital (developmental) expenditure Others II. -------- III. ------ **TOTAL**				

Note: Trace the matrix back to 1999-00 to analyse the trends in allocation

MATRIX VI: Economic Classification of Public Expenditure with Pro-women Allocation

(100> exp. ≥ 30)

Name of the programme	2003-04 (BE)	2003-04 (RE)	2003 -04 (Actual)	2004 -05 (BE)
I.----------				
Wages and Salaries				
Transfer Payments (subsidies, grants etc)				
Capital (developmental) Expenditure				
Others				
II. --------				
III. ------				
TOTAL				

Note: Trace the matrix back to 1999-00 to analyse the trends in allocation.

PART III

Controller General of Accounts
Ministry of Finance

Classification of Government Transactions

Sub-Group's Report on Structural Changes in the Classification System

Classification of Government Transactions

Sub-Group's Report on Structural Changes in the Classification System

Background

An Expert Group under the chairmanship of Chief Economic Adviser, Ministry of Finance, Government of India, Shri. Ashok Lahiri was constituted with the approval of the Union Finance Minister to Review Classification of Expenditure. The terms of reference of the Expert Group are:-

1. Review the existing norms for classification of expenditure between capital and revenue and suggest improvements with a view to reflecting a true and fair view of Government Accounts;

2. Examine the feasibility of and suggest the general approach to gender budgeting and economic classification; and

3. Suggest improvements in the current system for harmonising budgetary, accounting and economic classification.

A Background Paper on the issues concerning the subject was circulated by CGA's Office among the members of the Expert Group. One of the suggestions made in the Background Paper was the replacement of the present unidimensional hierarchy of classification with a multi-dimensional hierarchy.

This issue was discussed in the first meeting of the Expert Group held on 11th September 2003. While generally appreciating the idea, the Expert Group decided to constitute a Sub-Group with representation from C&AG, CGA and Budget Division, to examine the feasibility of the suggestions made in the Background Paper. This sub-Group was expected to propose an alternative model while at the same time establish linkages with the Government Financial Statistics (GFS) of IMF. The sub-Group was required to submit its report within one month.

This report has been prepared pursuant to this decision. The objective of this report is to illustrate the concept of a multi-dimensional classification structure through a prototype. Development of a proper model requires detailed analysis of the entire list of accounting heads, which has over 23,000 entries and was clearly impossible within the short period assigned to the Sub-Group for preparation of this report.

Executive Summary

- The existing system of functional classification has a six-tier uni-dimensional structure which flows in one direction from Fund to sector/ sub-sector to functions / programmes to schemes etc.
- The current system of classification was devised about three decades back. It has the advantage of easy applicability in an environment where maintenance of accounting data is primarily manual.
- With the advent of Information Technology and demands for good governance in these times, there is an urgent need to remodel the system of classification into one that is MIS oriented and helps Governmental performance evaluation.
- A multidimensional classification structure having four separate segments representing Fund, Economic Categories, Functions, and Programmes can suitably replace the present system.
- Each of these segments can have their own hierarchy. In the proposed system, Object and Function groups will have four tiers each; Programme group will have three tiers; Fund group will have only one level.
- An illustrative list of line items, functions, programmes is annexed with this report.
- This is only a suggestive model that would need further development and refinement to arrive at a one-to-one translation of the current list of accounting heads into the suggested format, a mammoth task that will have to be undertaken if the proposal finds acceptance.
- A rationalization of the list of functions may be undertaken separately to strike a one-to-one correlation with the heads of developments used by the Planning Commission. This will obviate reclassification of accounting data into plan heads of development.
- The general ledger will record root level values for the four attributes of each transaction, i.e. fund, Line Item, Sub-Function and Sub-Scheme. The relationship between the different levels with a segment will help in aggregation of data at higher levels. These values will be suitably codified and recorded using a composite key, which will have earmarked places for different attributes.

- ❖ This scheme of classification will make it possible to record functions and programmes even to transfers to States/UTs (Except obviously for the block grants).
- ❖ This structure will enable clear classification of transactions into the four basic categories of Revenue, Expense, Assets and Liabilities and facilitate preparation of basic financial statements for reporting.
- ❖ The current system has the entire set of functions repeating itself under the revenue, capital and loans section. The proposed structure will avoid this repetition. Thus, generating information on functions and programmes will be far easier as the data will no longer be scattered as in the current system.
- ❖ The biggest advantage of this scheme of classification is that any combination of values under the four segments will be possible. Not only that, reporting can be done for any combination of any level.
- ❖ The proposed structure is more computer-friendly. Retrieving information from the system will be much easier and reporting will be far more flexible.
- ❖ This structure is well suited for computerised accounting, which alone can give full benefits of the transition. Implications of this structural change in the classification system on the ongoing computerization efforts in the Union Ministries and also in the State Governments will have to be studied in detailed.

Introduction

The task of any classification system is to identify basic similarities in government operations and organize individual transactions into relatively homogeneous categories, which can provide some meaningful information on the nature, composition and impact of these transactions thereby facilitating analysis and decision-making.

Transactions, both expenses and revenues, can be classified in a variety of ways. The choice of a classification system is governed by the information needs of the users to help them make economic, social and political decisions and to evaluate efficiency in the use of public resources. While the legislature is normally interested in knowing the extent of compliance with the authorizations made by them and the stewardship shown by the government in carrying out its policies, executives focus on monitoring financial health, liquidity position and progress/performance of government programs and schemes. Economists, on the other hand, would be interested in analyzing economic impact of government policies on different sectors of the society/economy.

Classification of government expenditure is important for policy formulation and decision-making on sectoral allocation of funds, performance monitoring of various government programs and activities, establishment of accountability for budgetary compliance, and in the analysis of overall economic impact of government policies.

It provides a normative framework for both policy decision-making and accountability.

