

ESTIMATES COMMITTEE

Ninth Report
1953-54

ADMINISTRATIVE, FINANCIAL
AND
OTHER REFORMS



सत्यमेव जयते

LOK SABHA SECRETARIAT
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Members of the Estimates Committee, 1953-54

1. Shri M. Ananthasayanam Ayyangar—*Chairman*
2. Shri Sarangadhar Das.
3. Shri Radhelal Vyas.
4. Shri Debeswar Sarmah.
5. Shri Nityanand Kanungo.
6. Pandit Balkrishna Sharma.
7. Shri Shivram Rango Rane.
8. Shri V. B. Gandhi.
9. Shri Upendranath Barman.
10. Shri R. Venkataraman.
11. Shri Balvantray Gopaljee Mehta.
12. Dr. Syed Mahmud.
13. Pandit Thakur Das Bhargava.
14. Shri C. P. Mathew.
15. Shri U. Srinivasa Malliah.
16. Shri Rayasam Seshagiri Rao.
17. Shri Ahmed Mohiuddin.
18. Shri Girraj Saran Singh.
19. Dr. Suresh Chandra.
20. Shri Mohanlal Saksena.
21. Dr. Lanka Sundaram.
22. Shri Kadyala Gopala Rao.
23. Shri V. Muniswamy Ayl. Thirukuralar.
24. Shri P. N. Rajabhoj.
25. Sardar Lal Singh.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

Shri S. L. Shakdher—*Joint Secretary.*

Shri V. Subramanian—*Deputy Secretary*

Introduction

I, THE Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Ninth Report relating to the Administrative, Financial and Other Reforms.

The Estimates Committee have been in existence for the last five years. The Committee have examined the working of a large number of Ministries and Departments of the Government and have made several Reports suggesting the directions in which economy could be effected or efficiency improved and better results achieved. In 1950, the Committee in their Second Report made certain recommendations in regard to the re-organisation of the Government of India. Some of these recommendations have been implemented, some are being implemented and some are in the process of examination. Since then, the Committee have had the further advantage of examining other Ministries, Departments and subjects. The Committee feel that there are some aspects relating to administrative and financial and other cognate matters which should be brought out in one place and their views given in order that defects are removed or improvement effected and the business of the Government is carried on efficiently and with greater efficiency and speed. The Committee are glad to note that Government are themselves conscious of these matters and are examining them in greater detail. The Committee consider that they should make available to Parliament and the Government the conclusions which they have arrived at as a result of the experience gained in the working of the various Departments of the Government over a number of years so that comprehensive decisions are taken as early as possible and the administrative machinery so geared that effective results are achieved with the minimum cost and without undue delay.

II

Financial Procedure

2. There is a rule at present in the Rules of Business of Government that all proposals involving financial implications should be referred to the Ministry of Finance by the administrative Ministry or Department concerned and only after that Ministry has given its advice, can a decision be taken. As a result of this rule, certain detailed regulations have been framed for the guidance of Ministries and Departments. These regulations were made during the time of the British Government and were designed mainly to secure an effective check by the Ministry of Finance. Certain financial powers were delegated to the Heads of administrative Ministries concerned, but such powers were limited in scope and were generally routine in character. During the last World War, it became inevitable that financial powers of the administrative Ministries should be increased to some extent in order to help them to take speedy decisions. After Independence, these regulations have continued to govern the financial powers of the administrative Ministries with some further delegations which were decided upon quite recently. The reason behind the comprehensive scrutiny by the Ministry of Finance of proposals involving financial implications is that in the previous regime Government was not responsible to Parliament and the representatives of the tax payers had no opportunity to examine how the monies were being spent and whether full value was being obtained. Such feeble control as was exercised by the then Public Accounts Committee was ineffective in character as the Committee themselves were dominated by officials and were concerned merely with the *post mortem* examination of the events that had taken place. The then Government, therefore, was quite justified in securing internal control over the adequate and proper spending of public monies and, historically speaking, the Finance Ministry was gradually acquiring a pre-eminent position within the executive sphere of Government. It may be noted in this connection that the previous Government was interested mostly in maintaining law and order in the country and in keeping the Government servants who were the main props in their administrative machinery contented. Now and then and here and there, some schemes of nation building character were taken in hand ; but they were planned in such great detail and after so much thought and consideration that there was little difficulty in carrying them out according to schedule and within the finances sanctioned for them after due scrutiny. The conditions were also normal and over long periods there were no fluctuations in prices, the

availability of human material and other resources. The system within the limited objectives of the then Government, therefore, worked well and gave reasonable results and consequently there was no dissatisfaction with it. It is obvious that there has been a complete change now. The Government is now responsible to the elected representatives of the nation in the Lok Sabha. The function of the State is now to aim at raising the standard of the people in all spheres. A huge programme for development of the country has been taken in hand. The administrative machinery has become more complex and activities have expanded considerably. It is, therefore, but natural that the system which worked well till recently is a source of annoyance in the quick execution of works and plans in the altered conditions. It is also quite natural that people who want to see things progress feel annoyed with the complicated and cumbersome procedure and are up against it.

3. A further difficulty that arises in this connection is that our administrative personnel today is largely the same which was brought up in the old traditions. It is none of their fault if they should be reluctant to make any dynamic changes and should praise the old system which at one time did give good results. The old system is so deep seated in their minds that the administrative Ministries look upon the Ministry of Finance as the Ministry which should take decisions for them and the Ministry of Finance feels it to be its duty that it should criticise and scrutinise each and every proposal regardless of its importance or urgency. This has gone so deep that even where there are delegations of powers and the administrative Ministry could normally take decision itself, it has often resorted to consultations with the Ministry of Finance in order to escape any criticism later on. At present, the administrative Ministries think that as soon as the Ministry of Finance has given its concurrence to any proposal, the responsibility of the administrative Ministry is over and they have obtained as it were a passport for their decision or scheme.

4. On the other hand, the Ministry of Finance have to contend against a number of difficulties inasmuch as the administrative Ministries in many cases never plan in advance, do not give complete data and press their proposals in such a way as to leave little time for the Ministry of Finance to examine the details or to give their considered opinion. A sort of suspicion has entered into the relationship between the Ministry of Finance and the administrative Ministries. The administrative Ministries' sole aim is to get their proposals through and the Finance Ministry's aim is that whatever money is being sanctioned is really spent on useful purposes. In this atmosphere and process, there are naturally Departmental bickerings, recriminations, mild sensations, Secretarial or Ministerial crises and consequently delay, bad planning, wasteful or infructuous

expenditure and public criticism at Government's inability to proceed with the schemes according to schedule or efficiency. It is obvious that if this process is allowed to go on indefinitely, the whole administration will come to a standstill and the structure will fall. We should take a realistic view of things and take stock of the present day conditions and evolve a procedure which defines clearly the responsibility and functions of each component involved in spending public monies and to see that proper authority is accountable for its action. The Committee feel that concrete steps should be taken to achieve the end in view and to establish perfect cordiality between the administrative Ministries and the Ministry of Finance and to see that one is complementary to the other and helps in the ultimate objective.

5. The Committee make the following recommendations:—

- (i) Before a scheme is embarked upon, it should be properly planned and it should also be ascertained whether the money required for it is available or can be made available at the proper time. Detailed plans and estimates should be worked out fully so as to enable the Ministry of Finance to approve the scheme and accord financial concurrence.
- (ii) After the scheme is concurred in from the financial point of view by the Ministry of Finance, the detailed execution of the scheme and spending of money thereon should be the responsibility of the administrative Ministry concerned which should also be given power to vary or alter the amounts under the sub-heads of the scheme so long as the total outlay is not affected.

In practice, the procedure will be as follows:—

Each Ministry should prepare its Budget in as detailed a manner as possible and work out the details of all schemes to be executed by the Ministry in the following financial year. At present, the Budget Estimates for the following financial year are prepared towards the middle of the current financial year and are broadly stated. The Budget Division of the Ministry of Finance receives the various proposals from the Ministries in one lump during one or two months towards the close of the financial year. Consequently, the Budget Division does not have sufficient time to examine the proposals in greater detail and to scrutinise each and every item carefully. The practice has, therefore, been that the Budget Division applies broad checks and determines certain gross amounts for the various schemes without committing itself or the Ministry of Finance to their spending during the next financial year. The system is that whatever has been included in the estimates is merely with a view to get the vote of the House thereon and does not entitle the administrative

Ministry to incur expenditure unless a detailed expenditure sanction has been issued by the Ministry of Finance. This means that after the Budget is voted by Parliament and the Financial year has set in the Ministry concerned begins to think of the proposals and to prepare detailed estimates and other justification for its execution. In this process, considerable time elapses before the Ministry of Finance and the administrative Ministry agree to proceed with the scheme. After the administrative Ministry has got the concurrence of the Ministry of Finance, it then sets about to get the necessary manpower, the sites, the buildings or other equipment which in turn take their own time under the complicated rules of the machinery of Government. The result is that by the time the Ministry prepares to start a scheme or to go ahead with it, a good part of the year is already over and it is suddenly found at the end of the year that they must spend the money quickly for fear that the non-utilised funds may lapse or that they may have to approach again the Ministry of Finance for including the amounts in the Budget and according fresh expenditure sanction. It appears to the Committee that this procedure is, to say the least, irksome, wasteful of time and money and hampers initiative. There is no reason why the spending Ministry should not prepare schemes in as great a detailed manner as possible and chalk out clearly a time-table for its execution with total outlay required, the phases in which it will be spent and in short prepare a complete blueprint before approaching the Ministry of Finance for sanction. The Ministry of Finance should examine the scheme as a whole and offer their advice not from a negative aspect but with a positive approach inasmuch as that Ministry should suggest alternative methods whereby the scheme could be put into effect at a less cost or more efficiently. After the administrative Ministry and the Ministry of Finance have approved the scheme, it should be included in the Budget Estimates of the Ministry concerned; and thereafter there should be no further expenditure sanction or embargo on re-appropriations within the various sub-heads of the scheme so long as the total amount of the scheme is not exceeded. In case, the plan has to be revised and further money is required, the concurrence of the Ministry of Finance should be obtained before the additional money needed for the scheme is included in the Budget or Supplementary Estimates.

6. The spending Ministry should go ahead with the scheme as planned and should take such administrative and financial advice within the Ministry itself as may be necessary from time to time. This will eliminate all kinds of delays that at present occur in the preparation and execution of the schemes or the scheme being held up for want of expenditure sanction to a small item or delay which may take place in referring the papers to and from.

7. It is evident that there is not adequate planning in the actual day-to-day work of the Ministries. Most of schemes are not conceived in all their aspects in advance and the administrative Ministries develop, change and recast their ideas after the schemes are initiated. This, in the opinion of the Committee, is a factor which leads to so much delay and wasteful expenditure and makes the scrutiny of the Ministry of Finance essential from time to time. If the administrative Ministry prepared all the schemes, in as complete a manner as possible, there is little doubt that it will give a tremendous fillip to the activity of the country and the work being done efficiently and economically.

8. If the above suggestions of the Committee are accepted, changes will have to be made in the present set-up of the Ministry of Finance and the administrative Ministries. The Budget Division of the Ministry of Finance will have to be strengthened considerably so as to enable it to discharge its duties effectively. The Budget Estimates should normally be framed into three categories—(a) Standing Charges including Contingent Expenditure; (b) Continuing Schemes and (c) New Schemes.

So far as standing charges are concerned, there is very little difficulty as the amount is always ascertainable and can be included after a general check.

In regard to continuing schemes, the Budget provision can always be made in accordance with the time-table of the original scheme or as subsequently approved.

In regard to the new schemes, the Budget Division should see that the scheme is submitted to them in as complete a manner as required by any general or special instructions laid down by them from time to time and that funds are available after priorities among the new schemes to be included in a year have been determined. The Budget Division will thus have to examine the new scheme from the financial aspects and assign priorities and then allocate the monies available among them. After the Budget has been thus approved and voted by Parliament, the administrative Ministry concerned should be required to proceed with the schemes immediately. In order to avoid congestion of work in the Ministry of Finance and also to enable them to exercise an effective check over the proposals, it is necessary that the administrative Ministry concerned should prepare the schemes at least a year in advance save in exceptional circumstances when the situation justifies the immediate initiation of a scheme which could not be conceived or worked upon earlier.

9. The administrative Ministries who under these proposals will have to take full responsibility for spending money on schemes in accordance with Budget allocations should have internal financial advice so that there is proper spending of money in accordance with the general principles therefor, and the rules and regulations that may be laid down from time to time. In each Ministry, therefore, the Secretary of the Ministry should be assisted by one Deputy or Joint Secretary on the administrative side and one Deputy or Joint Secretary on the financial side. The Committee have discussed in Section XVII, the relationship between these three Offices and their appointment and accountability. The Secretary will be responsible for the sanctioning of the expenditure on the advice of the Financial Adviser and it will be the responsibility of the Financial Adviser to give him proper advice and in cases of disagreement between the Financial Adviser and the Secretary, the matter shall be referred to the Minister who shall, in consultation with the Minister of Finance, take appropriate decision in the matter.

10. In regard to expenditure on Contingencies, it shall not be necessary to consult the Ministry of Finance after the amounts under the different detailed heads have been included in the Budget. It should be left to the discretion of the administrative Ministry to incur expenditure according to the needs up to the amount specified under each detailed head and detailed expenditure sanctions need not be required.

III

Preparation of Estimates for Works

11. The Committee have observed in their earlier reports that there is at present a tendency to sanction or start works without preparing technical blueprints and detailed estimates of cost. This has led to greivous losses in some cases. There are also instances where projects or schemes had been abandoned on account of the technical defects which were found much later after the work had been started and had made considerable progress. Such instances, though they may be on a small scale, depict a tendency which may ultimately prove dangerous if it is not checked now. It is important that public confidence is not shaken as a result of these defects which can very easily be rectified. There is no reason why it should not be insisted upon that before a work is started, a complete blueprint and detailed estimates are drawn up. When we are trying to marshal our resources to our needs laying down priorities and trying to live within our own resources, it is imperative that planning must be introduced, observed and insisted upon even to the smallest detail. An overall planning has no meaning if the small schemes that go to make the big schemes are not dealt with in the same manner and planned in the minutest details. In fact, if this requirement is complied with, there is very little doubt that there will be very few delays and very little need for any stricter financial control. Schemes are started merely on the basis of guess work and approximate costs that they would involve. This necessitates frequent revisions of schemes and estimates, consultations and vexatious delays. On the other hand, if the schemes are thought out in all their details in advance and reliable data and expert advice obtained, the many bottlenecks that occur at present in completing schemes according to schedule and costs will altogether disappear. Not only are not the schemes properly planned and estimates prepared in advance, but there are cases where actual expenditure far exceeds the estimates or the schemes are subjected to frequent changes and involving first, second, third, etc. revised estimates.

The Committee feel that it is because of this inherent defect in the system at present that many of the development schemes are not making rapid progress. The Committee suggest that the Ministry of Finance should maintain a complete record of schemes in which the detailed estimates or blueprints are not prepared in advance or which are subjected to frequent changes in the course of execution or where actual expenditure exceeds the original or revised estimates. The statement should be periodically laid before the Committee for examination so that the Committee may watch what progress has been made in this direction and also what further steps are necessary to remove the defects to introduce a greater efficiency in the system.

