No.T-14018/5/Code/SCR/2016-17/Part-II/502

Ministry of Finance
Department of Expenditure
Office of the Controller General of Accounts
(Implementation Group)
Block-E, GPO Complex, INA
New Delhi-110023

Date: 24/11/2016

OFFICE MEMORANDUM

Subject: Draft on proposed Revised Classification Structure recommended by the Sundaramurti Committee- Stakeholders'consultation

The existing classification structure (List of Major and Minor Heads of Accounts) was introduced in the year 1974 on the recommendations of a committee constituted by the Comptroller and Auditor General of India. In 1987, a revised coding pattern was introduced facilitating computer-based financial information systems for classification of function, program, and their economic nature using a fifteen-digit numerical code. The classification system which was initially established to ensure the stewardship of government resources has largely lost its relevance in the context of the increased emphasis on the developmental and social aspects of government spending.

2. Government of India constituted a committee under the chairmanship of Shri C.R. Sundaramurti, Controller General of Accounts to review the present budgetary and accounting classification system and to develop a system better suited to display the nature and objective of government expenditure. The Committee submitted its report to Ministry of Finance in January, 2012 and proposed a multi-dimensional classification structure with seven mutually exclusive segments with their own individual hierarchical structures: (i) Administrative Segment; (ii) Function Segment; (iii) Program cum Scheme Segment; (iv) Recipient Segment; (v) Target segment; (vi) Economic Segment; and, (vii) Geographic Segment.

3. The Expenditure Management Commission, in para 88 of its report, has noted the revised classification structure recommended by the Sundaramurti Committee as an effective tool for better planning, allocation and application of resources, and more effective monitoring of public spending. The Commission, therefore, recommended an announcement in the Budget 2015-16 regarding the adoption of the revised Chart of Accounts of Government of India as per the recommendations of the Sundaramurti Committee, with effect from April 1, 2016, along with suitable modifications on account, inter alia, of removal of distinction between Plan and Non-Plan expenditure.

4. Accordingly, action has been initiated by this office for implementation of the revised classification structure. A discussion paper and draft on selected segments of the Revised Classification Structure developed on the basis of recommendations of the Sundaramurti Committee are shared with various stakeholders for their valuable comments. While brief write ups on selected segments are attached herewith (Annexure-A to E, Annexure-III and IV), the complete draft (Annexure-A to E and Annexure-I to V) is available on the website of CGA at ***cga.nic.in***. The views of all stakeholders are sought by four weeks to enable further processing.

The response may be sent to email brajesh.sraota@gov.in or at the above mailing address to the undersigned.

Specific comments have been sought in the concluding para of the discussion paper. The stakeholders may give their comments. In case, no comments are given on any item, a ‘nil’ comment may be indicated.

Sd/-
(Amit Malhan)
Assistant Controller of Accounts
Phone: 24665523

Encl.: As above.

To

1. Secretary (Finance- Defence), M/o Defence
2. Controller General of Defence Accounts
3. Financial Commissioner, Railway Board, M/o Railways
4. Finance Secretaries of Gujarat, Rajasthan and Bihar
5. Financial Advisers of M/o Agriculture, Health, Education, Rural Development, Social Justice & Empowerment
6. Financial Adviser, Department of Posts
7. Financial Adviser, Department of Telecommunications
8. Pr. CCAs/CCAs/CAs of all Civil Ministries/ Departments
9. Pr. Director (Government Accounts), O/o C&AG
10. Chief General Manager (GAD), RBI, Mumbai
11. Chief Economic Adviser, Department Economic Affairs, M/o Finance
12. Chief Statistician, M/o Planning, Statistics and Policy Implementation

Draft

Discussion Paper and Draft Revised Classification Structure for Stakeholders' Consultation Selected Segments

Controller General of Accounts
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Ministry of Finance
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Discussion paper on the implementation of the Sundaramurti Committee Report on the revised Chart of Accounts

Definition of the COA

The chart of accounts (COA) is a critical element of the Public Financial Management framework for classifying, recording and reporting information on financial plans, transactions and events in a systematic and consistent way[1].It facilitates comprehensive reporting of government operations at every stage of the budget execution cycle, commencing with the preparation of the annual budget, including budget control and in-year managerial reporting, and, culminating with the publication of annual financial and budget execution reports.

