

## **PART B**

### **CAPITAL RECEIPTS**

#### **ESTIMATES OF CAPITAL RECEIPTS**

The Statement below summarises by broad categories the estimates of capital receipts. Further details together with brief notes explaining the variations between the Budget estimates and the Revised estimates for 1997-98 and between the latter and Budget estimates for 1998-99 are given in the notes that follow this statement. The borrowings and other debt included in the statement are net of repayments.

|   | <i>(in crores of Rupees)</i> |                    |                   |
|---|------------------------------|--------------------|-------------------|
|   | Budget<br>1997-98            | Revised<br>1997-98 | Budget<br>1998-99 |
| 1. Market Loans   | 4070.00                      | 4070.00            |                   |
| 2. Other long & medium term borrowings  | 29750.00                     | 38414.41           | 55931.00          |
| 3. Short term Borrowings  |                              |                    |                   |
| 4. External Assistance (Net)  | 2434.90                      | 1201.44            | 2336.56           |
| 5. Recoveries of loans & advances   | 8779.00                      | 9479.41            | 9908.43           |
| 6. Disinvestment of equity holdings in Public sector enterprises                        | 4800.00                      | 906.00             | 5000.00           |
| 7. Issue of bonus shares  | ...                          | 1.00               | ...               |
| 8. Small Savings, Public Provident Fund and Deposit Scheme for Retiring Employees (Net) | 14000.00                     | 25478.00           | 21640.00          |
| 9. State Provident Funds (Net)  | 2550.00                      | 3200.00            | 5350.00           |
| 10. Special Deposits of Non-Government PF, LIC, etc. (Net)                              | 10005.65                     | 8983.82            | 9494.75           |
| 11. Other Receipts (Net)  | 2643.45                      | 2673.83            | 3876.94           |
| <b>Total Capital Receipts *</b>   | <b>79033.00</b>              | <b>94407.91</b>    | <b>113537.68</b>  |

\* Annexure 12 gives a reconciliation of the above estimates with the Receipt estimates shown in the Annual Financial Statement.

#### **1. Market Loans:** **1997-98**

In the Budget Estimate of 1997-98 the total receipt from market borrowings by the Central Government, net of repayments, was assumed at Rs. 4070 crore. RE 1997-98 was kept at the same level.

In 1992-93 Government of India introduced a scheme of sale of dated Government securities by auction, which is conducted by the Reserve Bank of India at Bombay. This marked a departure from the practice followed earlier in raising market loans by issuing loans at specific interest rates.

#### **Budget Estimates 1998-99**

The following loans with outstanding balances indicated against each are due for discharge in 1998-99:

|                               | <i>(in crores of Rupees)</i> |
|-------------------------------|------------------------------|
| 13.50% Government Stock, 1998 | 2911.05                      |
| 7% Loan, 1998                 | 281.48                       |
| 10.50% Loan, 1998             | 294.14                       |
| 13% Government Stock, 1998    | 1000.00                      |
| 6% Loan, 1998                 | 172.66                       |
| 13.62% Government Stock, 1998 | 2000.00                      |
| 13.65% Government Stock, 1998 | 2000.00                      |
| 6.25% Government Stock, 1998  | 143.47                       |
| 12.30% Government Stock, 1998 | 1000.00                      |
| GOI Zero Cupon Bonds, 1999    | 3000.00                      |
| 13.65% Government Stock, 1999 | 2000.00                      |
| <b>Total</b>                  | <b>14802.80</b>              |

**2. Other Long & Medium term borrowings:** These comprise conversion of 364-day Treasury Bills and 91-day Treasury Bills sold on auction basis, Zero Coupon bonds, Stock for which payment is made in instalments, Floating Rate Bonds, etc. Zero Coupon Bonds do not carry any interest, but are sold at a discount.

In the year 1997-98 a new instrument called "6% Capital Indexed Bonds (CIB) 2002" was floated on 29th December, 1997. CIB provide a complete hedge against inflation for the principal amount of investment to investors and protect the real value, while at the same time providing a regular stream of interest income. It is expected to broadbase the investment opportunities of varied categories of investors particularly to those who are averse to inflation risk.

### 3. Short term borrowings:—

364 day treasury bills offer short-term investment opportunity to financial institutions (like banks, etc.) and other parties. These treasury bills were introduced in 1992-93 to enable development of a market for Government securities. These bills are not rediscountable with the Reserve Bank of India. These bills are periodically offered for sale on auction basis, by the Reserve Bank of India at Bombay.