Lapsing of Grants

12. Allied to the point discussed in the last paragraph is the question of lapsing of funds under various Grants which are concerned with provision of supplies and services or works. The Prime Minister has himself remarked that there is no reason why funds allotted for a particular Department or Service should not be spent fully. It will be saying too much that all this is due to the present system of financial scrutiny. The causes are perhaps deeper inasmuch as the administrative Ministry concerned does not properly prepare plans in advance and is not ready with the execution of those plans in time. The Committee have come across many cases in which schemes are started without technical or administrative personnel being in position or without arranging for sites, buildings and equipment. The plans are not properly fixed and the priorities are not properly laid down so that the whole thing starts in a haphazard manner and there occur bottlenecks when it is suddenly found that essential links are missing. It is imperative that all schemes are thought out with utmost details by the administrative Ministries concerned and these are properly phased and priorities laid down. Thus it may be necessary in some cases to order for equipment first and to allow the necessary time factor before proceeding to recruit administrative and technical personnel. Similarly, it may take some time to recruit the necessary personnel before the scheme is actually commenced. It is, therefore, necessary that the Ministry concerned should assess the time that will be necessary for the completion of each part of the scheme and to order equipment and stores and to recruit necessary man-power according to the fixed time-table. If this is done, the monies can be properly allocated for the completion of various phases of the scheme and the whole thing as it were will work smoothly and there will be very little danger that the funds might lapse. One obvious disadvantage of the present haphazard planning is that monies are sanctioned on certain assumptions in a year. Those assumptions not being fulfilled, the money is either devoted to other subsidiary purposes which may crop up during the year and which may not be considered as essential or when the monies lapse at the end of the year, the next year's programme suffers to a great extent inasmuch as either the scheme already sanctioned is abandoned or the new scheme will have to wait. India has embarked upon a vast programme of development touching every activity of the people and, therefore, Government cannot afford to be lax in matters of planning, proper phasing of plans and their execution in time. The Committee would like that the Ministry of Finance should maintain a complete record of instances where due to bad or no planning, funds had to lapse and place before the Committee, every year a statement showing the reasons in each case.

V

Grants or Loans to States

13. At present, the State Governments largely depend for their financial resources on the Grants and loans sanctioned by the Central Government. There is, however, considerable delay in sanctioning Grants or loans to State Governments. Apart from certain fixed Grants arising out of tax allocations, the State Governments ask for Grants in connection with various schemes and it takes a good deal of consideration in the various Ministries of the Central Government before a decision is arrived at. The schemes are also received piecemeal concerning various subjects and various Ministries take decisions piecemeal. There is thus a continuous stream of requests from the States and consideration of such requests by the Ministries throughout the year obviously causes delay and consideration of the matters is in compartments. Sometimes, there is considerable correspondence between the Centre and the State Governments over the merits and the details of the scheme. Consequently, there is delay or hurried examination of a scheme or its execution.

The Committee suggest that in order that the matter is placed on a satisfactory footing, all the State Governments should be asked to send consolidated proposals for all their schemes for the financial year in advance of that year. These requests should be received by the Ministry of Finance and they should, in consultation with the Ministry concerned and the Planning Commission, arrive at preliminary conclusions. Thereafter, a Conference between the representatives of the State Governments and the Central Government should be held in order to arrive at definite allocations of Grants or loans for the various schemes. A time-table for the payment of these Grants and loans must be fixed at that meeting and funds should be released to the States on the dates agreed upon. In this way, the State Governments will know at the beginning of the financial year as to what assistance is forthcoming from the Central Government and at what period of time and at what intervals, so that they can go ahead with their schemes and plans according to schedule and time. The Central Government will also know its obligations and will be able to assess its requirements and disbursements on a planned basis.

14. The Committee note in this connection that the Central Government has now decided to float a consolidated loan for both the Centre and the States and to allocate the *pro-rata* shares of the loan to the States. This is a good beginning and the Committee hope that this will be extended in case of Grants and loans from Central Revenues to the States.

VI

Grants to Universities and other Institutes

15. At present Grants to Universities and other Institutes are sanctioned after necessity for the amount required by the University has been made out. The correspondence and examination of the matters sometimes take so much time that by the time the Grant is sanctioned the financial year has either expired or is nearing expiry. Moreover, if the money sanctioned is made available during the last months of the year, the result will be that either it will remain unspent or the University or Institution will hurriedly spend without securing proper economies or getting the full results. It is essential that such state of affairs should be remedied as early as possible. The Committee suggest that as proposed in the case of Grants and loans to States, the Universities or Institutes should also be asked to forward their requests for a financial year in advance of that year so that a decision is taken before the financial year commences and the funds are made available to them at the proper time. The Committee have not yet examined the working of the University Grants Commission and would suggest that this aspect of the matter should be borne in mind by the Commission. The monies should be made available to Universities and Institutes at specified intervals and as regards 'new services', decisions should be taken fairly in advance of the commencement of the schemes so that no time is lost and the whole thing is planned properly.

VII

Estimates relating to and expenditure incurred on the Five Year Plan

16. The Estimates Committee at their meeting held on the 5th January, 1953 came to a tentative decision that the estimates relating to and the expenditure incurred on the First Five Year Plan from year to year should be shown under a separate Demand. These conclusions, which are reproduced below, were forwarded to the Ministry of Finance:

- (i) There should be separate Demand headed 'First Five Year Plan'.
- (ii) The estimates relating to each scheme should be grouped Ministry-wise under this Demand. The actual expenditure and the revised estimates should be shown as usual. Each scheme should be further sub-divided into detailed Heads to give broadly an idea as to the details of estimates and expenditure.
- (iii) This Demand being a composite Demand may be operated upon either by the Ministry of Finance or Ministry of Planning or by individual Ministries as may be convenient or practicable.
- (iv) Grants made to States for implementing the various schemes should also be shown under this Demand and the details of the schemes indicated. Similarly, the estimates proposed or voted and the expenditure incurred by the States on the schemes under their purview should also be shown under this Demand, although such estimates will not be voted by Parliament.
- (v) The estimates or expenditure on the scheme relating to a Ministry may also be shown under the Demand pertaining to that Ministry in order to give a complete picture of the total estimates of that Ministry although the total amount of the Demand of the Ministry may not include the portion of the estimates relating to Five Year Plan which will be voted by Parliament separately as a composite Demand as indicated above.
- (vi) An Administration Report on the Plan should be issued six-monthly which should *inter alia* state the nature of the scheme; the progress of work; the progress of expenditure; the sources from which financed; the expenditure already incurred; the estimates for the future years; the

reasons for variations; if any, and the time within which it is expected to be concluded. If there has been any variations in the completion of the scheme within the target dates, the reason therefor should also be stated. These Reports should be laid on the Table of the House periodically for the information of Parliament.

The first six-monthly Report should also state the expenditure so far incurred on the various schemes as also particulars pertaining to such schemes as are financed by the States.

The benefits accruing as a result of any scheme which has been completed or which is under progress should also be indicated in the Report.

(vii) The Report mentioned in para. (vi) above shall be in addition to the information given in the annual Administration Reports of the various Ministries which shall, as usual, include under a separate Chapter the information about the various schemes under the control of the Ministry concerned."

17. The Ministry of Finance stated on the 16th March, 1953, that the recommendations of the Committee were received too late to be considered in connection with the preparation of the estimates for 1953-54. The Ministry of Finance further stated that, in consultation with the Planning Commission in the matter, and as stated by the Finance Minister in para. 51 of his speech on 27th February, 1953 (*Appendix II*), the Commission hoped to be able to bring out a Progress Report and to produce similar periodical reports in future which would deal with the various points referred to in paras. (vi) and (vii) of the conclusions reproduced above.

18. In regard to a separate Demand for estimates relating to the expenditure incurred under the Five Year Plan, the Ministry of Finance stated as follows:—

* * * *

In regard to a separate demand, there are various practical, almost insuperable, difficulties. In the first place, a composite demand covering enormous expenditure concerning almost all the Ministries and comprising a very large number of major and minor heads of account, both in the Revenue and in the Capital and loan portions, would make budgetary control almost impossible. Secondly, having in the interest of securing ministerial control of

expenditure decentralised demands by Ministries at the suggestion of the Estimates Committee themselves, it will now be a retrograde step to revert to a system of composite demands. Thirdly, although items on the capital and loan side are identifiable, some, at any rate, in the Revenue Budget inextricably mix up normal development and the Plan and to separate them would not only be very difficult but also artificial. Lastly even for mention in foot-notes to the Central Demands (which is all that could be done constitutionally), it will not at all be possible to obtain correct figures in respect of the States Plans in time for inclusion under the Central Demands.

A composite Demand for the first Five Year Plan as recommended by the Estimates Committee is, therefore, not feasible or desirable. An attempt will, however, be made to prepare a statement showing the revised and budget estimates and also the previous year's actuals in respect of the expenditure included in the Central budget relating to the various items of the Plan and to append it as an annexure to the Explanatory Memorandum. This together with the Progress Reports of the Planning Commission should meet the requirements which the Estimates Committee seem to have in view."

19. The Committee are not satisfied that the Memorandum showing the Progress of the Plan which was presented to the House recently is comprehensive enough to meet the point of view urged by the Committee. It is necessary that Parliament and the public should know scheme by scheme or unit by unit or item by item of the expenditure proposed in the Plan, the expenditure actually incurred, variation, if any, reasons for variations and evaluation of the work done and the amount spent on the schemes, etc. The Committee, therefore, suggest that the matter may be re-examined and a comprehensive picture given so that there is no ambiguity. The Committee do not accept the plea that it is not possible to give in consolidated form all the information asked for by them.

In fact, the Finance Minister in his speech delivered in the House on the 17th April, 1954 (*Appendix III*) stated that the Planning Commission were compiling such a statement. But if there is any defect or difficulty in procuring information of the kind desired by the Committee, the matter needs careful investigation so that the information is available and there is no mix-up or unbalanced view of the Projects or Schemes undertaken under the Plan.

20. In financing the Plan, foreign aid has been assigned a place. The country has been receiving such aid from various sources, such as the T.C.A., World Bank, Commonwealth Countries and other foreign countries like Norway in the past and will continue to receive such aid in future also. At present, information about this aid is dispersed in the Budget under various demands and it is not easily possible to see at a glance the quantum of foreign aid received. The Committee suggest that the foreign aid in a year as also the progressive total thereof should be exhibited at one place in the Budget documents.

VIII

National Undertakings

21. During the past few years, Government have started many projects and undertakings involving manufacture or production of various types on a national scale. It is obvious that according to the present policy of Government, the State would control and own a number of industries and projects. The Committee have examined the working of a few projects already in existence and it is their intention to make a thorough study and examination of others and to offer their suggestions in respect of each individual State enterprise. There are, however, certain general observations which the Committee would like to make in this Report. They relate to certain basic aspects of State Undertakings and in the opinion of the Committee should be applied uniformly with such variations as may be necessary in respect of each of them.

AUTONOMY

22. It is obvious that in order to enable a State Undertaking to fulfil the purpose for which it is started, it is necessary that it should not be subject to day-to-day control of the Government. A national Undertaking has to be run on efficient business principles and its progress or usefulness has to be judged by the results. It is also important that Parliament should not exercise any day-to-day control but should nevertheless approve and lay down policies for the working of an Undertaking. While these two principles are recognised both by Parliament and the Executive Government, there is need that the whole object behind these principles is not reduced to a farce or, in other words, it is imperative that an Undertaking should be run and controlled by persons who have the necessary calibre and who will inspire confidence to produce the necessary results. Looking at the organisational set up of the various Undertakings that have so far been established, the Committee feel that they are more or less extensions of Departments with very little of business experience or procedure and are run almost on the same pattern with minor changes here and there, as any Department of the Government. This is not only an outmoded system of running State Enterprises but has led to serious complaints, irregularities, delays and inefficiency and the results have not been as were expected. At present, as soon as a national undertaking is started, a Board of

Directors which consists wholly or largely of the Officers of Government is constituted. The Managing Director or General Manager to supervise the day-to-day working of the Undertaking is drawn from the Services and in most cases, the other personnel are to a certain extent also drawn from one or the other Government Departments. Illustrations of such cases are that an Officer in the Food Ministry is the Managing Director of the Visakhapatnam Shipyard and an Officer of the Information and Broadcasting Ministry was made Chairman of the Damodar Valley Corporation and is now holding the office of Managing Director of the newly started Steel Plant. Similarly, Officers from other administrative services have been appointed to be in-charge of the Hindustan Aircraft Company, the Sindri Fertiliser Factory and the Indian Airlines Corporation. Not only this; they are also interchangeable at short intervals between the administrative jobs and the Undertakings which they control. One would have imagined that such jobs would be controlled and held by men of experience who have specialised in the particular fields and should not have been made a ground for official careers for Officers who are not specially qualified and trained for these heavy responsibilities. On the Board of Directors are individually appointed representatives of the Ministry of Finance, the administrative Ministry concerned and Officers of other concerned Ministries or Departments. Sometimes, the same Officer represents the Government on the Boards of two or three Undertakings. The meetings of the Board are held at various places where the Undertakings are located and these meetings generally take place after long intervals for a short period of a day or two. The agenda is run through as it were, each Officer giving his Department's point of view and then hurrying back to his post of duty. Decisions are thus delayed and are not arrived at after due and mature consideration by the persons who have intimate knowledge of the working of the Undertaking and if one were to examine the decisions that are taken eventually one would find in most cases nothing but Departmental biases, compromise formulae and vague and generalised directions. Ordinarily, autonomy is claimed for Undertakings run in this fashion and Parliament is asked not to interfere till things reach an unsatisfactory state of affairs and there is public discussion of them. Further, the climax is reached when an Officer on the Board of Directors, who is generally the Secretary or the Joint Secretary of the Ministry concerned does not agree with a proposal or a scheme has the final right to get the whole thing shelved or vetoed when it comes to the Ministry for a decision, because the constitution of such Undertakings provides in many cases that in cases of serious disagreement between administrative and financial authorities, the matter should be referred to Government for a decision. In practice, therefore, an Officer of Government,

be he senior or junior, controls an Undertaking either in his capacity as a Member of the Board or Managing Director or as Administrative Head of the Department where he has power to give advice to Ministers in which case he takes a decision in the name of the Ministry, and Parliament and Government are asked not to take notice of these things because it may interfere with the autonomy of the Undertaking. The conception of setting up autonomous business Corporations has been taken from the Western countries, more particularly from England. If one goes deeper into the working of important Corporations in the U.K. or elsewhere, one would certainly find that they are run not by administrative services but by competent men from business, trade, commerce and industry, men in whom Parliament and Government have confidence and men who are to be judged by the results and by nothing else.

23. The Committee, therefore, feel that the time has come when a review should be made forthwith of the general organisational set-up of the various Public Corporations and Undertakings. There should be a cadre of capable men drawn from business, commerce, industry and trade who have given good account of themselves in the various spheres of activities and State Undertakings must be entrusted to them to be run on efficient business principles and practices. This should be in the nature of an All India Service and designated as "Indian Commercial and Industrial Service" as envisaged in the statement regarding the Industrial Policy of the Government of India which was laid on the Table of the House on the 6th April, 1948. The present practice of appointing Officers from Services either on the Board of Directors or as Managing Directors should be done away with and in any case the Secretary or Joint Secretary of Ministries who are concerned with advising the Minister or Government on matters of policy and otherwise to keep effective control over the various activities of the Ministry should not be associated with the day-to-day execution of their policies either in connection with State Undertakings or otherwise. The State Undertakings should be considered as a separate entity from the administrative Departments concerned and should be given full measure of autonomy within the framework of the Statute and a careful watch should be kept to see that the Undertaking is fulfilling its role efficiently and properly as is assigned to it. It should also be considered whether a Board on the lines of the Railway Board may not be constituted for each Industry with men of experience in that business. Once a step in this direction is taken, the whole method of work, procedure, and outlook will change in administering these Undertakings and it will be capable of giving good results as normally expected of them.