Purpose of the COA

2. The chart of accounts is generally multi-dimensional, comprising of independent dimensions classified to record government financial transactions to facilitate:

- Financial accounting in accordance with prescribed accounting standards.
- Budgetary accounting in compliance with the financial management regulatory framework.
- Management accountability by providing interfaces with performance (non-financial) information.
- The efficient mobilization and use of financial resources by facilitating in-year cash management.
- The stewardship and rationalization of government assets.
- Uniformity and consistency in budgetary and financial reporting across all levels of government.
- The rigorous analysis and reporting of government finances.

Deficiencies of the current COA:

3. The present classification structure of the COA was introduced in the year 1974 on the recommendations of a committee constituted by the Comptroller and Auditor General. In 1987, a revised coding pattern was introduced that facilitated computer-based financial information systems. The classification system has remained unchanged since then.

4. Expenditures are currently classified according to the function, program, and their economic nature using a fifteen-digit numerical code. Receipts are classified by their nature and source. The classification system which was initially established to ensure the stewardship of government resources has largely lost its relevance in the context of the increased emphasis on the developmental and social aspects of government spending.

[1]IMF Technical Note

5. The main deficiencies in the current COA as pointed out by the various agencies such as the Budget Division of the Ministry of Finance, the IMF, the C&AG and the Committee on Financial Sector Assessmentcan be summarized as follows:

- No standardization of the definitions of government programs, schemes and sub-schemes.
- The true functional character of the expenditures is not reflected in the current classification of the LMMH.
- Significant deviations introduced in the original classification system due to innumerable amendments and the need to cater to increased reporting needs within the available classification segments.
- Several gaps in disclosure of information on transfers to States.
- Lack of flexibility in the current classification structure to accommodate emerging special requirements such as gender budgeting, budgeting for SC/ST, North Eastern Region (NER).
- Inability to accommodate the multidimensional classification structure as recommended by Lahiri Committee with linkage between the accounting classification and standard international classification systems and accounting standards such as Government Finance Statistics Manual (GFSM 2001) and International Public Sector Accounting Standards (IPSAS).
- Lack of transparency and relevance in the information related to government financial operations as reflected in budget documents and annual accounts.

The new classification proposed by the Sundaramurti Committee Report (SCR):

6. Government of India constituted a committee under the chairmanship of Sh.C.R. Sundaramurti, Controller General of Accounts to review the present budgetary and accounting classification system and to develop a system better suited to display the nature and objective of government expenditure. The SCR proposed a multi-dimensional classification structure with the following seven mutually exclusive segments with their own individual hierarchical structures: (i) Administrative Segment; (ii) Function Segment; (iii) Program cum Scheme Segment; (iv) Recipient Segment; (v) Target segment; (vi) Economic Segment; and, (vii) Geographic Segment.

7. The proposed structure is expected to bring radical changes not only in the way government transactions will be classified, but also in the availability of information for decision-making at the macro and micro levels, thus raising the bar for accountability and transparency. In brief, the main benefits of the new classification structure envisaged by the SCR are:

- It would greatly improve the transparency and relevance of budget documents.
- It would allow capturing of a wide spectrum of data attributes on public financial operations.
- It would facilitate financial reporting in a variety of ways for meeting information requirements of different stakeholders.
- It would facilitate budgetary reporting with a focus on program implementation efficiency.

- It would make the retrieval of information from the system easier and provide verifiable information on the economy and efficiency of government operations.
- It would facilitate reporting for purposes of international comparison of national government financial data.
- It would address the financial reporting requirements of sub-national governments and managers of budgetary institutions.

