

Coverage

- 20.1 Public administration and defence (NIC 1998 code 75) covers services rendered by the administrative departments of the general government i.e., Central and State governments, Union Territories, Municipal Corporations, Municipalities, Housing Boards, Cantonment Boards, Improvement Trusts, Zilla Parishads/District and Local Boards and Panchayati Raj institutions. Public services in the quasi-government bodies are also included under these economic activities. These services relate to the organs of state dealing with collection of taxes, other fiscal services, interest payments and servicing of debt, defence services, administrative services (such as external affairs, police, jails, supplies and disposal, pensions), social and community services (viz., social security, welfare and relief on account of natural calamities) and economic services (e.g. agriculture, animal husbandry, industries and community development). The management of expenditure of various funds like Central Road Fund, Famine Relief Fund, and Labour Welfare Fund also forms part of this sector. The activities of the Issue Department of the RBI and EPFO are like that of administrative departments, and, therefore, these activities are also included. However, economic services like irrigation, forestry etc., are included under respective industry groups. Thus, irrigation systems come under 'agriculture', construction activity undertaken by government under 'construction', education and medical & health services in 'other services' industry groups. The departmental commercial enterprises of government such as railways, posts and communication, overseas communication services, forests, road transport, power projects, distilleries, television and radio broadcasting, milk supply schemes, manufacturing industries including defence manufacturing establishments and government printing presses are included in the appropriate industry groups.
- 20.2 Normally, goods and services produced for own final consumption or own capital formation are valued on the basis of prices of similar goods and services produced by market producers. However, in the case of general government, which is engaged in non-market production, its output cannot be valued with these imputation procedures, as suitable prices for similar services produced by market producers are not available. For these reasons, and also to ensure that the various non-market services produced by government units and NPISHs are valued consistently with each other, the SNA recommends that they are all valued by the sum of the costs incurred in their production, namely, as the sum of:
- Intermediate consumption;
 - Compensation of employees;
 - Consumption of fixed capital; and
 - Other taxes, less subsidies, on production
- 20.3 Therefore, the net operating surplus on the production of non-market goods or services produced by government units and NPISHs is assumed always to be zero. In most cases, the general government may also have some receipts (such as sales of publications or receipts from entry tickets to monuments, etc), which however, are not based on market prices. Even in such cases, the total value of its output is measured on cost basis. The value of its receipts from the sale of non-market goods or services at prices that are not economically significant remain as part of the value of its non-market output.
- 20.4 The expenditure on services produced by the administrative departments are mainly financed by the governments themselves and they are consequently considered to be the final consumer of these services except for a minor part sold to other sectors. Most of the buildings occupied by administrative departments and defence organisations are owned by the government. Data on the amount of rent paid for hired premises are not separately available as the same are included under the office expenses in the budget documents. Interest paid on capital borrowed by the government being included under interest on public debt does not form a part of factor payment. The cost of inputs, comprising purchase of commodities and services, compensation of employees and CFC which is also equal to the value of output produced for own use and a minor part sold to household sector thus does not include the element of operating surplus. GDP from the activities of public administration and defence therefore comprises compensation of employees and CFC only.
- Method of Estimation of Gross value Added (GVA)**