**Market Borrowings from 1997-98:** Upto 1996-97, the temporary mismatches between receipts and expenditures of the Government were being met mainly through issue of 91 day ad-hoc Treasury Bills to the RBI. The year-end net issue of 91 day Treasury Bills, including ad-hocs, and draw-down of cash balance constituted the budgetary deficit for the relevant financial year and was also a source of financing the fiscal deficit. In order to strengthen fiscal discipline and to provide greater flexibility to RBI in its monetary management, it was decided to do away with the system of ad-hoc Treasury Bills from the year 1997-98. The temporary mismatches will be met through Ways and Means Advances (WMA) from the RBI which ex-ante will not be a source for financing the fiscal deficit. Government will have to raise its requirements from the market consisting of market borrowings (of one year and above) and short term borrowings (of less than one year). RBI will, however, continue to extend support to the Government's market borrowing programme in case of shortfall in subscription.

### 4. External Assistance :—

Budget 1997-98 assumed a gross receipt of Rs. 9899.35 crore from external assistance (excluding external grants). As against this, the Revised Estimate 1997-98 was placed at Rs. 8086.94 crore. Gross receipts for 1998-99 are estimated at Rs. 9994.09 crore.

Budget 1997-98 provided for repayments of Rs. 7464.45 crore against which the Revised Estimate was placed at Rs. 6885.50 crore. The repayments in 1998-99 are estimated at Rs. 7657.53 crore.

The net receipts from external assistance was thus placed at Rs. 1201.44 crore in the Revised Estimate 1997-98. Net receipts in B.E. 1998-99 are placed at Rs. 2336.56 crore.

A summary of estimates of receipts of external assistance and repayment of the principal in 1997-98 and in 1998-99 is given below:

|                                    | (in crores of Rupees) |                    |                    |
|------------------------------------|-----------------------|--------------------|--------------------|
|                                    | Budget<br>1997-98     | Revised<br>1997-98 | Budget<br>1998-99  |
| <b>A. Receipts</b>                 |                       |                    |                    |
| (i) External loans                 | 9845.85               | 7888.75            | 9711.01            |
| (ii) Receipts under Revolving fund | 53.50                 | 198.19             | 283.08             |
| <b>Total Receipts :</b>            | <b>9899.35</b>        | <b>8086.94</b>     | <b>9994.09</b>     |
| <b>B. Repayments</b>               | <b>(-) 7464.45</b>    | <b>(-) 6885.50</b> | <b>(-) 7657.53</b> |
| <b>Net receipts :</b>              | <b>2434.90</b>        | <b>1201.44</b>     | <b>2336.56</b>     |

Further details are given in Annexure 8 to this document.

**5. Recoveries of Loans and Advances**

The estimates of recoveries of loans and advances made by the Central Government to the State Governments, Union Territories (with Legislature) and Non-Government parties are as follows:

|  | <i>(in crores of Rupees)</i> |                    |                   |
|--|------------------------------|--------------------|-------------------|
|  | Budget<br>1997-98            | Revised<br>1997-98 | Budget<br>1998-99 |
| <i>Recoveries from:</i>  |                              |                    |                   |
| (i) State Governments  | 6642.48                      | 6785.02            | 7843.04           |
| (ii) Union Territories (with Legislature)  | 31.68                        | 61.87              | 63.19             |
| (iii) Others   | 2104.84                      | 2632.52            | 2002.20           |
| (a) Foreign Governments  | 33.91                        | 30.15              | 35.19             |
| (b) Public Sector enterprises,<br>statutory bodies, etc  | 2070.93                      | 2602.37            | 1967.01           |
| <b>TOTAL- Recoveries of Loans<br/>and Advances</b>   | <b>8779.00</b>               | <b>9479.41</b>     | <b>9908.43</b>    |
| (a) The recoveries from State<br>Governments exclude Short-term<br>ways and means advances   | 1000.00                      | 1200.00            | 1500.00           |
| (b) The recoveries from non-Government<br>parties exclude recoveries from<br>Government servants, etc. which are<br>netted in the Expenditure Budget | 137.65                       | 137.65             | 151.49            |
| <b>(i) Details of Recoveries from<br/>State Governments:-</b>  |                              |                    |                   |
| (a) Pre-1979 Consolidated loans  | 247.17                       | 247.17             | 247.17            |
| (b) 1979-84 Consolidated Loans   | 356.01                       | 356.01             | 356.01            |
| (c) 1984-89 Consolidated Loans<br>(for State Plan Schemes)   | 916.28                       | 916.28             | 916.28            |
| (d) 1984-89 Consolidated Loans<br>(advanced to Ex-U.Ts of Goa,<br>Mizoram and Arunachal Pradesh)   | 16.15                        | 16.15              | 16.15             |
| (e) Loans for Plan and Non-Plan<br>purposes advanced during<br>1984-85 to 1997-98  | 2930.56                      | 2445.60            | 3066.63           |
| (f) Loans against Small Savings<br>collections   | 1962.40                      | 2012.40            | 2226.64           |
| (g) Write-off of loans   | 212.29                       | 789.79             | 1012.54           |
| (h) Other Loans  | 1.62                         | 1.62               | 1.62              |
| <b>Total</b>   | <b>6642.48</b>               | <b>6785.02</b>     | <b>7843.04</b>    |