8. Following the submission of the SCR the Budget Department requested assistance from the World Bank in early 2013 to operationalize the Program-cum-scheme segment of the COA. In February 2014, the World Bank submitted a report to the MoF attaching guidelines on program classification along with detailed program classifications for five pilot departments, namely, Direct Taxes, Ministry of Finance, Police, Ministry of Home Affairs, Ministry of Information and Broadcasting, Department of Rural Development, and Ministry of Statistics and Program Implementation. The Program-cum Scheme segment of the COA as recommended in the World Bank Report (WBR) comprises the following sub-segments: (i) Program; (ii) Sub-Program; (iii) Scheme; and, (iv) Sub-Scheme.

Recommendation of Expenditure Management Commission:

9. The Expenditure Management Commission, in para 88 of its report, has noted the recommendations of the Sundaramurti Committee which recommended rationalisation and reorganisation of the existing accounts classification to enable tracking of flow of funds under a programme/scheme from one level of government to another level of administrative entities or the final recipients. The proposed multidimensional structure of the classification is expected to provide greater flexibility in budget management and execution, and serve as an effective tool for better planning, allocation and application of resources, and more effective monitoring of public spending. The Commission, therefore, recommended an announcement in the Budget 2015-16 regarding the adoption of the revised Chart of Accounts of Government of India as per the recommendations of the Sundaramurti Committee, with effect from April 1, 2016, along with suitable modifications on account, inter alia, of removal of distinction between Plan and Non-Plan expenditure.

Implementation of the SCR and the World Bank Report:

10. A detailed study of the report by the sub-committees formed for effective implementation across the organization and the observations of C&AG revealed some deficiencies as summarized below: -

(i) The terminology used in the report is not standardised and may result in varied interpretations during implementation.

(ii) The coverage of classification system in terms of budgetary and financial reporting is overly ambitious.

(iii) There is a need for detailing economic segment (object head), which is the basis for the general ledger accounts, in terms of definitions and accounting treatment.

(iv) There is a need to remove several ambiguities in the coding structure prescribed for the programme cum scheme segment.

(v) There is a need to review the functional classification system, reclassify functions and sub-functions of Government as standardised in COFOG, and to eliminate overlaps with classifications in the program segment.

11. O/o the CGA is now in the process of updating the COA proposed by the SCR to address the observations received from the stakeholders. Various segments of the COA are being restructured and reorganised to remove ambiguities and set out a classification structure matching international accounting and reporting standards. The main tasks are to:

- Review and reclassify sub-segments of the LMMH to conform to the functions and sub-functions of government used internationally.
- Transfer program related codes currently classified under LMMH to the program segment.
- Amend the economic segment of the COA to ensure compliance with the GFSM 2014 and the possible migration to accrual accounting standards.
- Include a separate segment for classifying the "Source of Funds".
- Review and incorporate the revised classification of Schemes and Programs for a few pilot ministries in the budget for 2017-18.
- Incorporate the recommendations of the Report of the Committee on Restructuring of Centrally Sponsored Schemes (CSS), as appropriate.
- Review and incorporate outstanding issues related to comments from CAG received in 2012-13.
- Review and incorporate recommendations of the WB report on Program Classification in the COA (August 2013).

Sharing the Exposure Draft with Stakeholders:

12. The exposure draft on selected segments of revised classification structure has been prepared by the Implementation Group in the O/o CGA for updating and implementing the revised classification structure. The same is shared with the stakeholders. While brief write ups on selected segments are attached with this discussion paper (Annexure-A to E, Annexure-III and IV), the complete set of draft exposure (Annexure-A to E and Annexure-I to V) is available on the website of CGA at ***cga.nic.in***. The stakeholders may download the same and furnish their comments to this office within a month.

The following specific comments are sought from the stakeholders:-

(a) The usefulness of target segment to enable financial reporting for planning and education of schemes and the feasibility for target group based on larger policy thrust areas.

(b) Amplification of or compression of list of target groups.

(c) Suggestions for providing flexibility in each domain (say State Government) at sub-object head level and aggregation at the object head for comparison between Governments or Civil/ non-Civil Ministries/ Departments.