AUDIT

24. At present, the few Statutes under which Public Corporations are constituted provide in certain cases that the Directors shall appoint Auditors who shall report to them. It is true that the audit of Public Undertakings is of a highly specialised nature and Departmental Audit will not be suitable. Nevertheless, the Committee think that it is not correct that the Directors should themselves appoint Auditors who should be responsible to them. The Committee feel that it would be in line with the spirit of the Constitution and sound financial propriety if Commercial Auditors are appointed by the Comptroller and Auditor-General and the Audit Report is submitted by them to the Comptroller and Auditor-General who shall cause it to be laid before Parliament along with the Balance Sheet and Profit and Loss Accounts. This will secure an independent audit check and at the same time ensure that really competent Auditors conduct audit and assess the performance of the undertaking according to business standards.

PROVISION OF FUNDS

25. One of the defects in the present system of financing the national Undertakings is that the monies do not in all cases pass through the Consolidated Fund of India. The Constitution provides and the Committee think that it is sound in theory and practice that all monies whether in the nature of earnings or expenditure should pass through the Consolidated Fund of India. The Committee draw attention of the Government to the views of the Comptroller and Auditor-General which were incorporated in the Third Report of the Public Accounts Committee and suggest that early steps should be taken to lay down a clear procedure in regard to the canalising of monies through the Consolidated Fund.

ACCOUNTS

26. The Committee have noticed that accounts are not in all cases kept on commercial basis. It must be a uniform practice that every Undertaking prepares Profit and Loss Account, Balance-sheet, Depreciation and Reserve Fund and Amortisation Fund Accounts etc. according to the well settled commercial principles. Each Undertaking must pay interest on the capital outlay, income tax and also a percentage of profits to the Consolidated Fund. It should not be left to the option of the Undertaking to do what it pleases. It should be the duty of the Comptroller and Auditor-General to see that every Public Undertaking maintains accounts in the prescribed manner and he should draw pointed attention to any defects in procedure and also make a report on the appraisal of the work done by the Undertaking on the basis of the conclusions drawn from the Accounts and

Audit Report. Such reports of the Comptroller and Auditor-General should be presented to Parliament and the Government promptly so that the progress of the Undertaking is taken stock of in proper time and appropriate action taken to set right any defects whatever they may be. He should among other things suggest the directions in which improvement is necessary or desirable in order that maximum benefit accrues from the operation of the Undertaking.

IX

Cost Accounting Organisation

27. Allied to the accounting system is the question of proper costing and evaluation of materials produced or work done by a rational Undertaking. At present, there is a deplorable lack of trained personnel in Cost and Works Accounting. The Committee have had occasions to note in the case of several Ministries that no attempts had been made so far to make good this deficiency. Many of the Undertakings or schemes have suffered losses considerably because of the non-appointment of experienced Cost Accountants. In some cases, it was at the instance of this Committee or the Public Accounts Committee that Costing Organisation was introduced or improved. The Committee wish to make it quite clear that no business Undertaking will be a success unless staff highly specialised in Cost and Works Accountancy are posted from the very start. The value of such an organisation is well-known in the modern industrial world inasmuch as it is with the help of such staff and units that the bacilli of waste and inefficiency are located quickly and promptly eradicated by an efficient executive. This is one of the vehicles which has led to tremendous improvement in the modern technique of industrial management and better and cheaper production.

28. The Committee recommend that Government should take early steps to set up an Institute of Costs and Works Accountants and to train sufficient number of men in this line with the modern and up-to-date methods suited to the various types of Undertakings. Meanwhile, every endeavour should be made to tap the existing manpower trained in this line in order that Cost Accounting Units are introduced where not already done or are improved where such units are in existence.

X

Higher personnel in Specialized Departments

29. The Committee feel that Departments which are concerned with technical problems or matters should be placed in charge of persons who have specialised and gained experience over a period in these subjects. Thus a Department dealing with Scientific Research or Agriculture or Information and Broadcasting or Irrigation and Power should be supervised by persons having the necessary experience and knowledge of the matters dealt with by those Departments. In foreign countries, Officers belonging to administrative services are placed in jobs which are purely administrative in character. The system of posting Officers from the Administrative Services to all Departments, technical and non-technical, might have worked well in the past but in the present context when the country is entering a new era of expanding activities, persons with only administrative experience who are a class by themselves cannot obviously meet the situation. It is, therefore, time that the requirements are properly assessed and the allocation of man-power is also properly studied and made. The Committee suggest that cadres in different spheres of Government activity similar to the Finance and Commerce Pool Cadre, with such modifications as the present conditions might indicate, should be constituted and these cadres will form the source for manning important and technical posts in the various Departments. The Committee further suggest that Officers who are trained in a particular line of administration or who are trained in a certain sphere of Government activity should not be shifted from place to place indiscriminately. Thus an Officer of the Foreign Service should always be in Foreign Service though in exceptional cases, the administration may find him suitable for other services too. Similarly officers who have specialised in Defence or Education or Health or Agriculture or Commerce and Industry should not be transferred out of their lines to other services or jobs. This has its own advantages inasmuch as these Officers will bring to bear their accumulated experience on the various matters which come up for a decision. Occasionally, a promising bright Officer might be brought on transfer at intermediate levels but top posts must always be in the hands of Officers experienced in a particular branch or activity of Government. The Committee suggest that this problem might be studied by the Methods and Organisation Division in a concrete manner. Government might thereafter lay down some principles which should be followed in this respect.

XI

Civil Establishments Committee

30. One of the functions of the Ministry of Finance at present is to advise on and approve the number of Officers and other staff required by each Ministry or Department from time to time. Such staff may be required on a permanent or temporary basis in the Ministries or Departments or for schemes which have been approved and sanctioned. The administrative Ministry concerned prepares the proposal and gives justification for the additional staff required. The Ministry of Finance examines the reasons and gives its concurrence or disagrees with the proposals. There is no uniform yard-stick on the basis of which the additional requirements of a Ministry are assessed. It is, more or less, a guess work subject to certain basic factual data and generally the views of the administrative Ministry prevail subject to funds being available. During the examination of the various Ministries, the Committee tried to ascertain whether any scales of work for the various categories of staff had been laid down or any criteria for fixing the strength of Departments or Ministries was fixed. There do not appear to be any hard and fast rules in this regard. The Ministry of Finance have largely acquiesced in the proposals of the various Ministries and there has been over-staffing. The Committee have in their various Reports pointed out the numbers of staff found surplus and recommended their abolition. But the Committee feel that the present system has not worked well and there should be a scientific approach to the matter. The Committee think that a Standing Civil Establishments Committee should be constituted consisting of a representative from the Budget Division of the Ministry of Finance, an Officer of the Ministry of Home Affairs concerned with the establishment matters of the Government of India, a representative of the Methods and Organisation Division and a representative of the Ministry concerned who comes up with proposals for additional staff. The first three members will be on a permanent basis while the fourth member will be changing. This Committee should lay down scales of work for each category of staff, the principles on which staff can be sanctioned either on a temporary or a permanent basis and examine the proposals that come before them from this stand-point. During the course of their examination, they should also see that the methods of work and organisation of the Ministries are in accordance with the principles laid down by the Methods and Organisation Division, that there is no overlapping or

duplication of functions, that any new work to be undertaken by the Ministry properly belongs to that Ministry or Department, that the statistics of work are properly and methodically kept and are made available to the Committee for examination. This Committee should also undertake review of the strength of the Ministries and Departments of the Government of India every three years suggesting increases or decreases in numbers or rationalisation of their duties and improvement in methods of work and the like. This Committee should also examine periodically the structure of pay scales of the various categories of staff, the classification of posts, and whether the policy matters are handled by the Secretariat alone and the execution by the subordinate organisations. The Committee feel if this scheme is implemented, it will lead to greater efficiency in administration and bring about uniformity of approach to staff problems, methods of procedure, quantum of work done by the employees and avoid duplication or waste. The establishment of this Committee will also achieve the objective of continuous scrutiny of the staff strengths in the main Ministries and Departments. This Committee will be in a position to say from data furnished to it periodically what organisational changes in the Ministry or Ministries are necessary. This Committee should also submit an annual report to the Estimates Committee on the various matters handled by them during the year.

XII

Examination of delays in Administration

31. It is obvious that if the State has to be really a Welfare State, the citizens of this country should receive redress of their grievances in the quickest possible time. A modern Government has to see to it that the citizens' letters are answered quickly, the matters referred to therein are attended to with the utmost promptitude and decisions on policy are taken quickly. No people can ever tolerate delays and there must be something wrong with the working or organisation of a Department if it is not prompt enough to redress the grievances of the people. It cannot be said that our Government at the Centre and in the States has reached the requisite standard. Complaints are general that letters addressed to Departments are not answered at all or the answer is so belated that the purpose of the enquiry is defeated. Worst of all, the answer is sometimes so indefinite, routine or evasive that it disheartens a man and makes him feel hopeless of the future.

32. Then there are delays between the Government Departments themselves. If a proposal is sent or if an enquiry is made by one Department from another, the usual complaint is that there is no proper or quick response from the other end. Under the pretext of examining the proposal or collection of materials, an answer is delayed indefinitely. If consultation has to take place with several Departments of Government who are concerned in the matter, then the result is inordinate delay. In fact, where a Ministry or a Department initiates a proposal, it does so with the full knowledge that it will be several months—may be years in some extreme cases—before a final decision is arrived at. There is an urgent need that such delays are investigated and proper responsibilities fixed as to the persons who contribute to delays by their method or work. It has also to be examined whether delay is due to cumbersome procedure and methods in Government, as at present no one knows how the delays occur except in isolated cases when some enquiry is instituted and obviously there is some excuse or other which prevents a probe into the records. There is, therefore, frustration everywhere and both the people and the Government Departments are exasperated over the situation.

33. The Committee have considered this matter carefully and are of opinion that an Officer directly responsible to the Prime Minister

should be appointed in the Cabinet Secretariat with a small complement of staff whose duty should be to receive complaints from the public as well as Government Departments in regard to delays that occur in the disposal of letters or references in the various Government Departments. He should have the power to call for papers and files and to record opinion on the delay in each case. He should determine whether the delay has occurred owing to the fault of an individual or to a defect in the procedure and should suggest from time to time the methods whereby Government business can be expedited and such delays avoided. The disposal by this Officer should be summary and not elaborate and should be designed to inculcate the habit of promptness and urgency in Government work. He should also advise the Central Establishments Committee referred to in para. 30 and the Methods and Organisation Division of the Government in sanctioning in time additional manpower required or laying down better procedure so that any congestion or accumulation of arrears might be avoided. This Officer could also suggest in what manner the efficiency of a particular Department could be increased.

34. The Committee would, however, like to make it clear that it is not the intention that each and every complaint should be examined. Nor is it suggested that the organisation should be expanded merely because the number of complaints has increased. Whereas any one will be permitted to make a complaint, the Officer should select only the most important ones and apply a test check to each Department limited to a few complaints a day. In case, a selection is not possible, the ballot system might be adopted to select a few for investigation. The ballot should be held under strict supervision and should be confined to different Departments. It is also emphasised that this machinery should not become a super or an additional Department but should act in the nature of a deterrent against inordinate delays. This can be achieved if the size of the organisation is limited and the few cases investigated by it are thoroughly gone into so that there is confidence in the public mind that there is some independent authority charged with the responsibility of looking into papers and matters independently of the Department concerned. The report of this Officer should be submitted to the Prime Minister under whom it should work and be in the nature of factual statements with suggestions for reform or remedy in future. The Reports submitted by this Officer will obviously provide a feeding ground for the Methods and Organisation Division who can profit by his studies and suggest changes in procedure based on a practical knowledge of its defects.

XIII

Separation of Accounts From Audit

35. The Committee have seen the Third Report of the Public Accounts Committee on the Exchequer Control over Public Expenditure and note with dissatisfaction that no effective action has so far been taken by Government to give effect to the proposals contained therein. It is essential that the accounting functions should be separated from the audit functions. The Comptroller and Auditor-General should give his undivided attention to the audit of Public Funds and it is an unnecessary burden on him to look after the accounts and treasury functions which are the responsibility of the administration. One of the causes of delay and defects in the present procedure is that the administrative Ministries are not conscious of their responsibility for keeping accounts of the expenditure that they incur. They are under the impression that this is the duty of someone else and they do not feel the necessary pinch that legitimately should fall on them. It is necessary that in order to enable the schemes to proceed with rapidity and according to programme, the accounting and payment functions should be taken over by the Ministry or Department concerned with immediate effect. There are no good reasons for Government to take such a long time to consider this urgent and important reform in the present machinery. It is common knowledge that the present accounting and treasury system is so complicated, so archaic and so long-winded that it takes months and months to compile figures of expenditure and then to reconcile them between the accounts and administrative authorities; and it requires completion of so many forms at both ends and a verification and check by so many authorities that the whole procedure has become a maze of complicated rules. Similarly in case of payments, there is considerable delay as the papers have to pass among the administrative, accounts and treasury authorities. Under modern conditions, this is wholly unsuitable and the Comptroller and Auditor-General has himself suggested a reform which is so obvious.

36. The Committee suggest that urgent steps should be taken to see that:

(i) the Comptroller and Auditor-General concerns himself with audit functions only;

(ii) the accounting and payment functions devolve on the Ministry concerned;

(iii) the administrative machinery should keep close watch over the progress of expenditure in relation to the budget grants and one of the duties of the Financial Adviser proposed in para. 9 to be attached to each Ministry should be to control accounting and payment functions of the Ministry concerned;

(iv) if there is likely to be a delay in the transferring of accounting functions to the respective Ministries, then until this is done, the present Audit and Accounts organisation should be bifurcated and the Accounts side placed under an Accountant-General or Director of Accounts under the Ministry of Finance for the time being. The staff which is at present doing the accounting functions should be transferred to the proposed Offices or the Ministries concerned when the accounting functions are taken over by them. There should be no difficulty in effecting this change-over as this does not involve any appreciable additional manpower. It must be understood that the proposed centralization of accounting work under the Accountant-General or the Director of Accounts should be envisaged as a transitional measure to facilitate the ultimate objective of each Department being responsible for its expenditure and the accounts thereof; and

(v) the present system of Treasuries should be abolished.

The payment functions should be taken over by the Branches of the Imperial Bank of India or, where a Branch of the Imperial Bank of India does not function, by a Branch of some other Scheduled Bank in consultation with the Reserve Bank. Where there is no Branch of the Imperial Bank of India or any Scheduled Bank in existence, the Treasury Office itself should be converted into a Pay Office of the Imperial Bank.

37. The Committee emphasise the fact that Banking organisation which is quick, efficient and reliable should be made more use of than the old outmoded system of Treasuries.

38. The Committee in this connection also recommend that the Imperial Bank which is mostly concerned with the payments on behalf of the Central and State Governments should be nationalised at an early date. The demand for the nationalisation of the Imperial Bank has been there for a long time and assurances have been given from time to time that the matter would be examined with a view to nationalising the Bank at an early date. The Committee feel that the time has come when this should not be postponed any longer and in the present context of things, early steps should be taken to nationalise the Bank so that the whole organisation of the Government payments is put on a sound and satisfactory footing and utmost promptitude is shown in making Government payments.

XIV

Efficiency of Audit

39. Audit in order to be efficient and prompt should adopt methods to bring to light concurrently cases of irregularities, fraud or infructuous expenditure. At present, such cases are revealed at so belated a stage that it is not possible to take any effective action against the persons who are involved in such irregularities or to prevent further wastage or loss. The Reports of the Public Accounts Committee have shown that no effective steps could be taken because by the time the matter was brought to light, the person concerned ceased to be in Government service. At a late stage, when the scheme is completed, any examination of irregularity is in the nature of *post mortem* examination only and no effective steps can be taken to put right the defects or to take action in order to arrest any tendency towards irregularity in its early stages. The Committee feel that in order that Audit is a perfect vehicle for detecting frauds and irregularities in time and in order to assist Parliamentary Committees in safeguarding the interest of the tax payer, it should bring to their notice cases concurrently. For this purpose, audit may be conducted on a percentage basis, a lesser percentage applied to Standing Charges and higher percentage in relation to schemes which are in progress.