(i) (a) & (b): In pursuance of the recommendations of the Eighth Finance Commission, as accepted by the Government, the Central loans advanced to the State Governments upto 1983-84, and outstanding as at the end of 1984-85, have been consolidated. For purposes of consolidation, the Finance Commission had treated loans advanced up to 1978-79 and those advanced during 1979-84 differently. While no change has been recommended in the terms of pre-1979 loans in the case of some States, these loans have been recommended to be consolidated into either 25 year loans or 30 year loans in the case of others. As regards loans advanced during 1979-84, these have been consolidated in the case of all the States with periods ranging from 15 years to 30 years. The Ninth Finance Commission in their First Report for 1989-90 and Second Report for 1990-95 and the Tenth Finance Commission have not recommended any change in respect of these consolidated loans.

(c) In pursuance of the recommendations of the Ninth Finance Commission contained in its second Report for the period 1990-95, as accepted by the Government, the State Plan loans advanced to State Governments during 1984-89 and outstanding as at the end of 1989-90 have been consolidated into 15 year loans. The Tenth Finance Commission in their report for 1995-2000 have not recommended any change in respect of these consolidated loans.

(d) In pursuance of the recommendations of the Ninth Finance Commission contained in the Second Report for the period 1990-95, as accepted by the Government, the remaining outstanding balance as on 31.3.1990, after write-off of the excess of central loans received by the Government of Goa and Mizoram for plans upto 1986-87 as Union Territories, have been consolidated into 15 year Loans.

(e) These estimates related to loans sanctioned from 1984-85 other than loans for State Plan Schemes for the period 1984-85 to 1989-90 which were consolidated (vide (c) above). While the original Budget Estimates and the Revised Estimates 1997-98 relate to recoveries in respect of loans advanced for Plan and Non-Plan purposes during 1984-85 to 1996-97, Budget 1998-99 is based on loans advanced during those years and also loans advanced during 1997-98.

The maturity period of the loans sanctioned for State Plans from 1990-91 onwards will be 20 years, repayment being made in 20 equal annual instalments. However, fifty percent of these loans will enjoy a five year initial grace period, after which the repayments of these loans will be effected in 15 equal annual instalments. The Tenth Finance Commission in their report for 1995-2000 have not recommended any change in respect of these loans.

(f) Small Savings loans are also among those loans not covered by the scheme of consolidation of the Eighth Finance Commission. The recovery of these loans suspended earlier has been resumed from 1985-86. The Ninth and Tenth Finance Commission have not suggested any change in the existing terms and conditions relating to central loans against the small savings collections.

These loans carry moratorium of 5 years towards repayment of principal, and the period of repayment is 25 years including moratorium period. The increase in next year is due to commencement of the repayment instalment of loans advanced in 1991-92.

(g) The Tenth Finance Commission in its Report for 1995-2000 has recommended debt relief as under :-

- A. Specific relief for States with high fiscal stress (i.e. 10 special category States and Bihar, Orissa and Uttar Pradesh) and States whose debt problems need special attention (Punjab); and

**B. General Relief:**

The Tenth Finance Commission has proposed the following two new debt Relief Schemes applicable to all the States.

- In the first scheme, the admissible debt relief to a State for each of the next five years is linked with the fiscal performance of the State during the preceding three years. The improvement of fiscal performance is to be measured by comparing the ratio of revenue receipts (including devolution and grants from the Centre) to total revenue expenditure in a given year, with the average of the same measure in the three immediately preceding years.
- In the second scheme, the Commission has recommended that the Central Government should additionally write off debt equivalent to the debt retired by the States by utilising the proceeds of disinvestment of State Public Enterprises.

*Details of Specific Relief:*

- The Tenth Finance Commission has recommended specific debt relief to Punjab which works out to Rs.490.63 crore for 1995-2000. This amount represents 1/3rd of the repayment of the principal falling due during 1995-2000 on special loans given to the State of Punjab for combating militancy.
- The Commission has recommended that 5% of all repayments due during the period 1995-2000 in respect of fresh central loans given to 10 Special category States - Arunachal Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura and States of Bihar, Orissa and Uttar Pradesh during 1989-95 may be written off.
- The relief specified in sub-para (b) above would also be extended to the erstwhile Union Territories of Arunachal Pradesh, Mizoram and Goa in respect of the loans consolidated under the accepted recommendations of the 10th Finance Commission as above.
- R.E. 1997-98 includes specific relief to States (Rs. 44.23 crore) and special relief to Punjab (Rs. 88.07 crore) and general relief (Rs. 73.33 crore).
- B.E. 1998-99 includes specific relief to States, (Rs. 51.09crore), Special relief to Punjab (Rs. 110.29 crore), general debt relief (Rs. 80 crore).

(h) The recovery relates to Hirakud Stage-I loans advanced to Government of Orissa which are not covered by the scheme of consolidation.