No single scheme of classification can possibly satisfy the divergent information requirements for different classes of stakeholders. Most governments, therefore, classify their expenses on a set of different and mutually exclusive schemes, which include classification by:

- Functions
- Programs
- Organization
- Inputs
- Outputs
- Economic Categories
- Financial Categories and
- Funds

Classification of government revenues, on the other hand, is much simpler and standardized. It is important for identifying the sources of revenue and determination of government's reliance on any particular source and, consequently, the sustainability of its fiscal position. Revenues could be classified by their source, by the type of activity generating the revenue, by the nature of inflow, whether reciprocal or non-reciprocal and could also be attributed to the organization responsible for collecting it.

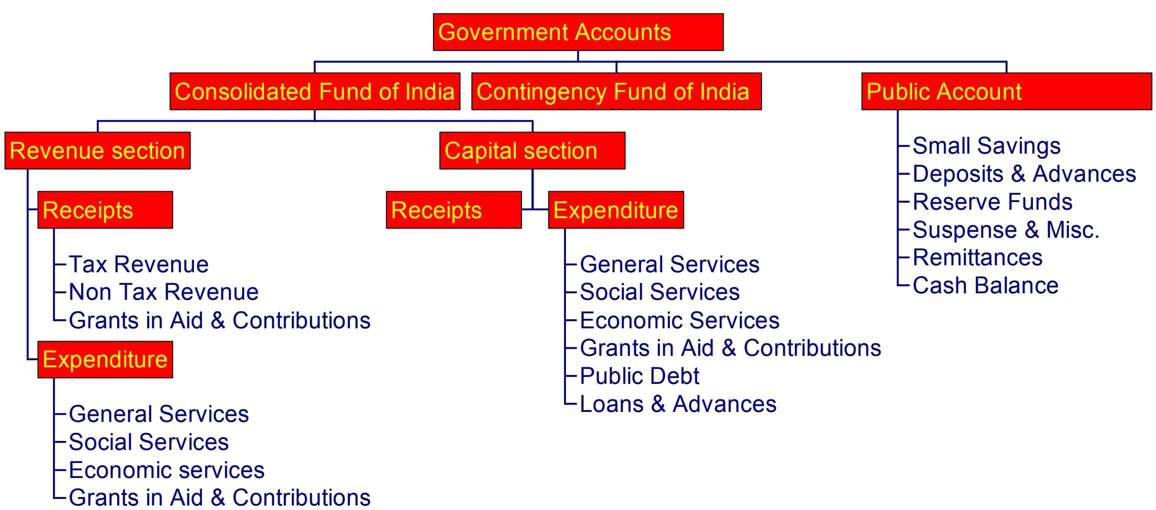
The main challenge in designing a classification scheme for government expenditure is to keep it simple and yet meet the requirements of budget management and reporting to different stakeholders. The guiding principle, particularly in the developing countries, should be the administration's capacity to consistently capture different attributes with sufficient reliable details. An over ambitious classification scheme may give inconsistent results and may be difficult to administer.

Indian System of Classification

At the broadest level all transactions are classified into one of the following funds:

1. Consolidated Fund of India
2. Contingency Fund &
3. Public Account

Consolidated Fund of India is divided into Revenue and Capital Sections, which are further broken down into Sectors and Sub-Sectors, which broadly follow the major groups of COFOG.



These sub-sectors are further divided into a six-tier hierarchical structure, which is:

1. Major Head – representing a major function of the government
2. Sub-Major Head – representing a sub-function of the government
3. Minor Head – representing a programme of the government
4. Sub Head – representing a scheme
5. Detailed Head – representing a sub-scheme and
6. Object head – representing the type and object of expenditure.

In addition, expenses are also attributed to grants, which are linked to departments responsible for incurring it. Expenditure transactions are also classified into Plan or Non-Plan expenditures and voted or charged expenditures.

Thus, the following attributes are recorded in the books of accounts for each transaction:

- Fund
- Function
- Programme
- Object
- Grant
- Department
- Plan/Non Plan
- Voted/Charged

The origin of this structure can be traced back to 1974 when the recommendations given by a team of officers headed by Sh. A. K. Mukherji, the then Deputy Comptroller & Auditor General of India, were adopted and implemented by the Government.

This Committee was constituted as a follow up of a recommendation made by the Administrative Reforms Commission that “The structure of major heads of accounts may be reviewed and recast in terms of broad functions and major programmes of the Government”.

The classification system followed prior to 1974 was mainly based on the organisational structure of the Government. Transactions were attributed to the Ministries, Departments or the subordinate organizations, within which the input type such as establishment charges, travel expenses etc were recorded.

The Mukherjee Committee noted in its report that, “In the changed circumstances the budget and accounts have to fulfil a new purpose and acquire a new dimension. Classification is the structural key to planned and rational Government budgeting………… A meaningful classification and presentation of Government operations in terms of functions, programmes and activities, therefore, assume great importance.

The Committee suggested a rationalized list of major and minor heads of accounts based on the classification recommended in the Manual of Functional and Economic Classification of Government Transactions brought out by the Department of Economic and Social Affairs of the United Nations. This classification aggregated government operations into broad sectors into which functions or services were grouped. The outlays were provided to major heads, which represented functions. In the case of larger functions such as education, sub divisions in the form of Sub Major heads were provided. The objectives of a function were achieved by undertaking a number of programmes, which formed the next tier of the classification structure. Schemes drawn up under each programme and the object on which expenditure was incurred formed the next two levels. The report submitted by this team also contained a list of 26 standard objects of expenditure.

The Committee also noted that, "The functions of Government or programmes are not static………………..Hence a pragmatic approach to accounting structure should not be considered immutable. The scheme of classification should embody a certain amount of flexibility so that accounting could be dynamic and grow with times. This flexibility is all the more necessary at the level of Minor Heads as the programmes are liable to change from plan to plan."