(d) Comprehensiveness of the list of object heads.

(e) Suggestions for expanding the fund segment.

(f) Suggestions for deletion of obsolete heads or change in the nomenclature of heads in the public accounts classification.

The stakeholders may give their comments. In case, no comments are given on any of the above item, a ‘nil’ comment may be indicated. The response may be sent to email brajesh.sraota@gov.in (or at the mailing address to Shri Amit Malhan, Assistant Controller of Accounts) within four weeks.

Annexure-A

Public Accounts

Article 266 of the Constitution of India defines the Consolidated Fund of India and the Public Accounts of India and States in the following manner:

(a) Subject to the provisions of Article 267 and to the provisions of this Chapter with respect to the assignment of the whole or part of the net proceeds of certain taxes and duties to States, all revenues received by the Government of India, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the Consolidated Fund of India, and all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the Consolidated Fund of the State

(b) All other public moneys received by or on behalf of the Government of India or the Government of a State shall be entitled to the public account of India or the public account of the State, as the case may be

(c) No moneys out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in this Constitution

2. The Public Accounts of India or States or Union Territories with Legislatures mainly constitutes (i) the liabilities in the form of deposits made by public like Savings, Special Deposits, Provident Funds, Insurance Funds, Departmental Deposits and Reserve Funds (ii) assets in the form of investments of public funds, departmental advances and (iii) funds awaiting final adjustments and funds in transit.

3. The Sundaramurti Committee recommended a multi-dimensional classification structure to cater for diverse financial information requirements with linkages between the accounting classification and standard classification systems such as GFS and SNA. Four dimensions i.e. Function, Administrative Unit, Programme and Economic classification are essentially considered as constituting a well-developed classification system. In addition to this, classification by source of financing is also important to distinguish between financing of Government operations from its own sources and from external financing. The Public Accounts classification has been reviewed accordingly and a structure has been developed considering these aspects.

Structure of Public Accounts Classification:

4. The Public Accounts classification has been drafted incorporating the multidimensional classification as applicable. This mainly includes the following segments:-

(a) Administrative Segment

(b) Fund Segment
(c) Programme Segment
(d) Economic Segment

(a) **Administrative Segment:-** The Administrative Segment with 6 digit code as recommended by the Sundaramurti Committee will be adopted for this structure. This segment will classify Ministry (2digit), Department (2digit) and Office (2digit).

Example (1): The administrative segment for Public Account transactions of the DDO, Secretariat, M/o Agriculture, Department of Agriculture and Cooperation will be classified in the following manner:-

Code	**Description**
01	Ministry of Agriculture
0101	Department of Agriculture and Cooperation
010101	Secretariat **(DDO)**

Example (2): The administrative segment for Public Account transactions carried out at PrAO/PAO level by the PAO, Secretariat, M/o Agriculture, Department of Agriculture and Cooperation will be classified in the following manner:-

Code	**Description**
01	Ministry of Agriculture
0101	Department of Agriculture and Cooperation
0101**xx**	**PAO (**Secretariat**)**

(b) **Fund Segment:-** This 6 digit code with 4 layers will classify various funds in the manner mentioned in Annexure-V. The fund classification will indicate source of financing of expenditure. It will also reduce the duplicity of account heads opened separately for Civil and Non-civil Ministries/ Departments under Public Accounts. It will facilitate the aggregation of expenditures classified at the object head level, against various fund categories. (c) **Programme Segment:-** This 8 digit segment with four layers will indicate programme classification of various funds detailing the schemes and sub-schemes under the respective programmes:-

Programme	2 digit
Sub-programme	2 digit
Scheme	2 digit
Sub-scheme	2 digit
Total	**8 digit**

Example (1): Programme classification for GPF transaction will be indicated in the following manner:

Code	**Description**
07	State Provident Funds – Civil (Programme)

0701	General Provident Funds (Sub-programme)
070101	Subscription and Recoveries (Scheme)
07010101	Others (Sub-scheme)
07010102	Group D officials (Sub-scheme)