The Revised Estimates for 1997-98 and Budget Estimates for 1998-99 take into account the effect of recommendations of the Tenth Finance Commission, regarding debt relief to States as accepted by the Government. In addition, it has been decided to waive the repayments obligation of the State Government of Punjab for the balance unpaid instalments for the year 1997-98, 1998-99 and 1999-2000 in respect of the special term loans extended to Govt. of Punjab from 1984-85 to 1993-94. RE 1997-98 included waiver of Rs. 584.16 crores and BE 1998-99 includes waiver of Rs. 771.16 crores.

(ii) **Recoveries from Union Territories (with Legislature)** : The recoveries are in respect of loans advanced to the Union Territory of Pondicherry and NCT of Delhi.

(iii) **Repayments by Others**: Loan repayments by parties other than State and Union Territory Governments, viz. foreign Governments, industrial and commercial enterprises and financial institutions in the public sector, municipalities, port trusts, private sector companies and institutions, cooperatives, etc. were estimated at Rs.2632.52crore in RE 1997-98. During 1998-99, repayment estimates are placed at Rs.2002.20 crore. The broad details are:—

|   | (in crores of Rupees) |                    |                   |
|---|-----------------------|--------------------|-------------------|
|   | Budget<br>1997-98     | Revised<br>1997-98 | Budget<br>1998-99 |
| (a) Foreign Governments                               | 33.91                 | 30.15              | 35.19             |
| (b) Public Sector enterprises, statutory bodies, etc. | 2070.93               | 2602.37            | 1967.01           |
| <b>Total</b>  | <b>2104.84</b>        | <b>2632.52</b>     | <b>2002.20</b>    |

**6. Disinvestment of equity holdings in public sector enterprises.**

The receipts are on account of partial disinvestment of Central Government's holdings in the equity capital of selected public sector enterprises.

**7. Issue of bonus shares.**

The revised estimate 1997-98 includes bonus shares issued by Water & Power Consultancy Services India Ltd. under the Ministry of Water Resources.

## 8. Small Savings, Public Provident Fund and Deposit Schemes for Retiring Government Employees/Employees of Public Sector Companies.

The estimates, net of repayments, are as follows:

|   | <i>(in crores of Rupees)</i> |                    |                   |
|---|------------------------------|--------------------|-------------------|
|   | Budget<br>1997-98            | Revised<br>1997-98 | Budget<br>1998-99 |
| (i) Small Savings   | 10950.00                     | 21433.00           | 17490.00          |
| (ii) Public Provident Fund  | 3000.00                      | 4044.00            | 4100.00           |
| (iii) Deposit Scheme for Retiring<br>Government Employees/Employees<br>of Public Sector Companies | 50.00                        | 1.00               | 50.00             |
| <b>Total</b>  | <b>14000.00</b>              | <b>25478.00</b>    | <b>21640.00</b>   |
| <i>States'/UTs with<br/>legislatures Share</i>  | <i>11300.00</i>              | <i>15732.19</i>    | <i>14200.00</i>   |
| <b>Net to Centre</b>  | <b>2700.00</b>               | <b>9745.81</b>     | <b>7440.00</b>    |

(i) **Small Savings:** Small Savings comprise Post Office Savings Accounts, Post Office Time Deposits, Post Office Recurring Deposits, National Savings Scheme, Post Office Monthly Income Scheme and National Savings Certificate, Indira Vikas Patra and Kisan Vikas Patra.

(ii) **Public Provident Fund:** Deposits under the Public Provident Fund Scheme framed under the Public Provident Fund Act, 1968 qualify for tax rebate under the Income-tax Act. A subscriber can make deposits upto Rs.60,000 in a year, while the minimum necessary deposit in a year is Rs.100. These deposits carry a tax-free interest at 12 per cent per annum. Under the Scheme accounts can be opened in the name of individual and on behalf of HUF. Nomination facility has been extended to an account opened on behalf of HUF.

(iii) **Deposit Scheme for Retiring Government Employees:** This scheme was introduced from 1st July, 1989. The retired/retiring Central and State Government employees can invest their retirement benefits under the scheme which is being operated through selected branches of State Bank of India and nationalised banks. The scheme was extended to the retired Judges of the Supreme Court and High Courts from 11.11.1993. The investments under this scheme earn interest at the rate of 10% per annum payable half-yearly. The value of deposits is exempt from Wealth tax and the interest income is exempt from Income-tax. The investors have the option to withdraw the deposit after 3 years from the date of deposit.

(iv) **Deposit Scheme for Retiring Employees of Public Sector Companies :** The scheme which was introduced from 1st January, 1991 is on the lines of Deposit Scheme for Retiring Government Employees. The scheme is open to investment by retired/retiring employees of public sector banks, LIC, GIC and other public sector companies. The investments under this scheme earn interest at the rate of 10% per annum payable half-yearly.