Subsequently, an interdepartmental group of officers headed by Sh. R. C. Ghei, Jt. CGA, attempted a harmonisation of plan heads with the heads of accounts in 1987. This group noted that, " Unless there is complete one-to-one correspondence and, where this is not feasible, proper correlation between Plan heads of allocation and Accounts heads of classification, it will not be possible to link the Plan allocations with the Budgetary figures or actual expenditure". This group further rationalised the list of major and minor heads and added another tier in between schemes and objects for classifying Sub-Schemes.

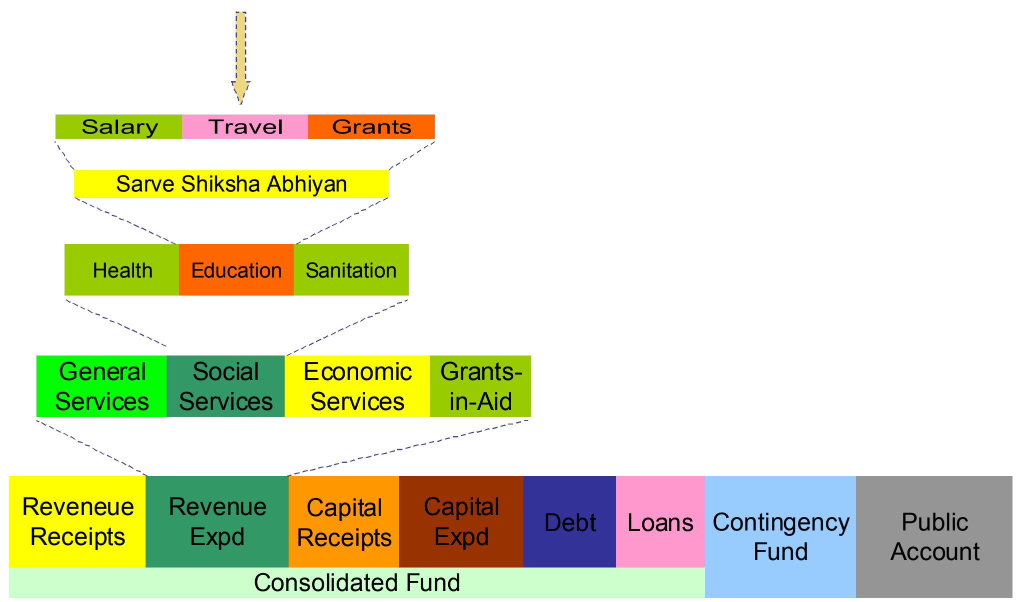
Problems with the Current Classification System

The existing system of functional classification operates in six-tier system and has elaborate codification pattern. However, it goes without saying that this system is uni-dimensional as it flows in one direction namely from Fund to sector/ sub-sector to functions / programmes to schemes etc. As it is obvious that operation of economic and financial activities in governmental environment and that too in a federal set up like India require mapping of complex linkages between functions, programmes and schemes at different levels. Given the fact that India too has a rigorous planning process, dovetailing the operation of planning with that of accounting is also required. It has been observed that the relationship between functions, programmes and schemes are not always linear and cut across various functions. Similarly, there is gap between the Heads of development operated by for the plan implementation and the Heads of accounts. The area of grant devolution also need proper integration with head of accounts.

The main weaknesses of the current system of classification are related to its structure, which was devised about three decades back, i.e. before the advent in India of computer technology for information management of this nature.

The need to keep the structure unidimensional for the ease of bookkeeping resulted in an amalgamation of functions, programmes and economic categories in a single hierarchy. Thus, the Fund is divided into sections such as Revenue, Capital and Loans & Advances (which represent high level economic categories) and a set of functions (including the programmes) is repeated under these three divisions.

Existing System – Different attributes dovetailed into one stream



Rationale for this was given as follows:

"Further, under the provisions of Article 112 and 202 of Constitution the expenditures of Government are required to be shown separately under 'revenue' and 'capital'. Besides, Article 266 of the Constitution makes a distinct mention of loans raised by Governments and amounts received in repayment of loans advanced by Governments amongst the categories of receipts that would form the Consolidated Fund of the Union and State Governments. Accordingly, we have proposed separate divisions for revenue, capital and loan transactions. While the "capital" division will have the same sectoral classification, as in the "revenue" division, the "loans" division will have two sectors, one for the borrowings of Government and the other for loans given by Government. The major heads in the latter sector have, however, been arranged in such a way as to correspond to the major head classification adopted for the capital division. Under the scheme, attempt has also been made to distinguish in accounts loans given to various parties such as State Governments, Port Trusts and Municipalities. We, however, recognize that the classification in the plan cannot have separate divisions for revenues, capital and loan transactions. These will, therefore, continue to be aggregated under the various plan sectors of development as at present."1

This approach has a few problems:

Since transactions such as transfers to States/UTs are not always attributable to a function, they are bunched together under one Major Head. The reason for doing this were spelt out by the Mukherjee Committee as follows:

"We considered the question whether the grants and loans paid by the Central Government to State and Union Territory Governments should be classified under the various functional heads to which individual grants or loans related. For one thing there is quite a large amount of grants-in-aid and loans given to State and Union Territory Governments in 'block' form for State and Union Territory Plan Schemes are related to any particular scheme. A functional distribution of these block grants and loans is not possible. Secondly the exhibition of grant or loans paid to the State and Union Territory Governments under the functional heads in the Central Government accounts and the actual expenditure of the State and Union Territory Governments on the schemes/projects again under the same functional heads in their accounts would inflate the expenditure on a particular function when the expenditures of the Central and State and Union Territory Governments on that function are aggregated. We, therefore, recommend the retention of separate major heads for grants-in-aid to State Government, grants-in-aid to Union Territory Governments, loans and advances to State Governments and loans and advances to union Territory Governments so that while aggregating the total expenditure of Central, State and Union Territory Governments on a function, these transfers could be excluded."2

Thus, even where it is possible to attribute transfers to functions or programmes, the classification structure does not permit it. Same is the case for Loans to States/Uts.