40. At present, there is also an impression that Audit mostly concerns itself with technical objections and that consequently wastes a good deal of time of the administrative Ministry in replying to them. Of course, it is for the Comptroller and Auditor-General to determine what are technical and non-technical objections and for the administrative Ministry to give answers to his satisfaction. But the Committee would suggest that in regard to technical objections, the Comptroller and Auditor-General might do well to eliminate them, as far as possible, and to bring them to notice only if there are repeated failures on the part of the administrative Ministry to comply with instructions. As regards cases of irregularities, frauds, etc., a Report should be submitted to Parliament every three months and such Reports should be made available to the Minister of Finance so that he may examine the financial working of the Ministry concerned and prescribe such action as may be necessary for the efficient functioning of the Ministry. The Cabinet should also in such cases, and in cases of grave irregularities and misappropriation, take serious notice of the persons concerned and award, as quickly as possible,

such punishment as may be necessary commensurate with the nature and extent of the guilt.

Where it comes to the notice of the audit authorities that there is *prima-facie* evidence that in important cases of fraud or irregularities, the Secretary of the Ministry or the Head of the Department is not aware of the position, a report should be made to the latter promptly so that he applies himself to the matter and takes such action as may be necessary to put it right.

XV

Employment of Retired Government Servants in Business

41. At present some Officers and servants of Government who retire from service are employed on lucrative jobs in private business or industry. In some cases, it has happened that the Officer so employed by the business had an intimate connection with it during his period of service under Government. The Committee appreciate that the experience of such Officers should not be lost to the country and it would be better to utilise it in some shape or form; but there is another side which is often urged and it is that the moral standards in the administration are apt to suffer because of these temptations and there is good ground for holding that we should not go merely by the theoretical approach but view it from the psychological standpoint. There have been also cases of high Officers who have voluntarily retired from service in order to join business concerns. There have been references to this aspect of the matter on the floor of the House and in specific Resolutions and it is evident that there is considerable public feeling in the matter. The Committee, therefore, recommend that no Government servant who at the time of retirement or finally leaving Government service voluntarily or under Government orders is in receipt of pay of Rs. 500 per mensem and above, should, for at least three years after his retirement, take employment in any private business which comes within the sphere of responsibility of the Government Departments in which he worked during three years before retirement, and thereafter, if he wishes to get employed he may take up such employment after informing Government. This will have a salutary effect on the moral standards in the services and, at any rate, public opinion will be satisfied that the Officers to be employed in business, private trade and commerce are those noted for their competence and experience and for whom there is a demand in the Industry and not merely those who might have secured obligations by showing official favour.

XVI

Ceilings on Salary in Private Sector

42. It is obvious that in connection with the administration of a modern Welfare State, where Government undertakes to provide the necessities of life to the people, a large number of persons well-versed in various activities should be forthcoming. Persons possessing experience in business, trade, commerce and technological skill of various kinds are daily required to man the public services. It is also obvious that in a Welfare State where the aim is to do the maximum good to the maximum number of people, there is restriction on the availability of finances, the profit motive being absent in the public Undertakings. Public Services have, therefore, to content themselves with comparatively smaller salaries than their counterparts in private business, commerce or profession. In practice, however, so long as the present pattern of society is more or less based on money standards, it is hard to expect that each one of the persons forthcoming for public services will be motivated by his desire to serve the country at the minimum salary offered. It is common knowledge that most of the men evaluate service in terms of money and should something better or more prosperous offer itself to them in private business or trade, they are in all probability likely to change their services for private employment. To that extent, therefore, there is depletion of competent and experienced men in the Public Services and those who do continue for one reason or another are constantly disgruntled or dissatisfied. In either case, there is lowering of standards and of productivity and the State as a whole suffers. There is no reason why employment in public services should be considered different from that in the private business or Industry. If the State is to be a Welfare State, it is immaterial whether the services are rendered in public enterprise or private enterprise. The man in the former should be on par with his counterpart in the latter. Our Constitution also enjoins the principle of equal pay for equal work. This is a general principle covering the country as a whole. It, therefore, follows that there is a great need for removing any anomalies existing in private and public employment and for rationalising services as a whole. It is a matter of convenient arrangement only that some services are manned by the State itself while some others have been left to the care and control of private enterprise. The Committee, therefore, feel that early steps should be taken to examine the question of prescribing ceilings on salaries in private employment consistent with the policies and principles adopted for public sector.

43. Along with the scheme of rationalisation of salaries in private sector, qualifications and other conditions of employment for various services should also be laid down. At present, employment in private sector is not offered on any prescribed principles; but merely at the pleasure of the employer with the result that there is a large number of educated young men in unemployment today while comparatively less educated or less intelligent, competent or deserving persons are able to find employment. Not only salary but various kinds of perquisites which in many cases amount to salary itself in money values are offered in private employment. Thus the whole structure of employment in the Public and the Private Sector becomes ill-balanced and leads to discontent. There is, therefore, an apparent need to lay down some general principles in this matter. The Committee suggest that the Planning Commission should examine the whole matter in all its aspects and recommend the lines on which Government should take action to bring about parity in this matter.

XVII

Appointment of Principal Officers in a Ministry

44. In the U.K., the three principal Officers (Permanent Officers) in a Ministry are appointed by the Prime Minister and are liable to be removed from such offices under his orders. These Officers correspond to Secretary, Joint Secretary or Deputy Secretary in-charge of Administration and Joint or Deputy Secretary in-charge of Finance in our set-up. These three Principal Officers are considered to be the main support on whose advice the Minister may depend and who in turn should be free from any pressure or intimidation from the Minister in offering advice on any matter. It is the duty of the Secretary to give advice without reservation or mental bias or without anticipation as to the Minister's reaction and prejudices and it is the privilege of the Minister or Government to decide. Once a decision is given, it is of course binding on the services to faithfully carry it out regardless of the fact that their advice was to the contrary.

As between the three Officers mentioned above, it is the duty of the Financial Adviser of the Ministry who is a part of the Ministry itself and under the control of the Secretary of that Ministry to see that he gives his advice freely and frankly pointing out the rules and practices and leaving it to the Minister or the Secretary to take such decision as he likes. There is however, one important proviso, viz., that if a Secretary or a Minister gives his decision contrary to the existing rules or practices, the Comptroller and Auditor-General has a right to call for the papers and to make a report. It is an invariable practice that whatever views are given by the Secretary or the Financial Adviser or the Officer on the Administrative side, are recorded in writing and the decision of the Minister is also similarly recorded. It is necessary that if our administration is to run efficiently, our Services have to play their part properly and a similar system should be adopted here. The system implies that the Administrative and Financial Services are integrated in the Ministry, that the three principal Officers of the Ministry are appointed or removed with the consent of the Prime Minister in order that their position is sufficiently secure, that the Officers give their advice without any apprehension and place their experience or knowledge at the disposal of the Minister and the Government. The Financial Adviser although subordinate to the Secretary has a right to record his own opinion which can be sifted by an independent authority like the Comptroller and Auditor-General and it is the sole responsibility of the Minister or Government to take decisions which must be obeyed by the Services regardless of the advice tendered by them.

45. The Committee recommend that this system in the U.K. may be examined and if it is found to be satisfactory to our own requirements, it may be adopted. The Committee are, however, of the opinion that the question of the status and position of the Financial Adviser *vis-a-vis* the Administrative Ministry and his liaison with the Ministry of Finance should be carefully defined so as to ensure the independence of financial advice with due regard to efficiency and quick disposal of work.

46. It has come to the notice of the Committee that the Secretaries in many cases do not record in writing their views and the Minister's decisions are not similarly recorded. Sometimes important matters are disposed of in oral discussion of which subsequently no record is kept. The schemes or proposals for the consideration of Government are not outlined comprehensively before a decision is given on them. A piecemeal treatment is given sometimes to an important decision so that at no time the full implications of the scheme are known or are apparent and the records are a confused jumble which give no clear indication or an inkling of the original idea or subsequent modifications. In the name of secrecy, many things are done which constitute grave irregularities but for want of record, allocation of responsibilities cannot be properly made. The Committee view the present system, although prevalent in a small number of cases, as highly unsatisfactory. It is these small number of cases which involve substantial sums of expenditure or high matters of policy which count in the assessment of the record of a Ministry and, therefore, it is very essential that full and complete records should be kept. All matters connected therewith should be reduced to writing and produced for inspection whenever demanded by proper authorities or by the Committee.

47. It should be the practice that the Secretary should not be associated with any executive matters such as purchases, sales, negotiations or tenders for works or appointment on the Board of Directors or otherwise of a Body, Institution, Undertaking, etc. charged with the execution of policy laid down by the Ministry. The Secretary as the Head of the permanent Services in the Ministry should remain aloof from all matters of day-to-day administration of policies by the subordinate organisations and should concern himself only with laying down policies and seeing how those policies are being executed, assessing their progress by means of reports, charts and inspections and should take notice of persons or authorities responsible for any faulty work, inefficiency or irregularity or misappropriation. In this way, the prestige of the Ministry would increase and there will be greater efficiency, better sense of discipline and management of the affairs of the Ministry. It is

obvious that if the Secretary himself gets involved in the execution of the policy laid down by him, there is no one to check as to how the matter is progressing and what the defects are and how they should be remedied. Many of the bad practices which have grown in the administrative set-up today are due to the fact that Heads of Ministries and Organisations are taking undue interest in matters which had best be left to the subordinate officials on whom a close watch has necessarily to be kept.

XVIII

Record of Properties of Government Servants

48. According to rule 9 of the Government Servants' Conduct Rules, an Officer is required to intimate his movable and immovable properties and that belonging to his dependents and near relations at the time of his employment in Government service and that this return shall be kept up-to-date from time to time as he acquires further property. The idea behind this rule obviously is that Government may find for itself whether property acquired by a Government servant is really as a result of his honest savings or by unfair means. In cases where such facts have come to light from the records, it will be open to Government to take such action as it deems necessary. The Planning Commission have also drawn attention to this aspect of the matter. It is a matter of surprise that despite this salutary rule and the observations of the Planning Commission, it has not been implemented in practice. The Committee cannot visualise that there are any insurmountable difficulties in implementing this rule which for one reason or another has remained a dead letter. There is no doubt that if this rule had been observed in the past, the few cases in which Government had to resort to legal and other actions very much later than the actual commitment of offence or guilt would not have arisen and Government would have been able to take such action in time and arrested the growth of the abuse. In any case, this would have acted as a deterrent and prevented the possibility of malpractices being indulged in by the Government servants in some Departments. The Committee recommend that immediate steps should be taken to give effect to this rule and to tighten it so that there are no loopholes for any unscrupulous persons. It is of the utmost importance that a sense of integrity of character and honesty is inculcated in the employees in the Services and towards that end proper procedure is framed and appropriate rules made. It is the duty of the Government to enforce moral standards in administration and they are entitled to lay down such forms and rules as may bring this out. The Committee have no doubt that there will be tremendous public support for any reform in administration which will aim at rectitude in the services.

XIX

Disciplinary Cases

49. It is said that at present a long process has to be undergone before disciplinary action can be taken against an Officer of Government. It is argued that Article 311 of the Constitution makes it incumbent upon the administration to go through this process which involves the following complications:—

(i) that it is always difficult to prove completely charges on which action is proposed to be taken against an Officer though the authority may be convinced of the incompetence or inefficiency or other defects in the Officer;

(ii) that it takes a long time to complete all the processes which are involved in proving charges and in giving opportunity to the Officer to defend himself; and

(iii) that even if this is done, the Officer concerned has a right to go to a Court of Law and appeal against the decision of Government.

The Committee note that Article 311 requires that an Officer cannot be dismissed, removed or reduced in rank until he has been given a reasonable opportunity of showing cause against the action proposed to be taken in regard to him; but it does not mean that proceedings against him cannot be completed within the minimum time necessary for the disposal of the case. After all, if an Officer's conduct or work is watched from day to day and he is immediately apprised of the defects noticed in him, there should be no reason why after a certain period of time, if the defects continue to multiply and there is no sign of improvement or change in his conduct, he should not at once be confronted with a list of charges on the basis of which disciplinary action is proposed to be taken against him. The Officer's reply thereon should be expected within a week and a decision by the Government can be taken within the next week or so. The Committee are unable to follow how the present procedure is complex or involved and how Article 311 stands in the way of action being taken against an Officer. They feel that when disciplinary action envisaged in Article 311 is to be taken against an Officer, he should normally be given an opportunity to state his position; but all such proceedings can be expedited and completed within the minimum time if the administration keeps a day-to-day record of the Officers concerned at appropriate levels and bring to

their notice after every six months or a year all the defects noticed during the preceding period. It is a question of keeping continuous watch on the Services and then taking action at the appropriate time. The whole difficulty arises because at present matters are allowed to continue over a considerable period without notice being taken of them and then it becomes difficult to produce evidence or other data at the last moment. If defects are communicated to the Officer in time and his explanation obtained, it will either serve to correct the Officer in his conduct and work or lessen the burden of the administration should it consider necessary at a later date to take action against the Officer concerned. The Committee, therefore, do not accept the oft-repeated plea that Article 311 is in any way responsible for absence or slowness of action in disciplinary cases. If there is a defect or cumbrousness in the procedure which has been laid down by Government under Article 311 of the Constitution, it is time that it is simplified and improved considerably so that punishments are awarded as quickly as possible. The Committee are anxious that officials who are found inefficient, corrupt or irresponsible are punished at the earliest opportunity and punished adequately to serve as a deterrent to others and thereby improve the general tone of administration. If evils in the services are not punished or eradicated quickly, they are sure to eat into the whole system and in turn make energetic and efficient Officers inefficient and lax. The Committee also suggest that in cases where there is a growing suspicion against the integrity and honesty of an Officer, he should be either suspended or transferred at the earliest possible opportunity so that he is checked in his evil practices quickly. In such cases, the Committee are quite sure that Article 311 does not come in the way. The Committee feel that in order to infuse confidence in the public services, it is but right that they should have an opportunity of appealing to Courts against the decision of the Executive; but if the administration have behaved honestly and according to the procedure, there is no reason why the Courts would not uphold their decisions and do justice to them. In any case, if the Government are convinced that an amendment is required in Article 311 of the Constitution, the Committee feel that it should be examined and introduced, as early as possible, so that the integrity, efficiency and competence of the public services are maintained at the highest level. The Committee would, however, like that the Ministry of Home Affairs submit to them for information a statement periodically showing in each Ministry the number of disciplinary cases that arose, action taken and the time within which action was taken and cases in which action could not be taken for lack of evidence and reasons therefor, and also cases which went up to the Courts and which were decided against the Government. The Committee would

also like that the Methods and Organisation Division of the Government should analyse these cases carefully pointing out what the defects in the present system are and suggest remedies for future.

50. There is another connected problem. While on the disciplinary cases, the Committee would like to observe that there is a large number of public servants who discharge their duties honestly and efficiently. It may be said that in some cases the Officers are so conscientious and so overwhelmingly efficient that they cover up or make up for the deficiency and incompetence of others. It is, therefore, but right that good work and sense of public duty among the highly conscientious officers is suitably recognised.