(v) **Share of States/UTs with legislature:** Long term loans are advanced to the State Governments to the extent of three-fourth of the net collections under Small Savings and the Public Provident Fund in each State. Further, with a view to encourage stable long term savings, additional loan is advanced to a State Government if the percentage of net Small Savings collections in the State exceeds the all India percentage in this behalf by more than 5 per cent. Additional loan is given to the extent of 2.5 per cent of the net collections in the State for every 5 per cent increase in the State's percentage over the all India percentage.

State Governments are also entitled to long term loans to the extent of 50 per cent of the net collections under the Deposit schemes for Retiring Government Employees/Retiring employees of Public Sector Companies in each State.

Loans are sanctioned to UTs with legislature, viz Delhi and Pondicherry, as in the case of the States, against the net small savings collections from 1.1.1994.

9. **State Provident Funds:** The transactions under this head relate to various Provident Funds of Government employees. Credit assumed is net of the deposits into the funds including interest and withdrawals / temporary advances therefrom. Effective from 1.4.1986, the deposits carry interest at 12 per cent per annum. Net accretions to the Funds were assumed at Rs. 2550 crore in Budget 1997-98 against which the R.E. was placed at Rs. 3200 crore. Budget 1998-99 assumes a net accretion of Rs. 5350 crore.

10. **Special Deposit Schemes:** Investments with Government of a part of net accretions by non-Government provident funds, superannuation and gratuity funds and of surplus funds of Life Insurance Corporation, Employees' State Insurance Corporation, etc. were estimated at Rs. 8983.82 crore in Revised Estimate 1997-98. Budget Estimate 1998-99 assumes a net accretion of Rs.9494.75crore.

11. **Other Receipts:** These show the net effect of transactions occurring under other funds and accounts, deposits, etc. heads. Some of the items included here are:

(i) **Relief Bonds :** 10% Relief Bonds, 1993 was introduced from 15th March, 1993 which replaced the 9% Relief Bonds, 1987. With the general reduction of interest rates the issue of 10% Relief Bonds was suspended and a new series of 9% Relief Bonds, 1993 was introduced with effect from 2.9.1993. However, keeping in view the general rise of interest rates in 1995-96, a new series of 10%

Relief Bonds, 1995 was introduced with effect from 4.10.1995. It is open to investment without limit by individuals and Hindu Undivided Family. Joint holding of the Bonds by individuals is permissible. The bonds carry tax-free interest and have a maturity period of 5 years. Budget Estimate 1997-98 assumed sale of the bonds, net of repayments at Rs. 550 crore. Against it, Revised Estimate 1997-98 was kept at Rs. 1250 crore. Budget Estimate 1998-99 assumes a net receipt of Rs. 1500 crore.

(ii) **Gold Bonds, 1998:** The total gold received during the period 15.03.1993 to 14.06.1993 when the Gold Bond Scheme, 1993 was open for subscription amounted to 41.12. MTs. After assaying, Gold Bonds for a total of 40.21 MTs of 0.995 fineness were issued to the subscribers. The assayed gold was sold to RBI and Government received a total sum of Rs. 1534.40 crore.

The Gold Bonds, 1998 which are to be repaid in the form of gold are due for redemption during the period 15-03-1998 to 14-06-1998. During the year 1997-98, gold subscribed during the period 15-03-1993 to 31-03-1993 weighing 1.27 MT will mature for repayment. For this purpose, a budget provision of Rs. 48.46 crore was made in RE1997-98. A provision of Rs. 1485.95 crore has been made in BE 1998-99 for the balance of gold weighing 38.94 M.Ts which will mature for repayment during 1.4.98 to 14.6.98.

**(iv) Railway Reserve Funds:**

(in crores of Rupees)

|                                   | Budget<br>1997-98 | Revised<br>1997-98 | Budget<br>1998-99 |
|-----------------------------------|-------------------|--------------------|-------------------|
| Railway Pension Fund              |                   |                    |                   |
| Cr.                               | 2296.16           | 3456.10            | 2300.00           |
| Dr.                               | 2500.00           | 3667.00            | 2300.00           |
| Net                               | (-) 203.84        | (-) 210.90         | 0.00              |
| Railway Depreciation Reserve Fund |                   |                    |                   |
| Cr.                               | 2150.51           | 2051.56            | 2625.00           |
| Dr.                               | 2000.00           | 1904.00            | 2625.00           |
| Net                               | (+) 150.51        | (+) 147.56         | 0.00              |
| Railway Development Fund          |                   |                    |                   |
| Cr.                               | 350.02            | 350.02             | 475.02            |
| Dr.                               | 350.00            | 350.00             | 475.00            |
| Net                               | (+) 0.02          | (+) 0.02           | (+) 0.02          |
| Railway Capital Fund              |                   |                    |                   |
| Cr.                               | 1108.20           | 1191.71            | 1255.00           |
| Dr.                               | 1024.00           | 1120.00            | 1255.00           |
| Net                               | (+) 84.20         | (+) 71.71          | 0.00              |
| <b>TOTAL</b>                      | <b>(+) 30.89</b>  | <b>(+) 8.39</b>    | <b>+ 0.02</b>     |