It leads to divergence between Major Heads and the Plan Heads of Development. Further down at the programme level, if a plan scheme has components of revenue & capital expenditure incurred directly by the Centre and also has transfers (including loans) to States/UTs, the data in the accounting books will be scattered under a number of heads and will have to be aggregated to generate scheme wise information. Thus, considerable effort is required to translate accounting information into Plan formats.

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[1] Para 3.2.13, Second Report of the Team on Reforms in the Structure of Budget and Accounts, Classification of Government Transactions in Accounts and Plan, Volume I

[2] Para 3.14.5, Second Report of the Team on Reforms in the Structure of Budget and Accounts, Classification of Government Transactions in Accounts and Plan, Volume I

With the programmes (minor heads) rolling into sub-functions and functions (sub-major or major heads) a scenario where programmes cut across functions cannot be captured. For example, the Swarna Jayanti Gram Swarojgar Yojana(SGSY) under the Department of Rural Development includes components such as Health, Vocational training etc. that would fall under completely different functions.

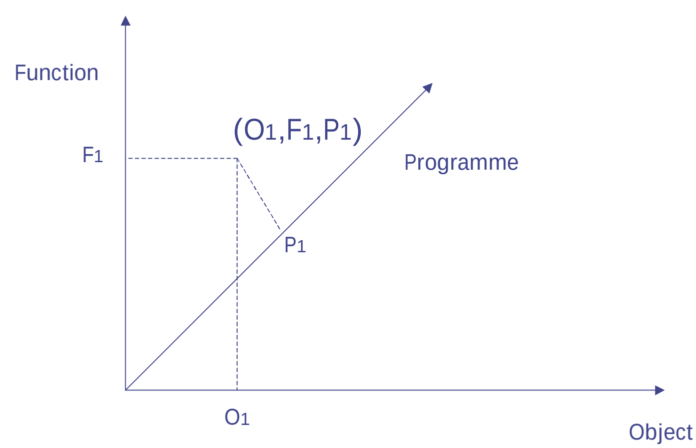
The current system of classification was devised about three decades back, before the advent in India of computer technology for information management of this nature. To that extent, the current system has its inherent advantage of easy applicability in an environment where maintenance of accounting data is primarily manual. Moreover, in the context of the Welfare State, where the balance between quantity and quality of expenditure was tilted more towards the former, the current system of classification was not obstructive.

However, with the advent of Information Technology and demands for good governance in these times, there is an urgent need to remodel the system of classification into one that is MIS oriented and helps Governmental performance evaluation and focused as well as result oriented development.

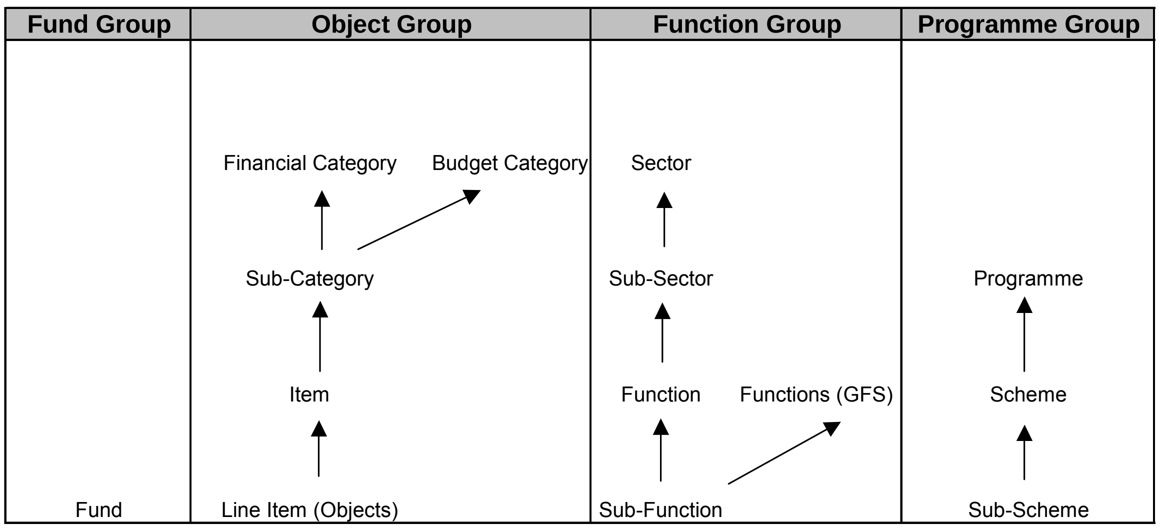
The Proposed Structure

These problems can be overcome by having a multidimensional classification structure having four separate segments representing Fund, Economic Categories, Functions, and Programmes. Each of these segments can have it's own hierarchy.

Multi-Dimensional System -



Fund group will have a single tier structure, which will record the fund, i.e. Consolidated Fund, Contingency Fund or the Public Account. A second level can be added, if considered necessary, to record sub-funds under Public Account.



The Object group will have a four-tier structure. At the highest level, all transactions will be aggregated into one of the following categories:

1. Revenues
2. Expenses
3. Liabilities
4. Assets

The next two levels will show break down of each of the categories into broad economic types such as Tax Revenues, Non-tax Revenues, Salaries & Wages, Goods & Services, Interest Payments, Transfers, Loans & Advances etc. Line items at the root level will record the primary object in case of expenses and source in case of revenues.

This structure will enable clear classification of transactions into the four basic financial categories and facilitate preparation of basic financial statements for reporting. For the purpose of classification under Revenue and Capital, a parallel grouping of Sub-categories into these two heads will be done.