XX

Revision of Service Rules

51. Under the old regime when the Government of India was a small and compact organisation with fewer responsibilities and consequently with a lesser number of Officers and establishment to man it, a uniform set of service rules embodied in Civil Service Regulations, Fundamental Rules and Supplementary Rules was evolved. It is obvious that the activities of the Government have increased enormously, that it has expanded to great dimensions and administration has become more complex, varied and specialised in various Departments. It is, therefore, quite obvious that the old set of rules is out of date and in certain respects impedes the proper functioning of administration. At present, each Ministry or Department and the Ministry of Finance have separate units for regulating and interpreting these rules trying to fit them in with the modern conditions. In this process, there are some times learned arguments, literary acrobatics and the like. It might have suited the old regime to indulge in all this kind of elaborate and academic discussions, but it is certainly a waste of time and frittering of energy if we continue this to the neglect of other duties. A certain kind of uniformity in the service rule is desirable; but it cannot be said that it is essential to enforce it rigidly even though it may not obviously apply in cases where conditions differ. Thus what might be perhaps suitable for the Central Secretariat Service would not apply in its entirety to the Indian Foreign Service, or what may be applicable to the Foreign Services may not be totally applicable to the Police Service and so on. If a common code is evolved, it will be so complex and unwieldy that it will be difficult to regulate it without employing a large body of technical staff to interpret it. There is thus a need that the present Codes should be superseded and service rules should be framed for each Service separately. The Committee note that in respect of Foreign Service, certain rules have been promulgated recently and with regard to the Indian Administrative Service and the Indian Police Service, the rules are under preparation. The Committee also understand in regard to the Central Secretariat Service, the rules have already been framed. Thus, if there are separate rules for all these services, the Committee do not find any justification for the continuance of the outmoded rules contained in the regulations mentioned earlier. They feel that each Service should have its own service rules according to its needs and functions and the Department which is incharge of the administrative service concerned should regulate those rules. The rules should be fewer

and simpler. Of course, the basic principles will be uniform among the various services and there should be no difficulty in achieving this if the Methods and Organisation Division is consulted before the rules are promulgated. The Committee feel that it is unnecessary that the Ministry of Finance should maintain a Department for interpreting the rules and for giving special sanctions in exceptional cases. In the administrative Departments concerned or within the Service itself, there should be as much decentralisation as possible in order that there is quicker disposal of the service problems and delays in the interpretation of the rules are avoided. Various authorities should be encouraged to take decisions and to decide cases once for all, it being left to Audit to see that there has been no grave misuse of the powers and wilful misinterpretation. In such cases, the Officer concerned should be punished and a rule laid down that in proved cases of neglect, recovery of the amount which was sanctioned by the authority may be made from the officer himself. The Committee suggest that the Methods and Organisation Division should immediately undertake a review of all these matters and Government should introduce necessary changes as quickly as possible, so that these anachronisms are wiped out and the rules are brought in line with the needs and purposes of the modern State. The Committee are also not in favour of encouraging references on petty matters to higher authorities or centralising them in the Ministry of Finance. Such sanctions should be issued rarely and exceptions to the rules should be fewer so that the tendency to appeal and get round the rules is avoided as far as possible.

XXI

Abolition of Distinction in Conditions of Service between Pre-1931 and Post-1931 Entrants

52. The Committee in their Second Report recommended that the distinction between the post-1931 and pre-1931 servants should be abolished in so far as promotions of pre-1931 servants to posts other than those in which they were originally recruited and confirmed are concerned. This is an unnecessary perpetuation of a vested interest in respect of this class of servants which gives rise to resentment and discontentment among the post-1931 classes of services who do exactly the same kind and amount of work and perhaps in many cases show greater energy or better zeal and efficiency. It is nowhere laid down that a pre-1931 servant has all the privileges and claim to conditions of service which were then laid down in any post under the public services even if he was promoted and confirmed to that post after the crucial date. The Committee consider that this distinction is unjustifiable and gives rise to unnecessary resentment among the public services and should be abolished as early as possible.

XXII

Promotions Among Services

53. At present there are different rules for promotions to higher posts among the Services. In some cases, the promotions are made by an officer in his individual capacity; in other cases they are made on the basis of recommendations by a Departmental Committee with or without associating representatives of the Union Public Service Commission and in some other cases, promotion is made solely on the recommendation of the Union Public Service Commission. There is also a rule in some cases that promotions should be made on the basis of seniority regardless of qualifications for the post to which promotion is to be made. These different systems and rules give rise to anomalies and discontent and lowering of morale and efficiency in some respects. It is also not correct that a promotion should be made on the basis of recommendations by a single officer or some outside authority like the Union Public Service Commission who are solely guided by the Confidential Reports maintained and not on the basis of any direct knowledge of the work and conduct of the person concerned. It is now an accepted principle in all the modern countries and business concerns that:—

(i) promotion should be solely on the basis of merit regardless of the seniority of the persons concerned in service;

(ii) persons should be judged for promotion by the people who have watched their work and conduct over a period;

(iii) promotions should be made on the recommendation of a Committee consisting of not less than three Officers one of whom at least is acquainted with the work of the person concerned. In each case, the Committee should record in writing the grounds on which claims of persons, if any, senior to the person selected, were overlooked;

(iv) in judging the person on the basis of the Confidential Report on him, it should be seen that he was warned in time of the defects noticed in his work and conduct and that if he did not show improvement he was warned again; and

(v) if no warning has been given to a person, it should not be presumed that the reports on him are so good as to justify his promotion.

54. The Committee suggest that in future these principles should be observed in making promotions and the present anomalies and defects should be removed so that the public services are in the hands of competent people in all grades and that promotions are given on the basis of merit, efficiency and good conduct alone.

XXIII

Union Public Service Commission

55. The Committee have not examined the working of the U.P.S.C. in all its aspects and they intend examining the U.P.S.C. in detail later. Meanwhile, the Committee make the following observations in regard to delays in the disposal of disciplinary cases and recruitment.

56. At present a good deal of criticism is made that the methods adopted by the U.P.S.C. in making the recruitment to public services and in disposing of disciplinary cases referred to them are dilatory, complicated and irksome. The Committee should like the Government to examine the whole system in consultation with the U.P.S.C. and prepare a report as to the lines on which the present procedure could be improved in order that the delays are reduced to the minimum and decisions obtained quickly. The Committee wish to make the following suggestions:—

(1) There should be a self-contained division in the U.P.S.C. which should deal with all disciplinary cases.

(2) That division should lay down precise instructions and procedure in accordance with which cases should be submitted to the U.P.S.C. and also prescribe the papers which should be submitted, for example, confidential reports, reports of enquiry committees, etc.

(3) The U.P.S.C. should dispose of each case within a period of one week or 10 days and return the papers to the administrative Ministry concerned with their advice.

(4) The U.P.S.C. should confine themselves to the factual data sent to them and see whether *prima facie* the procedure has been rightly followed by the Department concerned and whether a reasonable opportunity has been given to the person concerned to state his case and whether the action proposed to be taken by the Department concerned is reasonable. The U.P.S.C. should call for other papers, which might be relevant to that case, if considered necessary.

(5) As regards the recruitment to various posts, the U.P.S.C. should arrange to make recommendations within 6 weeks to two months from the date of receipt of the requisition in their Office. The internal procedure of the U.P.S.C. should be so arranged that this time-table is followed, as far as possible, in all cases. Where some kind of delay is anticipated, the U.P.S.C. should at once inform

the Department concerned of the probable delay and the Department may take such action in such circumstances as it may deem necessary.

(6) The results of one examination for recruitment to various posts should be declared before another examination for the same post is held. At present many candidates have to appear for the same examination more than once because the results of the previous examination have not been published by the time the next examination is held or announced and the candidate has unnecessarily to undergo a further examination in case he is declared successful in the previous examination. This position is also anomalous inasmuch as a candidate who may have passed in a previous examination may not be successful in the later examination. This defect in the present system should also be rectified.

57. It is vital that the revised procedure which has to be framed in connection with recruitment and disciplinary cases should provide for time limit within which matters referred to the U.P.S.C. should be disposed of in order that there are no delays and consequently no bottlenecks in the day-to-day administration. It is important that the decisions should be quick so that the individuals are in no doubt about their service matters and the Ministries are in a position to take action promptly wherever necessary.

Detaching of Non-Secretarial and Executive Duties from Secretarial Departments.

58. In their First Report on the Ministry of Industry and Supply, the Committee suggested that there should be a Corporation for Government purchases. The Committee note that the Government have appointed a Committee on the Stores Purchases Organisation to examine the whole matter in detail and to make recommendations. The Estimates Committee have in this connection forwarded a Memorandum to that Committee explaining in broad detail the need and necessity of a Corporation for State Purchases, the organisational set-up of such a Corporation and the proposed methods for its working. This Memorandum is reproduced as *Appendix IV*. The Committee feel that it is not correct that such Organisations should be run as part of Government Departments or Consular Offices in the U.K. and America on the same principles and procedure of Government Departments and manned by the same kind of personnel. The Committee are also of the view that, as a general rule, the Secretarial part of the Government should be kept separate from the executive side of the administration. It will always be better, conducive to efficiency and economical, if proper organisations are set up for different types of work undertaken by Government rather than mixing up the same Secretarial machinery with policies and with executive and commercial fields of work. In the past, activities of Government were limited and confined broadly to police duties, policy making, something of Secretarial work and very little of other activities. It did not, therefore, matter much if such additional functions of the Government were discharged by a body of Secretarial staff, more or less, on the same lines as the Secretariat itself. Now that the administration has become vaster and is taking upon itself a number of activities which cover not only the administration and the social services but also commercial, industrial and other forms of activities, the Committee are anxious that the different responsibilities of the administration are clearly defined and performed by competent organisations with maximum efficiency and utmost speed. There is thus need for a clear line of demarcation between the various activities of the administration. Expert organisations should be set up for each type of activity and their relationship inter se defined so that there is no overlapping or encroachment of functions. If this is done there will be speed in the disposal of Government work. One example which the Committee have already referred to is the Purchase and Disposals Organisation. Other examples can be given such as those of the Research Institutions, Dairy Farms and so on.

XXV

Decentralisation of Work to States

59. India is a vast country and has a large number of administrative units. It has opted for a Federal form of Government with a strong central direction, superintendence and control. A review of the position during the last seven years, however, indicates that the Centre has slowly widened its sphere of activity and taken charge of matters which should be conducted by the States and smaller administrative units. The reason for this generally is that the economy has to be developed on a national basis and as a whole and, secondly, there is lack of administrative and technical talent in the States and the smaller administrative units. On the other hand, the States have become dependent on the Centre for finances, skilled manpower and for guidance in technical and other matters. If this process continues, the essential administration of the country may be in the Central hand and the States will become truncated. This will then have a powerful reaction and it may be difficult for the Centre to be everywhere in this big country and to administer it from a far off distance. It is, therefore, necessary that a balance should be maintained from the very beginning. It should be the responsibility of the Central Government to lay down policies for the country as a whole, to see that their policy is followed, and to assess the results and their relative effects on the various parts. In matters which are included in the State List, the State Governments should be primarily responsible for the enunciation and execution of policies as also the execution of policies and schemes laid down by the Central Government and the Central Government should co-ordinate and keep a general supervision. There is, therefore, need for devolving on the States activities which are executive in nature and different from policy by co-ordination of general supervision in the field of say, Food and Agriculture, Education, Health, Labour, etc. The plea that the States have no technical personnel to undertake these activities is not convincing. After all, Central Government also requires sufficient men to handle these problems; it is but logical that that personnel should be dispersed and allocated to the States to do the same work under their guidance. The Committee feel that if there is a greater degree of decentralisation, the State Governments will develop confidence and in due course be able to take heavier responsibilities. It is important that each limb of this vast administration comprising the Centre and the States should be as efficient, competent and well-equipped as the others so that there is general levelling up of standards, quicker and cheaper execution of work and better understanding between the public

services and the people. As years pass, it will be increasingly difficult for the Central Government to keep intimate contacts with the people in far flung areas directly and they may feel a sort of alien-ship to the Central Government as was the case under the British administration. Even as it is, the far off people in the Southern and Eastern States are not fully conscious of the Central Government at Delhi and there is not sufficient touch between it and the people there. It is also impossible for any Central Government to achieve that ideal. It is through making the State and local administrative units more responsible and more conscious of their obligations to the people whom they serve that the respect for their administration will grow. The common man is satisfied if his Local Administration is efficient, effective and capable of showing the results; but if the Local Administration has to depend upon the State Administration and the State in turn has to depend upon the Central Administration wholly, the whole process becomes highly involved and complicated and leads to delay and dissatisfaction not only among the people; but also among the Public Services themselves. There is, therefore, greater need for entrusting, as much as possible, the duties of execution and responsibility to the local administration and laying down policies at intermediate levels. The Committee have no doubt that if a beginning is made in this direction from now onwards, we shall soon be raising the level of the administration as a whole and there will be quicker execution of policies and greater satisfaction to the people. The Committee suggest that the Methods and Organisation Division should examine in closest detail the various ways in which the executive work of the Government of India can be decentralised to the State Governments and from there to the local administrative units so that greater speed and efficiency is achieved in the administration as a whole. The Committee would like to know, in due course, as to how this will be given effect to and in what stages, manner and time.

XXVI

Secretariat Procedure

60. It has become the practice that too many notes are written on Office files by persons in various ranks before a decision is taken. This is rightly criticised as leading to delay, waste of time and energy on the part of those who have to read such elaborate notings and to arrive at decisions. In recent times, a tendency has also grown to discuss matters at inter-departmental conferences in order to avoid delay and correspondence. This system is also being criticised because the Conferences have become so many and are sometimes so unwieldy that it is impossible for the Officers participating in them to do full justice to the subject matter of the discussions and, in practice, instead of the meetings shortening discussions, notings, etc., they sometimes lead to protracted correspondence, inasmuch as different viewpoints which are expressed have to be recorded, corrected and reconciled and delay occurs in framing agreed minutes, and sometimes further Conferences become necessary as a result of incomplete discussions. Sometimes, the same Officer has to attend more than one Conference the same day and cannot obviously be fully prepared for each conference. Consequently, he does not contribute fully to the discussions. In short, the conference system is proving more elaborate than the original procedure of noting on files. Meanwhile, delays continue to occur and no satisfactory solution has been found to simplify the mechanism of arriving at decisions either by correspondence or by discussions. Of course, it is impossible to lay down any hard and fast rule which should apply universally to all matters in the Ministries and Departments. Different kinds of procedure have to be laid down in different circumstances, the obvious objective being that a decision is taken quickly. Any system is good enough so long as it does not involve unnecessary correspondence, waste of time or energy. The Committee feel that this matter should be examined in greater detail and conceived from the practical viewpoint and day-to-day administration. The various kinds of business coming before Government should be classified and various kinds of treatment to be accorded to them laid down carefully. The Methods and Organisation Division should undertake this study immediately and lay down precise instructions. The Committee have to make the following suggestions:—

(1) Policies should always be initiated by the Minister or the Secretary of the Ministry. There is, however, no objection to a

policy matter being suggested by a subordinate Officer in the Ministry. In that case, a self-contained note giving the facts, defects in the present system, the reasons for a change and the conclusion should be stated precisely for a decision. Such notes should be submitted by the Deputy Secretary in charge of the Division to the Joint Secretary or Secretary who should record his views briefly for a decision by the Minister.

(2) A large number of matters which are routine in character should be disposed of at intermediate levels. Thus a Section Officer or Under Secretary should be empowered to dispose of a large number of routine matters, the Assistants and Clerks assisting in this work and the Section Officer or Under Secretary supervising and passing that work, in accordance with the decisions of Government. The tendency should be that the Under Secretaries and the Section Officers should be made to take decisions and not to refer them to higher Officers merely to ensure their own safety.

