

**CAG REPORT****Call for legal framework for management of debt**

Our Bureau

*Deficiencies in projected cash balance highlighted*

New Delhi, July 26:

The Finance Ministry should consider putting in place a legal framework clearly specifying the objectives of Central government borrowing and the public debt management strategy, said the Comptroller and Auditor General (CAG) of India on Tuesday.

“A legal framework, consisting of both primary and the secondary legislation, may include the definition of public debt, debt management objectives, borrowing purposes and requirement of debt management strategy,” said the CAG in a report on Public Debt Management, which was tabled in Parliament.

It noted that there has been no evaluation of outcomes, though the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, mandates the submission of three annual reports that include information on debt management activities.

The CAG report also noted the lack of progress on the setting up of a separate Public Debt Management Authority (PDMA) till date.

“A number of expert committees set up in India over the past two decades had recommended the establishment of a separate PDMA. Though a PDMA was not set up, a separate Middle Office was set established in September in 2008,” it said. It also pulled up the Finance Ministry for inconsistency in the provisions of the FRBM Rules and debt management.

“It is clear that no additional liabilities could have been assumed in 2013-14 or later, which is inconsistent with the fiscal deficit target of 3 per cent of the GDP,” said the CAG.

It also highlighted deficiencies in projected cash balance of the Centre between 2010-11 and 2014-15, and found that there were 95 instances when the weekly projected cash balance was in the negative.

“In at least 40 weeks each year, variations between the weekly projected cash balance and the actual balance were more than ₹10,000 crore,” said the report, adding that the Department of Economic Affairs has now set up a cash coordination committee to strengthen cash flow forecasting and cash management.

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