Example (2): Programme classification for Personal Deposits maintained by Lal Bahadur Shastri National Academy of Administration will be indicated in the following manner:

Code	**Description**
31010624	Deposits of Departments (Programme)
3101062406	Personal Deposits (Sub-programme)
310106240604	Lal Bahadur Shastri National Academy of Administration (Scheme)

(d) **Economic Segment (Object Head):-** This 8 digit segment with five layers will give detailed classification of each transaction:

Category	**1 digit**	**Revenue Receipts, Capital Receipts, Revenue Expenditure, Capital Expenditure (Assets), Liabilities and Accounting adjustments**
Sub-category	**1 digit**	**It will indicate Object Classes like Compensation to Employees, Contractual Services and Supplies etc.**
Object head	**2 digit**	**It will indicate object head classification like Salaries, Wages, Travel Expenses etc.**
Sub-object head	**2 digit**	**This layer is given to further classify the components of an object head**
Detailed object head	**2 digit**	**This layer is given to further classify the sub-components of a component under an object head**
Total	**8 digit**	

Example (1): The object head classification for GPF transaction will be indicated in the following manner:

Code	**Description**
07	State Provident Funds – Civil (Programme)
0701	General Provident Funds (Sub-programme)
070101	Subscription and Recoveries (Scheme)
07010101	Others (Sub-scheme)
07010101***5201***	***Savings (Object Head) [Receipts]***
07010101***5202***	***Savings (Object Head) [Payments]***
07010102	Group D officials (Sub-scheme)

07010102***5201***	***Savings (Object Head) [Receipts]***
07010102***5202***	***Savings (Object Head) [Payments]***

Example (2): The object head classification for Personal Deposits maintained by Lal Bahadur Shastri National Academy of Administration will be indicated in the following manner:

Code	**Description**
31010624	Deposits of Departments (Programme)
3101062406	Personal Deposits (Sub-programme)
310106240604	Lal Bahadur Shastri National Academy of Administration (Scheme)
310106240604***5205***	Deposits (Object Head) [Receipts]
310106240604***520502***	Deposits not bearing interest (Sub-object head) [Receipts]
310106240604***5206***	Deposits (Object Head) [Payments]
310106240604***520602***	Deposits not bearing interest (Sub-object head) [Payments]

Complete classification structure of a Public Accounts transaction

Complete classification of a GPF transaction of Secretariat, M/o Agriculture, Department of Agriculture and Cooperation will be classified in the following manner:-

Code	**Description**
01	Ministry of Agriculture
0101	Department of Agriculture and Cooperation
010101	Secretariat **(DDO)**
010101310102	Public Accounts –Central (Civil)- Savings Funds (Fund Segment)
01010131010207	State Provident Funds – Civil (Programme)
0101013101020701	General Provident Funds (Sub-programme)
010101310102070101	Subscription and Recoveries (Scheme)
01010131010207010101	Others (Sub-scheme)
01010131010207010101***5201***	***Savings (Object Head) [Receipts]***
01010131010207010101***5202***	***Savings (Object Head) [Payments]***

Annexure-B

Economic Segment (Object Heads)

The ‘Economic Segment’ has been developed by the Sundaramurti Committee to capture the economic nature of expenditure i.e. classification at object head level. In the existing classification system, the object head classification is applied only to expenditure transactions. The object heads are not used for ‘Receipts’ and ‘Public Account’ transactions. In the present system, ‘Revenue’ and ‘Capital’ are classified at function level (major head). It has been recommended by the Sundaramurti Committee that revenue receipts, revenue expenditure, capital receipts and capital expenditure will be classified at economic level (object head). The economic segment has, accordingly, been developed into a full-fledged financial classification which could be applied to all transactions. The Economic Segment has been largely developed on the lines of classification prescribed in the IMF GFS Manual 2014. As the transactions of capital nature and public accounts broadly denote assets and liabilities, the economic classification has been developed for ‘Assets’ and ‘Liabilities’ so that apart from the present cash based accounting and budgeting system, it could be tailored to the transition to accrual based accounting. The Economic classification would give the snapshot of the entire financial operation at an aggregate level through consolidation of transactions using the ‘Economic Segment”.