The Function group will also have a four-tier structure, which will have sub-functions at the root level and sectors at the top. Sub-functions will aggregate into functions, which will in-turn aggregate into Sub-sectors and Sectors. The present system of expenditure classification upto Sub-major heads will be retained in the proposed scheme with the improvement that repetition of heads under revenue, capital & loans sections will no longer be required.

A rationalization of the list of functions may be undertaken separately to strike a one-to-one correlation with the heads of developments used by the Planning Commission. This will obviate reclassification of accounting data into plan heads of development. A possible correlation between the two sets of heads is given in Annex "B". This, however, needs a more careful analysis in consultation with the Planning Commission.

Functions can also be mapped to COFOG for the purpose of generating internationally comparable financial statements as per the GFS.

The Programme group will retain the current three-tier structure of Programmes-Schemes-Sub-Schemes (Minor Head, Sub Head and Detailed Head).

The need for capturing geographical spread of expenditure can be debated upon. If this data is to be recorded, it can be done by adding another segment to the classification structure. The Sub-group is of the opinion that at the minimum the classification must provide for a means to distinguish Government's expenditure on itself from the rest.

An illustrative list of line items, functions, programmes is annexed with this report (Annex "A"). A one-to-one translation of the current list of accounting heads into the suggested format requires a detailed and comprehensive analysis of the entire list of heads of accounts, which is a mammoth task and will have to be undertaken if the proposal finds acceptance.

The general ledger will record root level values for the four attributes of each transaction, i.e. fund, Line Item, Sub-Function and Sub-Scheme. To illustrate, expenditures under the two different programme of the Ministry of Agriculture on grants, capital expenditure and subsidies will be recorded as:

General Ledger				
Fund	**Line Item**	**Sub-Function**	**Sub-Scheme**	**Amount**
CFI	Grants-in-Aid to Autonomous Bodies	Crop Husbandry	National Seeds Research & Training Centre	2,000
CFI	Major Works	Crop Husbandry	National Seeds Research & Training Centre	10,000
CFI	Grants-in-Aid to State Governments	Crop Husbandry	Development of Pulses	12,000
CFI	Subsidies	Crop Husbandry	Development of Pulses	5,000

Thus, it is the combination of possible values under the four segments that will uniquely identify a transaction. Relationships between the different levels within a segment will help in aggregation of data at higher levels. These values will be suitably codified and recorded using a composite key, which will have earmarked places for different attributes. For example, first two digits of this key may be reserved for Fund, next three for object, next three for sub-function and the last three for the sub-scheme.

At times it may happen that a transaction cannot take valid values under all the four segments. For example, block grants cannot be assigned to a specific function or programme. These situations will be dealt with by inserting nulls under the relevant segment.

Thus, this scheme of classification will make it possible to record functions and programmes even to transfers to States/UTs allow (Except obviously for the block grants). This is important not only from the point of view of disclosure in the financial statements but also for collation of data on actual utilization of such funds and performance monitoring.

The current system has the entire set of functions repeating itself under the revenue, capital and loans section. The proposed structure will avoid this repetition. Thus, generating information on functions and programmes will be far easier as the data will no longer be scattered as in the current system.

The proposed structure has the advantage of clearly identified and listed functions and programmes, making their review easier. Maintenance of this Chart of Accounts will be a lot easier.

Fund being a separate dimension of this structure it is possible to turn to fund based accounting at the same time allowing for inter-fund transactions to be distinctly recorded.

The biggest advantage of this scheme of classification is that any combination of values under the four segments will be possible. Not only that, reporting can be done for any combination of any level. Thus, It will be possible to report a breakdown of Revenue Expenditure by functions or by programmes and also a breakdown of a Programme (eg Development of Pulses) into various line Items (as illustrated in the example above).

The proposed structure is more computer-friendly. Retrieving information from the system will be much easier and reporting will be far more flexible.

Implementation Issues

The proposed structure is a multi-segment hierarchical structure. Implementation of this structure would be difficult under manual compilation of accounts. This structure is well suited for computerised accounting, which alone can give full benefits of the transition. Implications of this structural change in the classification system on the ongoing computerization efforts in the Union Ministries and also in the State Governments will have to be studied in detailed. The modalities of data capturing in terms of preparation of initial accounting documents will also have to be analysed given limited expertise and skill of the personnel in capturing classification details under the new structure.

Applicability of the proposed structure uniformly in the Union as well as State accounts will have to be studied in detail and State schemes will also have to similarly analysed and rationalized to fit in the new structure.

Annex "A"

Functional Classification		
Sectors	**Sub-Sectors**	**Functions**
General Service	Organs of State	Parliament/ State/ UT Legislatures
		President, Vice-President/ Governor/ Administrator of Uts
		Council of Ministers
		Administration of Justice
		Elections
		Audit
	Fiscal Services	Tax Administration
		Currency, Coinage and Mint
		Other Fiscal Services
	Interest Payments	Appropriation for reduction or avoidance of Debt
		Interest Payments
	Administrative Services	Public Service Commission
		Secretariat – Gen. Services
		District Administration
		Treasury and Accounts Administration
		Police
		Jails
		Supplies and Disposals
		Stationary and Printing
		Public Works
		External Affairs
		Other Admn. Services
	Pension & Misc. General Services	Pension and Other Retirement benefits
		Misc. General Services

Functional Classification		
Sectors	**Sub-Sectors**	**Functions**
	Defence Services	Defence Services – Army Defence Services – Navy Defence Services – Air Force Defence Services – Ordinance Factories
Social Services	Education, Sports, Art & Culture	Education, Sports, Art and Culture (R)/ General Education Technical Education Sports & Youth Affairs Art & Culture
	Health & Family Welfare	Med. & Pub. Health Family Welfare
	Water Supply, Sanitation, Housing and Urban Development	Water Supply and Sanitation Housing Urban development
	Information & Broadcasting	Information and Publicity Broadcasting
	Welfare of SC, ST & Other Backward Classes	Welfare of SCs/STs & OBSc
	Labour & Labour Welfare	Labour and Employment
	Social Welfare & Nutrition	Social Security and Welfare Nutrition Relief on account of natural Calamities
	Others	Other Social Services Secretariat-Social Services
Economic Services	Agriculture & Allied Activities	Crop husbandry Soil and Water Conservation Animal husbandry Dairy development