(3) Matters which are outside the purview of the Under Secretary should be submitted by him by means of self-contained notes to the Deputy Secretary who should record his decision or submit them to the Joint Secretary or Secretary for his orders, if the matters are important and not covered by the general decision on the subject.

(4) Matters which are beyond the purview of the Deputy Secretary should be dealt with by the Joint Secretary himself or, where he feels or it is laid down that the decision of the Joint Secretary or Secretary or the Minister should be taken, he should prepare self-contained notes, giving the background of the case, the point for decision and his views in the matters. The Joint Secretary or Secretary also should record his opinion for a decision by the Minister.

(5) Matters requiring inter-departmental Conference within the Ministry or inter-Ministerial Conference should be reduced to the minimum and the Officers of the Departments, who are intimately connected with the subject-matter should be consulted. It should not be a practice to invite Officers to Conferences merely because they might be interested. The discussions should be on precise points and there should be no vague generalities. The minutes of the meeting should be brief and should attempt to state a decision rather than leave the matter in the air.

(6) In order to implement the above suggestions, the work of each Department should be drawn up in minutest details and delegation of powers in regard to the various items of work to be disposed of by the various Officers in the Ministries laid down precisely, so that there is no ambiguity or difficulty in the matter. This list should be added to or revised from time to time and in matters of doubt, orders of Secretary should be taken.

61. The Committee wish to emphasise that the whole idea is that the tendency of Officers should not be to take very few decisions themselves and get somebody else higher up to take decisions for them. There should be delegation of powers to every Officer who should exercise it with due regard to the rules and the policy on the subject. The second principle behind this suggestion is that the Officers at intermediate levels should be made to do original work and all matters should not be referred to the lowest in the Office for disposal in the first instance. The Committee feel that sometimes it is necessary to have more than one or two notes in order to come to a decision. They are not opposed to multiple or long noting where such notes are necessary, but what they deprecate is that everybody in the chain should be invited to write notes. The Committee consider that ordinarily three notes including the order should suffice. The duties of each Officer should be defined precisely and they should be made to work. Greater responsibility lies on Officers at intermediate levels who should do original work in order that the quality improves and there is no delay. In this way, the younger Officers would be trained and they will be able to take up positions of responsibility in due course. Training is a continuous process and it is not enough for an Officer to pass through an Administrative School or College and it does not mean that he has mastered the subject for all time to come. That is only a basic grounding which is necessary for him to handle with ease the business of Government. As each year passes, he adds to his experience. That can only happen if he does original work. At present, the Officers in lower or intermediate levels are prone to think that it is the duty of the subordinate staff under them to do the work for them and they have merely to sign after general scrutiny and pass it on to higher Officers. This is what is causing administrative delays and red-tape. In order to eradicate this, each Ministry should insist that its Officers take decisions at their levels and do original work. If this is done, the Committee have no doubt that the present criticism of a general character against long noting and procedural delays will be ruled out.

62. It may be pointed out in this connection that the higher Officers in each Ministry and Department should devote much of their attention and time to thinking out of policies and new ideas on matters dealt with in their Ministries. It is important to remember that without brain work of higher order, there would be no improvement or breaking of new ground. These Officers should keep all matters under constant review and give sufficient thought to the various problems from day to day and in order that this is developed to the greatest extent, factual studies should be undertaken and reliable data collected. There should be some competent Officers who should

make it their business to see that the work and policies in their Departments are keeping pace with the changing times and who should not rest content with the existing order of things.

63. When powers of disposal of work are delegated to Officers, it should be an invariable rule that such Officers are not criticised merely because their approach to the matter has been different from that of the higher Officers. An Officer who is careless or negligent in his work and his disposals show his incompetence or lack of understanding should be either transferred or punished. The Officers, however, should be encouraged to take responsibility and not to waver for fear of possible criticism by the higher Officers. Whenever a Secretary or a Senior Officer reviews the work of a Junior Officer, it should be his endeavour to tell him how he should deal with such matters in future, in case a different view from the one taken by the Junior Officer is to be taken. There should also be test checks of work of Junior Officers by Senior Officers who should show by model disposals, notings and preparation of model files what is expected of a Junior Officer. It does not do good to anybody to make observations of general character and such remarks instead of improving, discourage Officers. The Committee suggest that in each Ministry the decisions taken by Officers should be reduced in the form of self-contained orders for the guidance of staff. Such orders should be added to or revised from time to time and circulated periodically for the information of Officers and staff of the Ministry. Each Ministry has its own peculiar problems and solutions can be found only over a period; but if decisions taken on the files remain buried in files and are not extracted and collected at one place, no quick improvement is possible. Moreover, Officers change from time to time and it is difficult for the newcomers to go through all the records and to ensure the continuity of decisions. The Methods and Organisation Division should consider this in all its aspects and lay down a clear procedure.

XXVII

Consultation on Specific Points

64. At present when a proposal or a scheme is started by a Ministry and some aspects of it concern other Ministries or Departments or State Governments, the procedure is to send complete papers or the file on a roving mission as it were. The file travels from Department to Department. If out of say ten aspects of the scheme, a Department or Ministry is concerned with only one aspect, the whole scheme is sent to that Department. The receiving Department instead of confining itself to the point concerning it, comments or feels its duty to comment upon others also and so the file goes from Department to Department where it receives similar treatment. By the time it reaches the originating Department, weeks and months have elapsed already and the main points on which consultation was required, have become obscure by the interminable noting, comments and counter comments by the Departments and there is further argument or consultation on the new points which may not be connected with the original scheme and thus the discussion on the various matters is prolonged indefinitely and no one knows what points require decision or who is to give decisions. Ultimately some discussion, partly verbal and partly written, takes place and there is some sort of compromise, agreement or decision. The Committee feel that this is real red-tape which to a certain extent is responsible for delays in the initiation and execution of schemes and projects and makes Officers of Government timid in taking decisions and develops in them a sense of "Safety First". From all points of view, these drawbacks have to be remedied and care has to be taken that Officers do not lose their initiative by getting involved in this maize of procedure. This passing on of the baby from one to another gives a handle to everybody in the chain to plead irresponsibility and to consider Government business as nobody's business. The Committee have considered this matter carefully and feel that there is an urgent need for reform to pierce through this tangled skein which dominates everybody at present. The Committee suggest that in future whenever a scheme or a proposal is initiated by a Ministry which requires consultation with one or more Departments or Ministries of the Government of India or State Governments, it should be the invariable practice to consult only those Ministries or Departments who are really concerned and only on the specific points on which their advice is needed. There is no use in sending the whole proposal for comments generally to each and every Ministry or Department directly or indirectly concerned and leaving it to that Department or Ministry to give whatever comments it pleases. That amounts to shirking

of responsibility on the part of the originating Department or Ministry and they must be held accountable for it. It should be the duty of the originating Department to co-ordinate all the viewpoints of the concerned Departments referred to by them and then to obtain decisions on them. In this connection, the Committee also feel that consultation should normally be by means of self-contained Memoranda rather than by sending files containing all the internal noting to the various Departments who are required to be consulted. However, when found necessary, files may be shown to the Departments concerned but such transmission of files should be limited to cases where the study of entire files is necessary. The Memoranda should be precise and state the points precisely on which the advice of the other Ministry or Department is wanted. The receiving Department should consider this matter internally in such manner as it likes and send out their considered reply by means of a single Memorandum. The present practice of giving opportunity to everybody from the lowest to the highest rank to note on the same file makes the file unwieldy and important points are lost in the middle of unimportant issues raised somewhere by somebody.

It is also necessary that while asking for the advice or comments of the other Ministries or Departments, a time limit by which a reply is required is given invariably so that it is not left to the receiving Department to take its own time; but if it wants a little more time for examination than the period allowed for it, the Department can always ask for extension. At present, when the originating Department sends a file or paper, there is no knowing when it will be received back by it and in spite of marking papers "Immediate", "Urgent" and so on, there are delays. Generally such markings are neither accorded properly nor understood in the sense which they represent. In fact, there is a complaint that marking of papers "Urgent", "Immediate" and "Most Immediate" has become so common and indiscriminate that no serious attention is paid to these markings. It is, therefore, time that this system is changed to giving definite dates by which replies are required.

XXVIII

Services and Supplies for various Ministries

65. It has been observed that due to excessive centralisation of certain services, the work of Ministries and Departments have suffered considerably on account of dilatoriness that the centralised procedure inevitably involves and also due to the non-appreciation of the needs of the administration concerned by the service Ministry. There are two points which have come to the notice of the Committee in recent times

66. The Public Accounts Committee in para. 70 of their First Report have said that the P. & T. Department could not supply forms to the various Post Offices in the country because they could not be printed in time and unnecessary correspondence initiated between that Department and the Controller of Printing and Stationery on the question of printing of forms by the Government Press or by private agency. Discussions took so much time that the meagre supply of forms went completely out of stock and there were public complaints and the work of the Postal Department had to be carried on on plain bits of paper. The Public Accounts Committee have recommended that as the P. & T. Department requires a large number of forms every year, that Department should have a printing press of its own or should be allowed to give the work to private agencies in order to expedite it.

67. Another case which has recently come to the notice of the Estimates Committee is of the Publications Division of the Government of India which some time ago had a printing press of their own, which was later taken over by the Ministry of Works, Housing and Supply. The officials of the Publications Division stated before the Committee that because of the printing press being outside their control delays occurred in the printing of publications as the Ministry of Works, Housing and Supply insisted that the priority to be accorded to the printing work should be determined by them and they would take the claim of all the Ministries in consideration while according priority. The Committee feel that this system is not conducive to efficiency and speed. It is obvious that where Departments have to do large-scale printing and the Central resources of the printing press are not so adequate as to comply with the requirements of such Departments, the whole value of their work will be lost if they cannot have their work done in time. It is, therefore, necessary that such Departments which have to undertake large printing work should be given a free hand in getting their printing work done

without any outside interference. The Committee have given just an example of how the services in the various Ministries have to be so arranged that the work is carried on with utmost efficiency, speed and economy.

68. There is another centralised service at present for the various Ministries of the Government of India and that relates to procuring and supplying of articles of stationery and office equipments. The Controller of Printing and Stationery has a Branch Office at Calcutta which buys all items of stationery and office equipment and keeps them in stock in its godowns. The various Ministries and Departments place their indents on the Deputy Controller of Printing and Stationery, Calcutta and that office transports the articles of stationery to the various Ministries and Departments. As the Stationery Office at Calcutta has to meet the requirements of all the Ministries and Departments of the Government of India and arrange for the godowns space for the articles and then for the packing of goods from Calcutta to the various Offices in Delhi and elsewhere, it causes considerable delay and unnecessary expenditure. The Committee, therefore, feel that though this system might have been good in the past when there was a smaller number of Offices with limited requirements, it is time that the present system is overhauled now that the activities of the Ministries and Departments have considerably increased and there is a large number of offices. They further feel that it should be perhaps a simpler and a more efficient system, if the Stationery Office enters into rate contracts with the various firms supplying the particular items of stationery and the Departments or Ministries themselves may draw from the stationery firms direct for their requirements according to their own budget. The expenditure for the articles of stationery should be met by each Ministry or Department concerned from its own budget grants and there is no need for centralising the amounts required for stationery and office equipments by the various Ministries under the grant of the Controller of Printing and Stationery. If this system is followed, there would be very little need for maintaining godowns by the Stationery Office at Calcutta.

M. ANANTHASAYANAM AYYANGAR

Chairman.

NEW DELHI;

ESTIMATES COMMITTEE.

The 21st May, 1954.

APPENDIX I

Statement showing the summary of the conclusions/recommendations of the Estimates Committee on the Administrative, Financial and Other Reforms

Serial No.	Reference to para. No. in the Report	Summary of Conclusions/Recommendations
1	5(i)	Before a scheme is embarked upon, it should be properly planned and it should also be ascertained whether the money required for it is available or can be made available at the proper time. Detailed plans and estimates should be worked out fully so as to enable the Ministry of Finance to approve the scheme and accord financial concurrence.
2	5(ii)	<p>After the scheme is concurred in from the financial point of view by the Ministry of Finance, the detailed execution of the scheme and spending of money thereon should be the responsibility of the administrative Ministry concerned which should also be given power to vary or alter the amounts under the sub-heads of the scheme so long as the total outlay is not affected.</p> <p>After the administrative Ministry and the Ministry of Finance have approved the scheme, it should be included in the Budget Estimates of the Ministry concerned; and thereafter there should be no further sanction or embargo on reappropriations within the various sub-heads of the scheme so long as the total amount of the scheme is not exceeded. In case the plan has to be revised and further money is required, the concurrence of the Ministry of Finance should be obtained before the additional money needed for the scheme is included in the Budget or Supplementary Estimates.</p>
3	6	The spending Ministry should go ahead with the scheme as planned and should take such administrative and financial advice within the Ministry itself as may be necessary from time to time.
4	7	Most of the schemes are not conceived in all their aspects in advance and the administrative Ministries develop, change and recast their ideas after the schemes are initiated. This, in the opinion of the Committee, is a factor which leads to so much delay and wasteful expenditure and makes the scrutiny of the Ministry of Finance essential from time to time.
5	8	In order to avoid congestion of work in the Ministry of Finance and also to enable them to exercise an effective check over the proposals, it is necessary that the administrative Ministry concerned should prepare the schemes at least a year in advance save in exceptional circumstances where the situation justifies the immediate initiation of a scheme which could not be conceived or worked upon earlier.

Serial No.	Reference to para. No. in the Report	Summary of Conclusions/Recommendations
6	9	The Secretary of the administrative Ministry will be responsible for the sanctioning of the expenditure on the advice of the Financial Adviser and it will be the responsibility of the Financial Adviser to give him proper advice and in cases of disagreement between the Financial Adviser and the Secretary, the matter shall be referred to the Minister who shall, in consultation with Minister of Finance, take appropriate decision in the matter.
7	10	In regard to the Contingent Expenditure, it should be left to the discretion of the administrative Ministry to incur expenditure according to the needs up to the amount specified under each detailed Head and detailed expenditure sanction need not be required.
8	11	The Ministry of Finance should maintain a complete record of schemes in which the detailed estimates or blue-prints are not prepared in advance or which are subjected to frequent changes in the course of execution or where actual expenditure exceeds the original or revised estimates. The statement should be periodically laid before the Committee for examination so that the Committee may watch what progress has been made in the direction and also what further steps are necessary to remove the defects to introduce a greater efficiency in the system.
9	12	The Ministry of Finance should maintain a complete record of instances where due to bad or no planning, funds had to lapse and place before the Committee every year a statement showing the reasons in each case.
10	13	In order to ensure a careful examination of the schemes sponsored by the State Governments for Central assistance, they should be asked to send consolidated proposals for all their schemes for the financial year in advance of that year. These requests should be received by the Ministry of Finance and they should in consultation with the Ministry concerned and the Planning Commission, arrive at preliminary conclusions. Thereafter, a Conference between the representatives of the State Governments and the Central Government should be held in order to arrive at definite allocations of Grants or loans for the various schemes. A time-table for the payment of these Grants and loans must be fixed at that meeting and funds should be released to the State on the dates agreed upon.
11	14	The Committee hope that the Consolidated Loan which the Central Government has decided to float will be extended in case of Grants and Loans from Central Revenues to the States.