(a) *Railway Pension Fund:* is intended to meet the pensionary charges of Railway employees. Suitable amounts are transferred annually to the Fund by debit to revenue and capital expenditure heads. The pensionary charges are initially met as part of revenue head and later recouped from the Fund. Credit to the Fund during the year 1997-98 was estimated at Rs. 3456.10 crore, including Rs. 58.89 crore by way of interest payable by the General Revenues on the balance in the Fund, while withdrawals were estimated at Rs. 3667 crore. During 1998-99 credit is estimated at Rs. 2300 crore, including Rs. 51.76 crore on account of interest. Withdrawals are estimated at Rs. 2300 crore.

(b) *Railway Depreciation Reserve Fund:* provides for replacement, renewal of assets including the improvement element. Contribution to the Fund inclusive of interest payable by General Revenues and outgo were estimated at Rs. 2051.56 crore and Rs. 1904 crore respectively in 1997-98. The estimates for 1998-99 are placed at Rs. 2625 crore for both receipt and expenditure.

(c) *Railway Development Fund:* was set up in 1950 on the recommendation of the Railway Convention Committee, 1949, to meet the cost of all works for providing amenities to passengers and other railway users, the cost of labour welfare works and the entire expenditure on unremunerative improvement works costing more than a prescribed limit. Consequent upon closure of Accident Compensation and Passenger Amenities Fund from 1.4.93, Safety and Passengers Amenities works chargeable to ACSPF are also charged to Railway Development Fund. The Fund is financed by appropriation of such portion of the Railway excess, if any, as may be fixed by the Government and voted by Parliament. If the accumulated balance in the Fund, after transfer of the railway excess to it, is not enough to meet the expenditure to be financed from the Fund, interest-bearing loans are taken from the General Revenues for credit to the Fund. During 1997-98 the credits to the Railway Development Fund were estimated at Rs. 350.02 crore, Rs. 350 crore out of anticipated excess in 1997-98 and Rs. 0.02 crore being the interest payable by the General Revenues on the balance in the Fund. Withdrawals from the Fund during 1997-98 were estimated at Rs. 350 crore. Credit to the Fund during 1998-99 is placed at Rs. 475.02 crore, Rs. 475 crore out of anticipated excess in 1997-98 and Rs. 0.02 crore being the interest payable on the balance in the Fund. The withdrawals during 1998-99 are estimated at Rs. 475 crore comprising works chargeable to the Fund.

(d) *Railway Capital Fund:* was created in 1992-93 to enable the Railways to utilise a part of the internally generated resources for building up the infrastructure of the Railways. The credits to the Fund during 1997-98 were estimated at Rs. 1191.71 crore and the withdrawals during the year were estimated at Rs. 1120 crore. The credits to the Fund in 1998-99 are also estimated at Rs. 1255 crore and the withdrawals are also estimated at the same level.

(v) **Telecommunications Reserve Funds**

(in crores of Rupees)

|                                     | Budget<br>1997-98 | Revised<br>1997-98 | Budget<br>1998-99 |
|-------------------------------------|-------------------|--------------------|-------------------|
| <b>Telecom Revenue Reserve Fund</b> |                   |                    |                   |
| <i>Credits</i>                      | 112.08            | 65.87              | 96.89             |
| <i>Debits</i>                       | 104.29            | 57.50              | 87.50             |
| <b>Net</b>                          | 7.79              | 8.37               | 9.39              |
| <b>Capital Reserve Fund</b>         |                   |                    |                   |
| <i>Credits</i>                      | 6173.71           | 6478.46            | 6647.76           |
| <i>Debits</i>                       | 6127.00           | 6256.47            | 6398.68           |
| <b>Net</b>                          | 46.71             | 221.99             | 249.08            |
| <b>Total</b>                        | <b>54.50</b>      | <b>230.36</b>      | <b>258.47</b>     |

(a) *Telecom Revenue Reserve Fund*: A part of the surplus in the working results of the Department is transferred to this Fund which is drawn upon for meeting payment of dividend to General Revenues in case the Department is not in a position to pay the same from current revenues. The Fund is also drawn upon to meet the deficit, if any, in the working results of the Department. Effective from 1.4.1990, the grant assistance provided to Centre for Development of Telematics (C-DOT) is also met from this Fund. Besides compensation to M/s I.T.I. on account of the losses incurred by them at their Srinagar plant is also met from the Fund.

The credits to the Fund in 1997-98 were estimated at Rs.65.87crore including Rs.8.37 crore as interest from General Revenues. During 1998-99, credits to the Fund are estimated at Rs.96.89 crore including Rs9.39crore as interest.