Functional Classification		
Sectors	**Sub-Sectors**	**Functions**
		Fisheries Forestry and Wild Life Plantations Food Storage and warehousing Agri. Research and Edu. Agri. Financial Institutions Co-operation Other Agri. Prog
	Rural Development	Spl . Prog. For Rural Dev Rural Employment Land Reforms Other Rural Dev. Progs
	Special Areas Programmes	Hill Areas North Eastern Areas MPs LAD Scheme Other Special Programmes
	Irrigation & Flood Control	Major and Medium Irrigation Minor Irrigation Command Area Development Flood Control and Drainage
	Energy	Power (Projects) Petroleum Coal & Lignite Non-Conventional Sources of Energy Energy Co-ordination and Development
	Industry & Minerals	Village and Small Industries Industries/ Iron & Steel Industries Non-ferrous Mining and Metallurgical Industries

Functional Classification		
Sectors	**Sub-Sectors**	**Functions**
		Cement and Non-metallic Mineral Industries
		Fertilizer Industries
		Petro-Chemical Industries
		Chemical & Pharmaceutical Industries
		Engineering Industries
		Telecommunication and Electronic Industries
		Consumer Industries
		Atomic Energy Industries
		Other Industries
		Other outlays on Industries and Minerals
	Transport	Indian Railways – Policy Formulation, Direction, Research Etc.
		Indian Railways – Commercial Lines – Rev. Receipts / Working Expense/ Cap. Outlay/Loan
		Railways – Strategic Lines – Rev. Receipts/ working exp/ Cap. outlay
		Indian Rlys-Open Line Works (Rev)
		Payments to General Revenues
		Appropriation form Railway Surplus
		Payment of Loans taken for Gen. revenues
		Payment towards amortization of over capitalisation
		Ports and Light Houses
		Shipping
		Civil Aviation
		Roads and Bridges
		Road Transport
		Inland Water Transport
		Other Transport Services
	Communications	Postal Receipts

Functional Classification		
Sectors	**Sub-Sectors**	**Functions**
		Telecommunication (Services) /Receipts Dividend to Gel. Services Appropriations from Telecommunications surplus Repayment of Loans taken from General Rev. by Telecommunications Satellite Systems Other Communication receipts/ Services
	Sceince Technology & Environment	Atomic Energy Research Space Research Oceanographic Research Other Scientific Research Ecology and environment
	General Economic Services	Secretariat –Economic Services Tourism Foreign Trade and Export Promotion Census, Survey and Statistics Meteorology Civil Supplies Gel. Financial and Trading Institutions International Financial Institutions Other General Economic Services

Object Classification			
Category	**Sub-Category**	**Item**	**Line Item**
Revenues	Tax Revenue	Taxes on Incomes, Profits and Capital Gains	Corporation Tax
			Taxes on Income other than Corporation Tax
			Hotel Receipts Tax
			Interest Tax
			Other Taxes on Income and Expenditure
		Taxes on Property and other capital transactions	Land Revenue
			Stamp & Registration Fees
			Estate Duty
			Taxes on Wealth
			Gift Tax
			Tax on Immovable Property other than Agricultural land
		Taxes on Commodities and Services	Customs
			Union Excise Duties
			State Excise
			Taxes on Sales, Trade etc.
			Taxes on Vehicles
			Taxes on Goods and Passengers
			Taxes and Duties on Electricity
			Service Tax
			Other Taxes and Duties on Commodities and Services
	Non-Tax Revenue	Interest Receipts	Interst from State Governments
			Interest from UTs
			Other Interest Receipts of Union Government
			Interest Receipts of State/UTs
		Dividends and Profits	Dividends from PSUs
			Contribuitions from Railways
			Contributions from Posts & Telegraphs
			Share of Surplus Profits from RBI
			Share of Profits from LIC
			Share of Profits from Nationalised Banks
			Share of Profits from FIs
			Dividends from Other Investments
		User Fees & Service Charges	Examination Fees
			Police Support Fees
			Receipts under Arms Act
			Fees for Procurement of Stores
			Inspection Fees
			Copyright Fees
			Immigration Fees
			Passport Fees

Object Classification			
Category	**Sub-Category**	**Item**	**Line Item**
			Visa Fees Audit Fees Guarantee Fees Tution Fees Library Fees Recipts from Medical Services Receipts from Water Supply Sewarage Charges Licence Fees from Government Servants
		Rents & Hire Charges	Rents from Office Buildings Hire Charges of Machinery & Equipment Recovery of Percentage Charges
		Other Non-Tax Revenue	Receipts of Currency, Coinage & Mints Receipts from Stationery & Printing Sale proceeds of Election Forms Pension Contributions Penalties Fines & Forfiets Unclaimed Deposits Unpaid Dividends
	Grants-In-Aid and Contributions	Grants-In-Aid and Contributions	Grants-in-aid from Central Government States' Share of Union Excise Duties External Grant Assistance Aid Material and Equipment
Expenses	Revenue Expenditure	Salaries & Wages	Salaries Wages OTA Rewards
		Pensionary Charges	Pensionary charges
		Goods & Services	Domestic Travel Expenses Foreign Travel Expppenses Office Expenses Royalty Publications Other Admn. Services Supplies & Materials Arms & Amunitions Cost of Ration POL Clothing & Tentage Advertising & Publicity Minor Works Professional Services Other Contractual Services
		Other Expenses	Rates, Rent & Taxes Secret Service Expenditure Lumpsum Payments Suspense

