

Post Budget Developments

29. The total financial liability of the central government due to the implementation of the recommendations of the Fifth Pay Commission was estimated to be Rs.18500 crore upto the end of the February, 1998. This amount is to be cleared partly in 1997-98 and partly in 1998-99. This was against a total provision of Rs.11250 crore as per the 1997-98 budget estimates for the pay commission award. The pay and allowances were revised with effect from 1.1.1996 and 1.8.1997 respectively. The arrears from 1.1.96 to 30.9.97 are to be paid in two instalments spread over two financial years. Where the amount of arrears is less than Rs.5000 it was to be paid in one instalment and where in excess of Rs.5000 it was to be paid in two instalments. The first instalment was limited to Rs.5000 plus fifty per cent of the balance amount of arrears.

30. In the backdrop of decision on the recommendation of the FPC a number of fiscal measures were taken by the previous government to mobilise additional resources and to curtail expenditure. On the resources front, the measures included raising the special duty on customs from 2 per cent to 5 per cent ad valorem on imported goods other than petroleum products and project imports; imposition of 10 per cent countervailing duty on zero duty EPCG imports and; hike in foreign travel tax from Rs.300 to Rs.750 for travel to foreign countries other than the neighbouring countries. With a view to curtail expenditure, a 5 per cent cut was imposed on non plan expenditure (excluding salaries, interest, defence, subsidies and transfers to States/UTs) and central plan outlay (excluding externally aided projects) respectively. Besides ministry of railways and department of telecommunications were asked to meet the additional expenditure either through resource mobilisation or by identifying savings within their respective budgets. The disinvestment target was raised from Rs.4800 crore provided in the Budget to Rs.7000 crore for 1997-98. The combination of additional resource mobilisation and expenditure reducing measures were expected to yield Rs.9500 crore which were to go towards meeting the post budget expenditure commitments. However, after the successful completion of the VDIS the five per cent cut in the expenditure was restored in January, 1998 subject to fulfilment of normal conditions under which the expenditure is to be incurred.