2. The existing economic classification (object heads) as indicated in the “Delegation of Financial Power Rules, 1978” has a 3-tier structure with a top layer of ‘Category’ which identifies the nature of transaction. The proposed economic classification has the first layer of five categories as given below:

1. Revenue Receipts
2. Capital Receipts
3. Revenue Expenditures
4. Capital Expenditures (Assets)
5. Liabilities
6. Accounting Adjustments

The second layer of ‘Sub-category’ identifying ‘Object Class’ has been fitted under these five categories and all the Object Heads are suitably placed under relevant sub-categories.

3. The coding pattern of the Object Head is such that the first digit identifies the category, the second digit identifies the sub-category and the next 2 digits identify an Object Head. The nature of a transaction whether it is Revenue Receipt, Capital Receipt, Revenue Expenditure, Capital Expenditure (Asset) or Liability, will be identified through the 4 digit structure of object head.

4. The 4 digit structure of object head has further been bifurcated into ‘sub-object head’ (2 digit) and ‘detailed object head’ (2 digit) to accommodate further detailed economic classification. The 8 digit structure of economic classification, therefore, provides a sufficient scope of detailed classification of a transaction for comprehensive financial and budgetary reporting; accurate expenditure and revenue forecasting; and effective budgetary control.

5. The economic classification listed here will be commonly applied to all Union Ministries and all State/UT Governments. However, Central Ministries of Defence, Railways, Post, Telecom and State/UT Governments may adopt the top two layers i.e. 4 digit structure of object head. The next two layers i.e. sub-object and detailed object heads may be developed by them as per their requirements.

Recipient Segment

The ‘Recipient Segment’ has been developed by the Sundaramurti Committee to capture This segment is proposed to recognize the external agencies and entities that are recipients of public funds as instruments and channels of public policy delivery. Such entities would include sub-national governments and other public and private agencies. The main benefit of using this segment is that it would make it possible to assign unique codes to each such entity. With the standardization of coding, it should be possible to extract and compile information on allocations/transfer of resources to each such agency under different government schemes and heads. It would also facilitate tracking of flow of funds under a scheme from one level to another.

2. This segment has been proposed to recognize the external agencies and entities that receive public funds as instruments and channels of public policy delivery. At the national level, such entities would include sub-national governments and other public and private agencies. This segment will be used only in the case of transfer payments such as subsidies, grants, contributions, investments, loans etc. Other expenditures would carry zeros for this segment.

3. It must be clarified that this segment is not intended to capture final beneficiaries. It has been proposed with the objective of bringing in standardization in the codification of major recipients of public funds. Many of these recipients are recognized even in the present budget classification but are not uniformly coded. Recipients such as PSUs, autonomous bodies etc. are usually recognized at the Detailed Head level in the DDGs and assigned different codes under different schemes and departments.

4. The Sundaramurti Committee has identified a list of 26 standard recipient types such as PSUs, Autonomous Bodies, Financial Institutions, Municipalities, Cooperatives, etc. A six digit code has been proposed for classification of such entities to enable recognition and listing of ten lakh such bodies. These recipient types would be common to both Centre and the States.

5. However, while reviewing the recipient types those have been grouped by the Committee, it has been observed that these are not standard but overlapping in nature. For example PSUs, Financial Institutions and Autonomous Bodies have been grouped separately. But PSUs and financial institutions are also autonomous bodies. Similarly, it is difficult to distinguish between Schools and Other Educational Institutions, Cooperatives, NGOs and other entities registered under Society Act or Trust Act. A need has, therefore been felt to prepare a standard non-overlapping list of recipient type to avoid such ambiguity. Accordingly an attempt has been made to prepare such list and the same is annexed. An organization is created either through a statutory notification or registration under an Act i.e. Company Act, Society Act, Trust Act or recognized by UGC Act, Medical Council Act etc. Hence, an entity can be identified by its notification or registration number. Such entities can be allotted a unique code for type of entity (2 digit) followed by the notification/ registration number.