Withdrawals from the Fund in 1998-99 are estimated at Rs.87.50 crore and are intended for providing grant assistance to C-DOT (Rs. 85.00 crore) and for paying compensation to M/s.ITI on account of the losses incurred by them at their Srinagar Plant (Rs. 2.50 crore).

(b) *Telecom. Capital Reserve Fund*: The Fund is fed by transfer of a substantial part of the current surplus of the Department of Telecommunications, for meeting the Plan expenditure of the Department on Capital account.

Credits to the Fund in 1997-98 were estimated at Rs.6478.46 crore, including interest of Rs.221.99 crore from General Revenues. Withdrawals from the Fund in 1997-98 were estimated at Rs.6256.47 crore. Credits to the Fund in 1998-99 are estimated at Rs. 6647.76 crore including interest of Rs.249.08 crore from General Revenues. Withdrawals from the Fund in 1998-99 estimated at Rs.6015.77 crore are intended to meet the capital outlay of DOT.

(vi) **International Financial Institutions**

The estimates relating to (a) special securities issued towards India's subscriptions/contributions to International Financial Institutions and (b) certain transactions involving use of Special Drawing Rights (SDRs) with the I.M.F. are :

(in crores of Rupees)

|  | Budget<br>1997-98 |                |                 | Revised<br>1997-98 |                |                  | Budget<br>1998-99 |                |                |
|--|-------------------|----------------|-----------------|--------------------|----------------|------------------|-------------------|----------------|----------------|
|  | Receipts          | Discharges     | Net             | Receipts           | Discharges     | Net              | Receipts          | Discharges     | Net            |
| 1. International Monetary Fund                           | 594.31            | 1725.27        | -1130.96        | (-) 451.37         | 2099.76        | -2551.13         | 4492.66           | 1411.00        | 3081.66        |
| 2. International Bank for Reconstruction and Development | 31.47             | 50.00          | -18.53          | 93.19              | 15.00          | 78.19            | ...               | 15.00          | -15.00         |
| 3. International Development Association                 | 2.33              | 0.01           | 2.32            | 2.33               | 0.01           | 2.32             | 2.33              | 0.01           | 2.32           |
| 4. International Fund for Agricultural Development       | 10.50             | 4.80           | 5.70            | 10.50              | 4.80           | 5.70             | 10.80             | 9.10           | 1.70           |
| 5. Asian Development Bank                                | 5.00              | 3.00           | 2.00            | 5.00               | 3.00           | 2.00             | 15.00             | 3.00           | 12.00          |
| 6. African Development Fund and African Development Bank | 7.05              | 3.59           | 3.46            | 7.05               | ...            | 7.05             | 7.05              | ...            | 7.05           |
| <b>Total:</b>  | <b>650.66</b>     | <b>1786.67</b> | <b>-1136.01</b> | <b>(-) 333.30</b>  | <b>2122.57</b> | <b>-2455.87</b>  | <b>4527.84</b>    | <b>1438.11</b> | <b>3089.73</b> |
| <b>S.D.Rs</b>  | <b>2543.60</b>    | <b>2452.73</b> | <b>90.87</b>    | <b>2506.09</b>     | <b>2953.72</b> | <b>(-)447.63</b> | <b>6111.71</b>    | <b>6107.31</b> | <b>4.40</b>    |

*International Monetary Fund (IMF):* Under the 'Maintenance of Value' provision of the Fund's Article of Agreement, the value of the currencies of members held in the General Resources Account is required to be maintained in terms of the Special Drawing Rights and an adjustment in the Fund's holdings of a member's currency pursuant to this provision is made on the occasion of the use of that currency in an operation or transaction between the Fund and another member and at such other times as the Fund may decide or the member may request. As a result of revaluation of Fund's holdings of Indian currency as on April 30, 1997 (on the basis of the representative rate of Re. 1 = SDR 0.0204672 effective April 30, 1997) an amount of Rs. 451.36 crore has been received by India from the Fund. Hence, as against BE 1997-98 of Rs.594.31crore, the RE 1997-98 for subscription to the IMF was nil. Estimates for B.E. 1998-99 on this account are placed at Rs.178.65crore.

Besides the above, in the financial year 1998-99 payment has to be made towards quota increase in IMF. The total quota increase of SDR 1100 million (equivalent to Rs. 5771.25 crores at current SDR-Rupee exchange rate) will be paid as 'Maintenance of Value' payment. Out of this an amount of Rs. 14.43 crores (being 1/4 of 1 percent of quota increase in rupees) is to be deposited in IMF account No. 1. Further an amount of Rs. 1442.81 crores (being 25% of the quota increase) will be paid in hard currency. For the remaining amount of Rs. 4314.01 crores the securities worth this amount will be created. This will be a contra item as it will appear both in the expenditure as well as receipt budget. The total BE 1998-99 under 'Maintenance of Value' would be Rs. 5949.90 crores.