Sources of Data

- 20.5 The sources of data for estimating the value of output and value added in respect of these services are the budget documents of Central Government, State Governments, Union Territories and local authorities and the information available in the Finance Accounts, Appropriation Accounts and other reports of the Comptroller & Auditor General of India. Besides the data published in these documents, the required additional details on items like Integrated Indira Aawas Yojana, Prime-Minister Grameena Sadak Yojana, Sarva Shiksha Abhiyan, District Primary Education Programme, Rural water Supply and Sanitation Programmes, Rural Development Programme, National Rural Employment Guarantee Programme etc. are collected from the concerned ministries/departments through correspondence. In the case of Issue Department of RBI, the profit and loss accounts of the RBI are analysed and the allocation between the Issue and Banking Departments is done on the basis of data obtained from the RBI directly. The details of receipts & expenditure of EPFO are obtained from the Annual Report of EPFO.
- 20.6 **Estimates at current prices** Two detailed exercises namely, the economic and purpose classifications of all the budgetary transactions of the public authorities are undertaken annually. The detailed methodology, the concepts and definitions adopted and the details of the set of four accounts prepared have been discussed in detail in the chapter on 'Public Sector'. The estimates of compensation of employees for all administrative departments obtained from the production account of Administrative departments include that for education, medical & health services, water supply, sanitary services and construction also, which form part of other industries. For instance, education, medical & health and sanitary services form part of 'other services', construction of 'construction' and water supply of 'electricity gas and water supply' industry groups. The estimates of compensation of employees for these activities are obtained from this purpose classification and are subtracted from the total to arrive at the estimates for public administration and defence (Appendix 20.1).
- 20.7 In the case of local authorities the data availability can not be said to be satisfactory. While there is not much difficulty in the case of bigger local bodies like the Municipal Corporations, Housing Boards and improvement trusts, the problematic areas are that of municipalities and village panchayats due to their large numbers. In these two cases, the information supplied by some of the states is made use of while for the rest, estimates are prepared by utilising the information on current and capital grants to these local bodies under different account heads available in the State Budgets.
- 20.8 In the Budget documents, provision for CFC is being made as per books of accounts so far as departmental enterprises are concerned. But, the same for administrative departments is not available. Hence the CFC is estimated for the government sector (Administrative Departments & Departmental Enterprises) separately and is used in deriving the estimates of GVA. These details are discussed in the Chapter 26 on Consumption of Fixed Capital.
- 20.9 **Public services in quasi-government bodies** The economic activities of quasi government bodies (NIC-75144) were not covered in the national accounts, prior to 1993-94 NAS series. The contribution of these services were covered for the first time in the 1993-94 NAS series. The estimates of GDP relating to these services are prepared using the estimated work force in this NIC group (from NSS 55th round survey results) and the value added per worker, data on which is obtained from the annual reports of the research and scientific institutions.
- 20.10 **Estimates at constant prices** The estimates of NVA from public administration and defence at constant prices are worked out by deflating the current price estimates by the corresponding CPI for Industrial Workers i.e., CPI (IW). The GVA is estimated by adding the estimates of CFC compiled independently, to the NVA at constant prices.
- 20.11 **Quality and limitations of data base** The annual budget documents are the main source of information on the activities of government administrative departments. These details generally give the necessary information for the preparation of estimates of value added. Although the overall structure of the budget, as prescribed, is uniformly followed by the Central and State Governments, there are certain variations in the presentation of details from State to State. There are some important items of expenditure about which no details are given. Also, often more detailed information is available in the "budget estimates" or "revised estimates" than in "accounts". In such cases, the actual expenditure on various items presented in the "accounts" is allocated

on the basis of "budget" or "revised estimates" of the relevant year. In the case of local bodies, there is a considerable time lag in the availability of state-wise

consolidated accounts for most of the states. The consolidated accounts of Panchayati Raj institutions are also available for some states only.

Appendix 20.1

**COMPENSTATION OF EMPLOYEES - PUBLIC ADMINISTRATION AND DEFENCE,
1999-2000**

(Rs. Crore)

S. No.	Item	NDP
1.	Administrative Departments: Total less	157632
1.1	Construction	3776
1.2	Real estate and business services	11
1.3	Water supply	2110
1.4	Other services	
1.4.1	Education	38274
1.4.2	Medical and public health	12172
1.4.3	Sanitation	2775
2.	EPFO	188
3.	Quasi Government Bodies	8710
4.	Public Administration and defence (NDP)	107036
5.	Consumption of Fixed Capital (GDP)	15348
6.	Public Administration and defence (GDP)	122384