Serial No.	Reference to para. No. in the Report	Summary of Conclusions/Recommendations
12	15	As proposed in the case of Grants and loans to States, the Universities or Institutes should also be asked to forward their requests for a financial year in advance of that year so that a decision is taken before the financial year commences and the funds are made available to them at the proper time. The Committee suggest that this aspect of the matter should be borne in mind by the University Grants Commission.
13	19	The question of a separate demand for expenditure incurred under the Five Year Plan may be re-examined and a comprehensive picture showing the progress of the plan given so that there is no ambiguity and information is available and there is no mix up or unbalanced view of the projects or schemes undertaken under the plan.
14	20	The foreign aid in a year as also the progressive total thereof should be exhibited at one place in the budget documents.
15	23	<p>(i) A review should be made forthwith of the general organisation, set-up of the various Public Corporations and Undertakings.</p> <p>(ii) There should be a cadre of capable men drawn from business, commerce, industry and trade who have given good account of themselves in the various spheres of activities and State Undertakings must be entrusted to them to be run on efficient business principles and practices. This should be in the nature of an All India Service and designated as " Indian Commercial and Industrial Service " as envisaged in the statement regarding the Industrial Policy of the Government of India which was laid on the Table of the House on the 6th April, 1948.</p> <p>(iii) The present practice of appointing Officers from services either on the Board of Directors or as Managing Directors should be done away with and in any case the Secretary or Joint Secretary of Ministries who are concerned with advising the Minister or Government on matters of policy and otherwise to keep effective control on the various activities of the Ministry should not be associated with the day-to-day execution of their policies either in connection with State Undertakings or otherwise.</p> <p>(iv) The State Undertaking should be considered as a separate entity from the administrative Departments concerned and should be given full measure of autonomy within the framework of the Statute and a careful watch should be kept to see that the Undertaking is fulfilling its role efficiently and properly as is assigned to it.</p>

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- (v) It should also be considered whether a Board on the lines of the Railway Board may not be constituted for each Industry with men of experience in that business.
- 16 24 It would be in line with the spirit of the Constitution and sound financial propriety if Commercial Auditors are appointed by the Comptroller and Auditor-General to audit State Undertakings and the Audit Report is submitted by them to the C. & A. G. who shall cause the Audit Report to be laid before Parliament along with the Balance Sheet and Profit and Loss Accounts of the Undertakings.
- 17 25 The Committee draw attention of the Government to the views of the Comptroller and Auditor-General which were incorporated in the Third Report of the Public Accounts Committee and suggest that early steps should be taken to lay down a clear procedure in regard to the canalising of monies through the Consolidated Fund.
- 18 26 It should be the duty of the Comptroller and Auditor-General to see that every Public Undertaking maintains accounts in the prescribed manner and he should draw pointed attention to any defects in procedure and also make a report on the appraisal of the work done by the Undertaking on the basis of the conclusion drawn from the Accounts and Audit Report.
- Such reports of the Comptroller and Auditor-General should be presented to Parliament and the Government promptly so that the progress of the Undertakings is taken stock of in proper time and appropriate action taken to set right any defects whatever they may be. He should among other things suggest the directions in which improvement is necessary or desirable in order that maximum benefit accrues from the operation of the Undertaking.
- 19 27 No business Undertaking will be a success unless staff highly specialised in Cost and Works Accountancy are posted from the very start.
- 20 28 Government should take early steps to set up an Institute of Cost and Works Accountants and to train sufficient number of men in this line with the modern and up-to-date methods suited to the various types of Undertakings.

Meanwhile, every endeavour should be made to tap the existing manpower trained in this line in order that Cost Accounting Units are introduced where not already done or are improved where such units are in existence.

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- 21 29 (i) Cadres in different spheres of Government activity similar to the Finance and Commerce Pool may be constituted with such modifications as the present conditions might indicate, which will form the source for manning important and technical posts in the various Departments.
- (ii) Officers who are trained in a particular line of administration or who are trained in a certain sphere of Government activity should not be shifted from place to place indiscriminately.
- This problem might be studied by the Methods and Organisation Division in a concrete manner. Government thereafter may lay down some principles which should be followed in this respect.
- 22 30 There should be constituted a Standing Civil Establishments Committee consisting of a representative from the Budget Division of the Ministry of Finance, an Officer of the Ministry of Home Affairs concerned with the establishment matters of the Government of India, a representative of the Methods and Organisation Division and representative of the Ministry concerned who comes up with proposals for additional staff.
- This Committee should also see that the methods of work and organisation of the Ministries are in accordance with the principles laid down by the M. & O. Division and that there is no overlapping or duplication in the functions assigned to different Ministries. They should undertake a review of the strengths of the Ministries and Departments of the Government of India every three years suggesting increases or decreases in numbers or rationalisation of their duties and improvement in methods of work and the like. This Committee should also examine periodically the structure of pay scales of the various categories of staff, classification of posts, etc.
- If this scheme is implemented, it will lead to greater efficiency in administration and bring about uniformity of approach to staff problems, methods of procedure, quantum of work done by the employees and avoid duplication or waste.
- This Committee should also submit an annual report to the Estimates Committee on the various matters handled by them during the year.
- 23 33 An Officer directly responsible to the Prime Minister should be appointed in the Cabinet Secretariat with a small complement of staff whose duty should be to receive complaints from the public as well as Government Departments in regard to delays that occur in the disposal of letters or references in the various Government Departments.

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- 34 The Reports submitted by this Officer will be in the nature of factual statement's with suggestions for reform and will obviously provide a feeding ground for the Methods and Organisation Division who can profit by his studies and suggest changes in procedure based on a practical knowledge of its defects.
- 24 35 (i) It is necessary that in order to enable the schemes to proceed with rapidity and according to programme, the accounting and payment functions should be taken over by the Ministry or Department concerned with immediate effect.
- (ii) In case of payments, there is considerable delay as the papers have to pass among the administrative, accounts and treasury authorities. Under modern conditions, this is wholly unsuitable and the Comptroller and Auditor-General has himself suggested a reform, which is so obvious.
- 25 36 Urgent steps should be taken to see that :
- (a) the Comptroller and Auditor-General concerns himself with audit functions only ;
- (b) the accounting and payment functions devolve on the Ministry concerned ;
- (c) the administrative machinery should keep close watch over the progress of expenditure in relation to the budget grants and one of the duties of the Financial Adviser to be attached to each Ministry should be to control accounting and payment functions of the Ministry concerned ;
- (d) Until (c) above is done, the present Audit and Accounts Organisation should be bifurcated and the Accounts side placed under an Accountant-General or Director of Accounts under the Ministry of Finance for the time being ; and
- (e) the present system of Treasuries should be abolished. Their payment functions should be taken over by the Branches of the Imperial Bank of India or where a Branch of the Imperial Bank does not function, by a Branch of some other Scheduled Bank in consultation with the Reserve Bank. Where there is no Branch of the Imperial Bank of India or any Scheduled Bank in existence, the Treasury Office itself should be converted into a Pay Office of the Imperial Bank.
- 2 37 The Banking Organisation which is quick, efficient and reliable should be made more use of than the old out-moded system of Treasuries.

Serial No.	Reference para. No. in the Report	Summary of Conclusions/Recommendations
27	38	<p>(i) The Imperial Bank which is mostly concerned with the payments on behalf of the Central and State Governments should be nationalised at an early date.</p> <p>(ii) The time has come when this should not be postponed any longer and in the present context of things, early steps should be taken to nationalise the Bank so that the whole organisation of the Government payments is put on a sound and satisfactory footing and utmost promptitude is shown in making Government payments.</p>
28	39	<p>In order that Audit is a perfect vehicle for detecting frauds and irregularities in time and in order to assist Parliamentary Committees in safeguarding the interest of the tax payer, it should bring to their notice cases concurrently. For this purpose, audit may be conducted on a percentage basis, a lesser percentage applied to Standing Charges and higher percentage in relation to schemes which are in progress.</p>
29	40	<p>(i) In regard to technical objections raised by Audit, the Comptroller and Auditor-General might do well to eliminate them, as far as possible, and to bring them to notice only if there are repeated failures on the part of the administrative Ministry to comply with such instructions.</p> <p>(ii) As regards cases of irregularities, frauds, etc., a Report should be submitted to Parliament every three months and such Reports should be made available to the Minister of Finance so that he may examine the financial working of the Ministry concerned and prescribe such action as may be necessary for the efficient functioning of the Ministry.</p> <p>The Cabinet should also in such cases and in cases of grave irregularities and misappropriation, take serious notice of the persons concerned and award, as quickly as possible, such punishment as may be necessary commensurate with the nature and extent of the guilt.</p> <p>(iii) When it comes to the notice of the Audit authorities that there is <i>prima facie</i> evidence that in important cases of fraud or irregularities the Secretary of the Ministry or the head of the Department is not aware of the position, a report should be made to the latter promptly so that he applies himself to the matter and takes such action as may be necessary to put it right.</p>
30	41	<p>No Government servant who at the time of retirement or finally leaving Government service voluntarily or under Government orders is in receipt of pay of Rs. 500 per mensem and above, shall</p>

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		take employment in any private business which comes within the sphere of responsibility of the Government Departments in which he worked during three years before retirement, and thereafter, if he wishes to get employed, he may take up such employment after informing Government.
31	42	There is a great need for removing any anomalies existing in private and public employment and for rationalising services as a whole. Early steps should be taken to examine the question of prescribing the ceilings on salaries in private employment consistent with the policies and principles adopted for public sector.
32	43	(i) Along with the scheme of rationalisation of salaries in private sector, qualifications and other conditions of employment for various services should also be laid down. (ii) The Planning Commission should examine the whole matter in all its aspects and recommend the lines on which Government should take action to bring about parity in this matter.
33	45	The system of appointing the Officers of the Treasury to the Executive Departments prevalent in the U. K. may be examined and if it is found to be satisfactory to our own requirements, it may be adopted. The Committee would, however, observe that the question of the status and position of the Financial Adviser <i>vis-a-vis</i> the administrative Ministry, and in regard to his liaison with the Ministry of Finance should be carefully defined so as to ensure the independence of financial advice with due regard to efficiency and quick disposal of work.
34	46	In the name of secrecy, many things are done which constitute grave irregularities but for want of record, allocation of responsibilities cannot be properly made. It is essential that full and complete records should be kept. All matters connected therewith should be reduced to writing and produced for inspection whenever demanded by proper authorities or by the Committee.
35	47	(i) It should also be the practice that the Secretary should not be associated with any executive matters such as purchases, sales, negotiations or tenders for works or appointment of the Board of Directors or otherwise of a Body, Institution, Undertaking etc. charged with the execution of policy laid down by the Ministry. (ii) The Secretary, as the Head of the permanent Services, should remain aloof from all matters of day-to-day administration of policies by the subordinate organisations and should concern himself only with laying down policies and seeing how those policies are being executed, assessing their progress by means of reports, charts

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and inspections and should take notice of persons or authorities responsible for any faulty work, inefficiency or irregularity or misappropriation.

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| 36 | 48 | <p>(i) Immediate steps should be taken to give effect to Rule 9 of the Government Servants' Conduct Rules and to tighten it so that no loopholes are left open for any unscrupulous persons.</p> <p>(ii) It is of the utmost importance that a sense of integrity of character and honesty is inculcated in the employees in the services and towards that end, proper procedure is framed and appropriate rules made.</p> <p>(iii) It is the duty of Government to enforce moral standards in administration and they are entitled to lay down such forms and rules as may bring this out.</p> |
| 37 | 49 | <p>(i) The Committee do not accept the oft-repeated plea that Article 311 of the Constitution is in any way responsible for absence or slowness of action in disciplinary cases. If there is a defect or cumbrousness in the procedure which has been laid down by Government under Article 311, it is time that it is simplified and improved considerably so that punishments are awarded as quickly as possible.</p> <p>(ii) In cases where there is a growing suspicion against the integrity and honesty of an Officer, he should be either suspended or transferred at the earliest possible opportunity so that he is checked in his evil practices quickly.</p> <p>(iii) In order to infuse confidence in the public services, it is but right that they should have an opportunity of appealing to Court against the decision of the Executive ; but if the administration have behaved honestly and according to the procedure, there is no reason why the Courts would not uphold their decisions and do justice to them.</p> <p>(iv) The Committee would like the Ministry of Home Affairs to submit to them for information a statement periodically showing in each Ministry the number of disciplinary cases that arose, action taken thereon and the time within which action was taken, and cases in which action could not be taken for lack of evidence and reasons therefor, and also cases which went up to the Courts and which were decided against the Government.</p> <p>(v) The Committee would also like that the Methods and Organisation Division of the Government should analyse these cases carefully pointing out what the defects in the present system are and suggest remedies for future.</p> |

Serial No.	Reference to para. No. in the Report	Summary of Conclusions/Recommendations
38	50	It is but right that good work and sense of public duty among the highly conscientious officers is suitably recognised.
39	51	<p data-bbox="317 343 1040 458">(i) Each Service should have its own service rules according to its needs and functions, and the Department which is in charge of the administrative service concerned should regulate those rules. The rules should be fewer and simpler.</p> <p data-bbox="317 467 1040 555">(ii) It is unnecessary that the Ministry of Finance should maintain a Department for interpreting the rules and for giving special sanctions in exceptional cases.</p> <p data-bbox="317 564 1040 679">(iii) In the administrative Departments concerned and within the Service itself, there should be as much decentralisation as possible in order that there is quicker disposal of the service problems and delays in the interpretation of the rules are avoided.</p> <p data-bbox="317 687 1040 890">(iv) Various authorities should be encouraged to take decisions and to decide cases once for all, it being left to Audit to see that there has been no grave misuse of the powers and wilful misinterpretation. In such cases, the Officer concerned should be punished and a rule laid down that in proved cases of neglect, recovery of the amount which was sanctioned by the authority may be made from the Officer himself.</p> <p data-bbox="317 899 1040 1049">(v) The Methods and Organisation Division should immediately undertake a review of all these matters and Government should introduce necessary changes, as quickly as possible, so that these anachronisms are wiped out and the rules are brought in line with the needs and purposes of the modern State.</p> <p data-bbox="317 1058 1040 1120">(vi) References on petty matters to higher authorities or centralising them in the Ministry of Finance should be discouraged.</p> <p data-bbox="317 1128 1040 1225">Such sanctions should be issued rarely and exceptions to the rule should be fewer so that the tendency to appeal and get round the rules is avoided as far as possible.</p>
40	52	The distinction between the conditions of service of the post-1931 and pre-1931 entrants is unjustifiable and gives rise to unnecessary resentment among the public services and should be abolished as early as possible.
41	54	The principles laid down in Para. 53 of the Report should be observed in making promotions and the present anomalies and defects should be removed so that the public services are in the hands of competent people in all grades and promotions are given on the basis of merit, efficiency and good conduct alone.
42	56	(f) Government should examine the whole system of recruitment to public services by the U. P. S. C. in consultation with them and the disposal of disciplinary cases referred to that body, which is dilatory, complicated and irksome.

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- (ii) Government should prepare a report as to the lines on which the present procedure could be improved in order that the delays are reduced to the minimum and decisions obtained quickly.
- (iii) The Committee make the following suggestions in this behalf :
- (a) There should be a self-contained Division in the U.P.S.C. which should deal with all disciplinary cases.
- (b) That Division should lay down precise instructions and procedure for the disposal of such cases.
- (c) The U.P.S.C. should dispose of each case within a period of one week or 10 days and return the papers to the administrative Ministry concerned with their advice.
- (d) The Commission should confine themselves to the factual data sent to them and see whether *prima facie* the procedure has been rightly followed by the Department concerned and whether a reasonable opportunity has been given to the person concerned to state his case and whether the action proposed to be taken by the Department concerned is reasonable. The Commission should call for other papers which might be relevant to that case, if considered necessary.
- (e) As regards the recruitment to various posts, the Commission should arrange to make recommendations within 6 weeks to two months from the date of receipt of the requisition in their office. The internal procedure of the Commission should be so arranged that this time-table is followed, as far as possible, in all cases.
- (f) The results of one examination for recruitment to various posts, services should be declared before another examination for the same posts, services is held.
- 42 57 The revised procedure which has to be framed in connection with recruitment and disciplinary cases should provide for time limit within which matters referred to the U.P.S.C. should be disposed of in order that there are no delays and consequently no bottlenecks in the day-to-day administration.
- 43 58 (i) It is not correct that Purchase Organisations should be run as part of Government Department or Consular Offices in the U.K. and America on the same principles and procedure of Government Departments and manned by the same kind of personnel.
- (ii) As a general rule, the Secretarial part of the Government should be kept separate from the executive side of administration.
- (iii) Expert Organisations should be set up for each type of activity and their relationship *inter se* defined so that there is no overlapping or encroachment of functions.