Object Classification			
Category	**Sub-Category**	**Item**	**Line Item**
			Scholarship/Stipend
			Contributions
			Other Charges
		Interest Payment	Interest
			Exchange Variations
		Accounting Adjustments	Depreciation
			Reserves
			Inter-account Transfers
			Write off/Losses
			Deduct Recoveries
	Grants-In-Aid, Contributions & Subsidies	Current Grants	Grants - in - aid to State Government
			Grants-in-Aid to UTs
			Share of taxes/duties
			Grants to PSUs
			Grants to NGOs
			Grants to Autonomous Bodies
			Contributions
		Capital Grants	Grants - in - aid to State Government
			Grants-in-Aid to UTs
			Grants to PSUs
			Grants to NGOs
			Grants to Autonomous Bodies
		Subsidies	Subsidies
Assets	Capital Expenditure	Acquisition of Assets	Motor Vehicles
			Machinery & Equipment
		Major Works	Major Works
		Investments	Investments
		Others	Other Capital Expenditure
	Loans & Advances	Loans & Advances	Loans to State Governments
			Loans to UTs
			Loans to PSUs
			Loans to Autonomous Bodies
			Loans to Government Servants
			Other Loans
Liabilities	Public Debt	Internal Debt	Market Loans
			Treasury Bills & Connected Securities Issued to RBI
			Security Issued to International Financial Institutions
			Compensation &Other Bonds
			Special Securities Issued to RBI
			Ways & Means Advances from RBI
			Special Securities Issued to NSSF
			Other Loans
		External Debt	Each Source to appear as Line Item

Programme Classification

Programmes	Schemes	Sub-Schemes
Direction And Administration	Headquarters Establishment	Headquarters Establishment
	Establishment	Establishment
	Directorate Of Agriculture	Directorate Of Agriculture
	Daman And Diu	Daman And Diu
Food Grain Crops	Minikit Programme Of Millets	General Areas
		Tribal Areas
		Special Component Plan For Scheduled Castes
	Minikit Programme Of Wheat	Wheat-General Areas
		Wheat-Special Component Plan For Scheduled Castes
	Integrated Cereal Development Programme-Rice	Integrated Cereal Development Programme-Rice
	Front Line Demonstration By I.C.A.R., Payment To N.S.C./S.F.C.I./ U.Ts. Etc. Under The Scheme Integrated Cereal Development	Front Line Demonstration By I.C.A.R., Payment To N.S.C./S.F.C.I./ U.Ts. Etc. Under The Scheme Integrated Cereal Development
	Front Line Demonstration By I.C.A.R., Payment To N.S.C./S.F.C.I. Etc. And Evaluation Study Under The Scheme Integrated Cereal	Front Line Demonstration By I.C.A.R., Payment To N.S.C./S.F.C.I. Etc. And Evaluation Study Under The Scheme Integrated Cereal
	Frontline Demonstration By I.C.A.R. Under The Integrated Rice Development Programme	Frontline Demonstration By I.C.A.R. Under The Integrated Rice Development Programme
	Minikit Programme Of Coarse Cereals	Coarse Cereals-General Area
		Coarse Cereals-Tribal Areas
		Coarse Cereals-Special Component Plan For Scheduled Castes
	Minikit Programme Of Rice	Rice -General Areas
		Rice-Tribal Areas

Programme Classification

Programmes	Schemes	Sub-Schemes
		Rice-Special Component Plan For Scheduled Castes
Investigation	Central Electricity Authority	Tidal Power Generation
	Central Water Commission	Investigation For Teesta-Vi
	Investigation Of New Hydro Electric Projects	National Electric Power Corporation
	Kirthar Project	Kirthar Project
	Provision For Hydel Cess	Provision For Hydel Cess
	Electricity Development Fund	Electricity Development Fund
Fuel Inventory	Madras Atomic Power Station	Madras Atomic Power Station
Central Government Health Scheme	Health Services For Government Employees	Defence Services
		Posts And Telegraphs Department
		Railways
		Overseas Communication Service
Hospitals And Dispensaries	Safdarjang Hospital, New Delhi	Main Hospital
		Safdarjang Hospital
Ayurveda	Grants To Institute Of Post Graduate Training And Resea Rch, Jamnagar	
	Grants To National Institute Of Ayurveda, Jaipur	General Areas
		Tribal Areas
		Special Component Plan For Scheduled Castes
Research And Statistics	Labour Bureau	Labour Bureau
	Plan Scheme Under Research And Statistics	Rural Labour Enquiry(Including Construction Of Cpi Nos For Rural Agriculture Labourers)

Programme Classification		
Programmes	**Schemes**	**Sub-Schemes**
		Collection Of Data On Employment And Wages In Respect Of The Unorganised Sector Of Industries
		Survey Relating To Working And Living Conditions Of Labour Belonging To Scheduled Castes/Scheduled Tribes Communities
		Working Class Family Income And Expenditure Survey 1992-93
		Collection Of Labour Statistics Under Annual Survey Of Industrie S
		Socio Economic Conditions Of Women Workers In Industry
		Modernisation Of Machine Tabulation Unit
		Evalution Studies Regarding Implementation Of Minimum Wages Act, 1948.
		House Rent & Off Take Retreat Survey
		Fourth Occupational Wage Survey
		Linkage Of Emplyt Generated Through Industrial Licences
		Fresh Working Class Family Income & Exp. Survey 1981-82
		Repeat House Rent Survey (Under Wcfi & Es 1992-93)
		Wage Rate Indices (New Series)
		Improvement In Labour Statistical System

Annex "B"