6. The main benefit of using this segment is that it would make it possible to assign unique codes to each such entity and bring in uniformity in their identification by the system. With the standardization of coding, it would be possible to extract and compile information on allocations/transfer of resources to each such agency under different government schemes and heads. It would also facilitate tracking of flow of funds under a scheme from one level to another.

7. The Committee has recognized that in certain cases, particularly in the case of transfers to state governments, budget provisions are unlikely to be made recipient wise, as such detailed information may not be available at the budgeting stage. Such a situation can be handled by using a generic recipient code in the budget. The list of recipients will have entries for each of the state and UT governments. In addition to this, it is suggested to include a separate entry 'State Governments'. This head may be used for classification of lump sum provisions for state governments in the budget. The code for the specific state(s) may be assigned at the time of release of funds and captured in accounts. This method should be used only in cases where the state-wise provisions cannot be made in the budget. Other cases of subsidies and transfers in which information on the likely recipients is not available at the budgeting stage can also be handled in a similar manner.

Annexure-D

Target Segment

This segment would be used to identify expenditures targeted at special policy objectives. At present at least five such requirements are identified, viz. Women Centric (WC) expenditures, expenditures targeted at development of Schedule Castes (SC), expenditures targeted at development of Schedule Tribes (ST), and expenditure targeted at Below Poverty Line (BPL) population. This would enable the capturing of Budget and accounting data pertaining to emerging special requirements such as gender budgeting, budgeting for SC/ST, that are not very well catered to by the existing system.

2. It is possible to attribute an item of expenditure to one or more of the targets, e.g. women centric expenditure on SC women or expenditure on Tribal Women. The coding system for this segment has to provide for such instances. Many combinations of these four targets are possible to be used to identify an item of expenditure.

3. Target Segment will be a combination of four different categories i.e. (i) Gender (ii) Social Group (iii) Economic Status and (iv) Area:-

Gender		**Social Group**		**Economic Status**		**Area**	
1	Women	1	Scheduled Castes (SC)	1	Below Poverty Line (BPL)	1	North Eastern Region
		2	Scheduled Tribes (ST)				

The code length of target segment will be of 4 digits. Each digit will represent each group:-

First digit	Gender
Second digit	Social Group
Third digit	Economic Status
Fourth digit	Area

The classification of various target segments with various combinations of classes under various groups is given in Annexure-IV.

4. There were suggestions to include a few more such as ‘Physically Challenged’, ‘Disabled’, ‘Freedom Fighters’, etc. A major constraint in expanding this segment will be availability of precise and consistent information at the budget formulation or accounting stages. It is felt that all accounting information should have explicit link with the budgetary allocation. Typically, a segment like this is used to flag expenditure incurred on poverty reduction. The Committee is of the view that this list should contain only select larger policy thrust areas. Further expansion of this list might make it cumbersome to maintain. Besides, these categories [viz. Physically challenged, Disabled etc.] are likely to be the subject of specific Schemes themselves and could be captured at that level.

5. This segment would be finalized on the list of selected target groups/ areas in a mutually exclusive manner.

Annexure-E

Fund Segment

The Sundaramurti Committee Report makes a mention about the classification on the basis of source of financing. The Fund segment has been developed after review of Sundaramurti Committee Report to indicate the source of financing of various operations of the government e.g.. domestic financing through the Consolidated Fund, or through transfers from the Public Account; or, external financing through loans, or grants. A 6 digit code with 4 layers will classify various funds in the manner mentioned in Annexure-V.

2. The main advantages of the fund classification are (i) It will indicate source of financing of expenditure; (ii)It willeliminate the duplicity of account heads opened separately for Civil and Non-civil Ministries/ Departments under Public Accounts; and (iii) It will facilitate the aggregation of fund operations by the relevant "Economic Categories". For example, the consolidation of payment of interest from the Consolidated Fund and Public Accounts.