On account of repurchase transactions during 1997-98 and 1998-99 necessitated by drawing down of the rupee balances in IMF Account No. 1, the rupee securities are required to be encashed to replenish IMF Account No. 1 with RBI. A provision of Rs. 1725.27 crores was kept in BE 1997-98 which was revised in RE 1997-98 as Rs. 2099.76 crores. In BE 1998-99 a provision of Rs. 1411.00 crores has been made for encashment of the securities.

*Special Drawing Rights (SDRs):* India is a participant in the Special Drawing Rights allocation of the IMF. Since 1981 the net cumulative allocations of SDR to India remained at SDR 681.2 million as there was no fresh allocation of SDRs. The SDRs are used in transactions such as payment of charges and discharge of repurchase obligations including payment of additional subscription.

The Fund pays interest to each holder on its holdings of Special Drawing Rights and levies charges at the same rate on each participant's net cumulative allocation. It also levies assessment charges in regard to administration of the SDR account, for all participants on their net cumulative allocations. The net interest or net charges are settled by crediting or by debiting individual holdings account at the beginning of February, May, August and November of each year.

During 1997-98 India had to repurchase an amount of Rs.2197.28 crore by using SDRs on account of the drawing of SDR 3559.9 million made upto 30.6.1993 under the Compensatory and Contingency Financing Facility and Stand by Arrangements. Budget for 1998-99 assumes use of SDRs for an amount Rs.1395.53 crore for this purpose.

Purchase and repurchase transactions are debited/credited to the head "Special Drawing Rights" in the Public Account. Payments made to the IMF in the form of SDRs are debited to the relevant expenditure heads for contra-credit to this head. Similarly, receipts realised in the form of SDRs are credited to the relevant receipt heads by contra-debit to this head. The total credits to the head Special Drawing Rights amounted to Rs.2506.09 crore in the Revised Estimate 1997-98 which would be contra credited to SDR A/c. The total debits to the head Special Drawing Rights amounted to Rs.2953.72crore in the Revised Estimates 1997-98 which would be contra-credited to the SDR Account. During 1998-99, a debit of Rs. 5928.66 crore would be contra-credited.

*International Bank for Reconstruction and Development (IBRD):* A provision of Rs. 31.47 crore was made in BE 1997-98 on account of Maintenance of Value Payments (MOV) to IBRD in the form of non-negotiable and non-interest bearing rupee securities and the RE 1997-98 was kept at Rs. 93.19 crore. No provision is required in BE 1998-99 for this purpose.

Budget Estimate 1997-98 included a provision of Rs. 50 crore towards encashment of securities by IBRD. This was reduced to Rs. 15 crore in RE as we had made a payment of Rs. 15 crore to IBRD by encashing securities upto December 1997. BE 1998-99 has been kept at Rs. 15 crore.

*International Development Association (IDA):* A provision of Rs. 2.33 crore was made BE 1997-98 for IDA-II subscription as India was required to make this payment on call and there was no change in RE. For BE 1998-99, a provision of Rs. 2.33 crore has been made.

*International Fund for Agriculture Development (IFAD):* India is one of the original members of the International Fund for Agricultural Development, a specialised agency of the United Nations. Since inception India has contributed \$ 26 million towards the resources of IFAD till 1992-93. In addition, for the 4th Replenishment of IFAD's resources, India has announced a contribution of US \$ 9 million. The latest contribution of \$ 9 million will be paid to the IFAD in three equal instalments (\$ 3 mn each ) in the form of non-negotiable, non-interest bearing rupee securities. Encashment of securities by IFAD in RE 1997-98 was estimated at Rs. 4.80 crore. B.E. 1998-99 assumes encashment of securities at Rs. 9.10 crore.

*Asian Development Bank (ADB):* The Asian Development Bank keeps Rupee securities with the Reserve Bank of India which can be encashed by it to meet its rupee expenditure in India from time to time. A provision of Rs. 3 crore for such encashment was made in the RE 1997-98. BE 1998-99 assumes a similar provision.

*African Development Fund (AFDF) and African Development Bank (AFDB):* have been set up with the main objective of furthering the economic and social development of the region by providing financial assistance on soft terms. India has joined both the Fund and the Bank in order to develop closer economic co-operation with the African countries.

As a member of AFDF and AFDB India has to pay its share of commitments to the capital replenishments of these organisations. Accordingly, a sum of Rs. 21.17 crore has to be paid in three instalments during the period of 1996-98 in the form of non-negotiable, non-interest bearing rupee securities to the African Development Fund as its share towards Seventh Replenishment of AFDF. The first



and second instalments have been paid in the financial years 1996-97 and 1997-98 respectively and the third instalment will be paid in 1998-99. On the basis of the present encashment Schedule of AFDF, there is no requirement for encashment during 1997-98 and 1998-99

**(ix) Other Items:**

The estimates include, besides accretions under the Family Pension cum Life Assurance Fund for industrial and coal mine workers, Postal Insurance and Life Annuity Fund and Central Government Employees Group Insurance Funds, etc.