Heads of Accounts and Heads of Developments

Sl. No.	Description	Type	Head of Development	Head of Accounts
I. Agricultural and Allied Activities		Sub-Sector – Eco. Services		
1.	Crop husbandry	Functions	12401	2401
2.	Soil and Water Conservation	Functions	12402	2402
3.	Animal husbandry	Functions	12403	2403
4.	Dairy development	Functions	12404	2404
5.	Fisheries	Functions	12405	2405
6.	Forestry and Wild Life	Functions	12406	2406
7.	Plantations	Functions	12407	2407
8.	Food Storage and warehousing	Functions	12408	2408
9.	Agri. Research and Edu.	Functions	12415	2415
10.	Agri. Financial Institutions	Functions	12416	2416
11.	Co-operation	Functions	12425	2425
12.	Other Agri. Prog	Functions	12435	2435
II. Rural Development		Sub-Sector – Eco. Services		
13.	Spl. Progs for Rural Dev	Functions	12501	2501
14.	Rural Employment	Functions	12505	2505
15.	Land Reforms	Functions	12506	2506
16.	Other Rural Dev. Progs	Functions	12515	2515
17.	Other Special Area Programmes	Functions	12575	2575
III. Irrigation and Flood Control		Sub-Sector – Eco. Services		
18.	Major and Medium Irrigation	Functions	12701	2701
19.	Minor Irrigation	Functions	12702	2702
20.	Command Area Development	Functions	12705	2705
21.	Flood Control and Drainage	Functions	12711	2711
IV. Energy		Sub-Sector– Eco. Services		
22.	Power	Functions	12801	2801
23.	Petroleum	Functions	12802	2802
24.	Coal and Lignite	Functions	12803	2803
25.	Non-Conventional Sources of energy	Functions	12810	2810
26.	Energy coordination and Development	Functions	12820	2820
V. Industry		Sub-Sector– Eco. Services		
27.	Village and Small Industry	Functions	12851	2851

Sl. No.	Description	Type	Head of Development	Head of Accounts
28.	Iron and Steel Industry	Functions	12852	2852
29.	Non-ferrous Mining and Metallurgical Industry	Functions	12853	2853
30.	Cement and non-metallic Mineral Industries	Functions	12854	No Corresponding HOA in Revenue Section
31.	Fertilizer Industries	Functions	12855	
32.	Petro-chemical Industries	Functions	12856	
33.	Chemical and Pharmaceutical industries	Functions	12857	
34.	Engineering Industries	Functions	12858	
35.	Telecommunication and electronic Industries	Functions	12859	
36.	Consumer Industries	Functions	12860	
37.	Atomic Energy Industries	Functions	12861	
38.	Other Industries	Functions	12875	2875
39.	Other Outlays on Industries and Minerals	Functions	12885	2885
VI. Transport		Sub-Sector–Eco. Services		
40.	Railways	Functions	13002	3002
41.	Ports and Lighthouses	Functions	13051	3051
42.	Shipping	Functions	13052	3052
43.	Civil Aviation	Functions	13053	3053
44.	Roads and Bridges	Functions	13054	3054
45.	Road Transport	Functions	13055	3055
46.	Inland Water Transport	Functions	13056	3056
47.	Other Transport Services	Functions	13075	3075
VII. Communications		Sub-Sector–Eco. Services		
48.	Postal Services	Functions	13201	3201
49.	Telecommunication Services	Functions	13225	3225
50.	Other Communication Services	Functions	13275	3275
VIII. Science Technology and Environment		Sub-Sector–Eco. Services		
51.	Atomic Energy Research	Functions	13401	3401
52.	Space Research	Functions	13402	3402
53.	Oceanographic Research	Functions	13403	3403
54.	Other Scientific Research	Functions	13425	3425
55.	Ecology and Environment	Functions	13435	3435
IX. General Economic Services		Sub-Sector–Eco. Services		
56.	Secretariat - Economic Services	Functions	13451	3451
57.	Tourism	Functions	13452	3452
58.	Foreign Trade and Export Promotion	Functions	13453	3453

Sl. No.	Description	Type	Head of Development	Head of Accounts
59.	Census, Surveys and Statistics	Functions	13454	3454
60.	Meteorology	Functions	13455	3455
61.	Civil Supplies	Functions	13456	3456
62.	General Financial and Trading Institutions	Functions	13465	3465
63.	Other General Economic Services	Functions	13475	3475
64.	Technical and Other Cooperation with other countries	Functions	13605	3605
	X. Social Services	Sector		
65.	General Education	Functions	22202	2202
66.	Technical Education	Functions	22203	2203
67.	Sports and Youth Services	Functions	22204	2204
68.	Art and Culture	Functions	22205	2205
69.	Medical and Public Health	Functions	22210	2210
70.	Family Welfare	Functions	22211	2211
71.	Water Supply and Sanitation	Functions	22215	2215
72.	Housing	Functions	22216	2216
73.	Urban Development	Functions	22217	2217
74.	Information and Publicity	Functions	22220	2220
75.	Broadcasting	Functions	22221	2221
76.	Welfare of SCs/ STS/ OBCs	Functions	22225	2225
77.	Labour and Employment	Functions	22230	2230
78.	Social Security and Welfare	Functions	22235	2235
79.	Nutrition	Functions	22236	2236
80.	Natural Calamities	Functions	22245	2245
81.	Other Social Services	Functions	22250	2250
82.	Secretariat – Social Services	Functions	22251	2251
83.	North Eastern Areas	Functions	22552	No Corresponding HOA in Revenue Section
84.	Other Special Area Programmes	Functions	22553	
	XI. General Services	Sector		
85.	Administration of Justice	Functions	32014	2014
86.	Currency, Coinage and Mint	Functions	32046	2046
87.	Other Fiscal Services	Functions	32047	2047
88.	Secretariat – General Services	Functions	32052	2052
89.	Police	Functions	32055	2055
90.	Jails	Functions	32056	2056
91.	Supplies and Disposals	Functions	32057	2057
92.	Stationary and Printing	Functions	32058	2058
93.	Public Works	Functions	32059	2059
94.	Other Administrative	Functions	32070	2070

Sl. No.	Description	Type	Head of Development	Head of Accounts
	Services			
95.	Misc. General Services	Functions	32075	2075