Serial No.	Reference to para. No. in the Report	Summary of Conclusions/Recommendations
44	59	<p>(i) It should be the responsibility of the Central Government to lay down policies for the country as a whole, to see that their policy is followed and to assess the results and their relative effects on the various parts.</p> <p>(ii) In matters which are included in the State List, the State Governments should be primarily responsible for the enunciation and execution of policies as also the execution of policies and schemes laid down by the Central Government and the Central Government should co-ordinate and keep a general supervision. There is, therefore, need for devolving on the States activities which are executive in nature and different from policy by co-ordination of general supervision in the field of say, Food and Agriculture, Education, Health, Labour etc.</p> <p>(iii) If there is greater degree of decentralisation, the State Governments will develop confidence and in due course be able to take heavier responsibilities.</p> <p>(iv) If a beginning is made in the above direction from now onwards, it will soon result in the raising of the level of the administration as a whole and there will be quicker execution of policies and greater satisfaction to the people.</p> <p>(v) The Methods and Organisation Division should examine in closest detail the various ways in which the executive work of the Government of India can be decentralised to the State Governments and from there to the local administrative units so that greater speed and efficiency is achieved in the administration as a whole.</p>
45	60	<p>(i) The various kinds of business coming before Government should be classified and various kinds of treatment to be accorded to them laid down carefully. The Methods and Organisation Division should undertake this study immediately and lay down precise instructions.</p> <p>(ii) The following suggestions are made by the Committee to improve matters in this behalf:</p> <p>(a) Policies should always be initiated by the Minister or the Secretary of the Ministry.</p> <p>(b) A large number of matters which are of a routine nature should be disposed of at intermediate levels. The tendency should be that Under Secretaries and the Section Officers should be made to take decisions and not to refer them to higher officers merely to ensure their own safety.</p> <p>(c) Matters which are outside the purview of the Under Secretary should be submitted by him by means of self-contained notes to the Deputy Secretary, who should record</p>

Reference
Serial to para. No.
No. in the
Report

Summary of Conclusions/Recommendations

his decision or submit them to the Joint Secretary or Secretary for their orders, if the matters are important.

(d) Matters which are beyond the purview of the Deputy Secretary should be dealt with by the Joint Secretary himself or where he feels or it is laid down that the decision of the Joint Secretary or Secretary or the Minister should be taken, he should prepare self-contained notes. The Joint Secretary or Secretary should also record his opinion for a decision by the Minister.

(e) Matters requiring inter-departmental Conference within the Ministry or inter-Ministerial Conference should be reduced to the minimum and the Officers of the Departments, who are intimately connected with the subject matter, should be consulted.

(f) In order to implement the above suggestions, the work of each Department should be drawn up in minutest detail and delegation of powers in regard to the various items of work to be disposed of by the various Officers in the Ministries laid down precisely, so that there is no ambiguity or difficulty in the matter. This list should be added to or revised from time to time and in matters of doubt orders of the Secretary should be taken.

- 46 61
- (i) There should be delegation of powers to every officer who should exercise it with due regard to the rules and the policy on the subject.
 - (ii) Officers at intermediate levels should be made to do original work and all matters should not be referred to the lowest in the Office for disposal in the first instance.
 - (iii) The Committee are not opposed to multiple or long noting where such notes are necessary, but what they deprecate is that everybody in the chain should be invited to write notes. The Committee consider that ordinarily three notes including the order should suffice.
 - (iv) The duties of each Officer should be defined precisely and they should be made to work.
 - (v) Training is a continuous process and it is not enough for an Officer to pass through an Administrative School or College and it does not mean that he has mastered the subject for all time to come.
 - (w) Each Ministry should insist that its Officers take decisions at their levels and do original work.

Serial No.	Reference to para No. in the Report	Summary of Conclusions/Recommendations
47	62	<p>(i) Higher Officers in each Ministry and Department should devote much of their attention and time to thinking out of policies and new ideas on matters dealt with in their Ministries.</p> <p>(ii) There should be some competent Officers who should make it their business to see that the work and policies in their Departments are keeping pace with the changing times and who should not rest content with the existing order of things.</p>
48	63	<p>(i) When powers of disposal of work are delegated to Officers, it should be an invariable rule that such Officers are not criticised merely because their approach to the matter has been different from that of the higher Officers.</p> <p>(ii) Whenever a Secretary or a Senior Officer reviews the work of a Junior Officer, it should be his endeavour to tell him how he should deal with such matters in future, in case a different view from the one taken by the Junior Officer is to be taken.</p> <p>(iii) In each Ministry, the decisions taken by Officers should be reduced in the form of self-contained orders for the guidance of staff. Such orders should be added to or revised from time to time and circulated periodically for the information of Officers and staff of the Ministry.</p>
		<p>The Methods and Organisation Division should consider this in all its aspects and lay down a clear procedure.</p>
49	64	<p>(i) There is an urgent need for reform to pierce through the tangled skein of sending files on a roving mission by one Ministry/Department to another for comments.</p> <p>(ii) In future whenever a scheme or a proposal is initiated by a Ministry which requires consultation with one or more Departments or Ministries of the Government of India or State Governments, it should be the invariable practice to consult only those Ministries or Departments who are really concerned and only on the specific points on which their advice is needed.</p> <p>There is no use in sending the whole proposal for comments generally to each and every Ministry or Department directly or indirectly concerned and leaving it to that Department or Ministry to give whatever comments it pleases.</p> <p>(iii) Consultation should normally be by means of self-contained Memoranda rather than by sending files containing all the internal noting to the various Departments who are required to be consulted. However, when found necessary, files may be shown to the Departments concerned but such transmission of files should be limited to cases where the study of entire files is necessary.</p>

Serial No.	Reference to para No. in the Report	Summary of Conclusions/Recommendations
		<p>(iv) The present practice of giving opportunity to everybody from the lowest to the highest rank to note on the same file makes the file unwieldy and important points are lost in the middle of unimportant issues raised somewhere by somebody.</p> <p>(v) It is also necessary that while asking for the advice or comments of other Ministries or Departments, a time-limit by which a reply is required is given invariably so that it is not left to the receiving Department to take their own time; but if it wants a little more time for examination than the period allowed for it, the Department can always ask for extension.</p> <p>It is, therefore, time that the system of giving definite dates by which replies are required is introduced.</p>
50	67	Such Departments as have to undertake large printing work should be given a free hand in getting their printing work done without any outside interference.
51	68	<p>(i) The present system whereby the purchase and procurement of stationery and articles of office equipment is centralised in the Central Stationery Office, Calcutta should be overhauled now that the activities of the Ministries and Departments have considerably increased and there is a large number of Offices.</p> <p>(ii) It would be perhaps a simpler and a more efficient system, if the Stationery Office enters into rate contracts with the various firms supplying the particular items of stationery and the Departments or Ministries themselves may draw from the stationery firms direct for their requirements according to their own budget.</p> <p>If this system is followed, there would be very little need for maintaining godowns by the Central Stationery Office at Calcutta.</p>

APPENDIX II

**Exact from the Budget Speech delivered by the Finance Minister
on the 27th February, 1953**

CONCLUSION

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"51. When it is remembered that the level of expenditure in the earlier years of the Plan is bound to be somewhat lower, as expenditure on individual schemes takes some time to gather momentum, I think that it could be fairly said that the progress in implementing the Plan has not fallen short of the target to be reached in the first two years. I hope it will be possible, in the very near future, to make a complete survey of the progress made in the first two years of the Plan, in consultation with State Governments, so that the public may know the precise extent to which the Plan has been implemented. I know that there is a keen demand for this information, but it has to be remembered that the final outturn for the current year will take some time to become available and that it may be somewhat misleading at this stage to attempt an appreciation based on the revised estimates for this year.

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APPENDIX III

..Exact from the Finance Minister's reply to the debate on the voting of Demands for Grants relating to the Ministry of Finance given in the House on the 17th April, 1954.

“Shri C. D. Deshmukh: Sir, Shri Tulsidas also made a very interesting suggestion that we should have a parliamentary committee or commission to watch the utilisation of the expenditure incurred by the States out of the Central assistance given to them by way of grants or loans. Now, the analogy which he drew between the very limited amount of supervision to which we have agreed to in the case of some foreign aid received by us, and our relationship with the States is, of course, not quite apposite although it is an analogy. At first, I was inclined to think that perhaps an arrangement of this kind might be very useful. I have since thought over the matter and I do not think we ought to take a decision in the sense suggested by him until we see our way clear. In the case of the States one has to remember that under the Constitution they have their consolidated funds into which all the Central assistance flows and out of which the expenditure on schemes financed from their assistance is met. These expenditures are subject to the vote of their Legislatures and are audited by the Comptroller and Auditor-General. So far as the proper utilisation of the loans and grants for the specific purpose for which they are given is concerned, I think, the Parliament and the State Legislatures can rely on the Comptroller and Auditor-General to see that this has been done, but so far as the physical check on the schemes is concerned, that is to say, the physical out-turn in return for a certain expenditure, I do not see how a parliamentary or any other committee can keep a current and continuous check. This has to be done, and could be done more properly by a body like the Planning Commission which is to keep a watch over the actual implementation of the Plan. The Commission has now a number of advisers on the programme administration who are constantly on tour and in close touch with the progress of work in respect of all the important State schemes. For certain very large projects like the Bhakra-Nangal, D.V.C. and Hirakud Dam, the Planning Commission is in closer touch with the progress of the works and obtained quarterly progress reports. Therefore, I think at present we may safely leave it to the Commission and, if I may say so, I have discussed the matter with the Deputy Chairman of the Planning Commission after the hon. Member made the observation. I think we may leave it to the Planning Commission to keep a continuous watch on the progress of the schemes and to modify, if necessary, the machinery available for this purpose from time to time

in the light of experience. While Government yield to no section of the House in their desire to see that the amounts made available to the States by the Centre for development of their projects are properly utilised, I would be most reluctant at the moment to do anything which might suggest to the States that they are also not partners in these enterprises, or to do anything to suggest any weakening of the sense of responsibility of their Legislatures for expenditure which falls within the State field. So, on mature reflection I am inclined to believe that we should leave the position at that for the time being till we see what the Planning Commission is able to do. We have suggested to the Planning Commission that we should watch the expenditures in double columns—one showing the financial expenditure and the second showing the physical fulfilment of the project, and I am quite certain, as these are periodically examined we shall find out immediately whether we are getting value for our money or not.

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APPENDIX IV

PARLIAMENT SECRETARIAT

Proposal for the setting up of a State Purchase Corporation

I

METHODS OF PURCHASE OF STORES AND FINANCIAL CONTROL THEREON IN WARTIME

Before the war there were two purchasing organisations of the Central Government, the India Stores Department under the Commerce Department and the Contracts Directorate as part of the Defence Department Organisation. On the eve of the war, the Department of Supply was formed to deal with war supplies. Both the Purchasing Organisations were transferred to the control of the new department, though on different dates. Changes as dictated by experience were made from time to time in the organisation. The India Stores Department and the Contracts Directorate later merged in one single purchasing organisation of the Supply Department. It was divided into two parts, one dealing with munitions and engineering items at Calcutta, and the other with general stores and motor vehicles at Delhi.

2. Purchases were made as a rule by open tenders advertised in the daily press and trade journals. The other methods that were employed in specific circumstances for special reasons were—

- (1) limited tenders when only the suppliers, believed to be able to deliver the goods, were invited to tender;
- (2) single tenders when only one supplier was invited to tender. This method was used largely for proprietary articles and only rarely in other cases.

No officers of the Finance Department were attached to the Purchasing Organisation. Competition was generally effective over most of the field and the open and limited tenders provided sufficient protection for the financial interests of Government. Contracts exceeding a specified financial limit were subject to the approval of Government. In the Contracts Directorate financial control confirmed more closely to the general practice in the Defence Department. All important deviations from standard conditions of contracts required the approval of Government. All cases requiring the approval of Government were decided in consultation with the Finance Department.

RECOMMENDATIONS OF THE ESTIMATES COMMITTEE FOR THE SETTING UP OF
A STATE PURCHASE CORPORATION

In the course of examination of the estimates relating to the Ministry of Industry and Supply in 1950, the Estimates Committee delved into the working of the Directorate-General Supplies, India Supply Mission, Washington and India Stores Department, London and as a result of this the Committee made certain recommendations in regard to the reorganisation of the system of purchase of stores etc. through Government agencies. The Committee *inter alia* made the following recommendations for the setting up of a State Purchase Corporation (c.f., Para. 31 of the First Report):

“We also examined the question of decentralization of purchases to the various Government Departments and the State Governments with a view to see whether that procedure would lead to economy, efficiency, and expedition, but came to the conclusion that a Central organisation was necessary for the efficient working of this side of Government activity. We, however, feel that the present organisation under D.G.I. & S. is not suitable for the purpose. We accordingly recommend that a State Purchase Corporation should be set up early to deal with all Government purchases, whether Indian or foreign.”

2. In the Fifth Report of the Estimates Committee on the Central Water and Power Commission and Multi-purpose River Valley Schemes, the Committee reiterated the suggestion for the setting up of a State Purchase Corporation in so far as the purchase of stores by the D.V.C. was concerned as there had been a considerable delay on the part of the D.G.I.S.D., London in the supply of stores which culminated in the delayed execution of the Damodar Valley Project (c.f., Para. 59 of the 5th Report).

3. The Committee considered that the advantages of a State Purchase Corporation would be that—

- (i) stores will be available at cheaper rates;
- (ii) Government will be able to deal with the local agents of foreign firms in India on the spot and enter into contracts with them ;
- (iii) the profits accruing out of these transactions would normally go to Indian Agents who could thereby contribute to a further expansion of business activity in the country;
- (iv) it would obviate the necessity of maintaining special Government Missions abroad, and maintaining permanent organisations for inspection, progressing and shipping of stores from overseas countries ; and

- (v) delays that generally took place in the purchase of stores in the offices at Washington and London would be eliminated.

4. The following points which emerged out of the discussions which the Estimates Committee had with the representatives of the Ministries of Industry and Supply, Finance (I. & C. Division) and Commerce etc., weighed with the Committee in the formulation of the above recommendation for the constitution of a State Purchase Corporation :—

- (i) In the opinion of the Economy Committee set up in 1948, there was a gradual increase in the cost of purchase organisation. It appeared to the Economy Committee that the expenditure incurred in this organisation was not commensurate with the value of stores purchased through their agency.

There had been a good deal of decrease in the volume of purchases made through the Indian Supply Mission, Washington as less and less amount of foodgrains was purchased by India.

- (ii) The prices of articles procured through the India Stores Department, London were comparatively higher than the prices quoted by the manufacturers in foreign countries.

The price paid by Government for steel from Belgium was much higher than those purchased by private industrialists of India. Also the prices paid by Government were uneconomical.

- (iii) The procedure for the purchase of stores through the Government agencies was complicated and entailed delays.

Instances have been brought to the notice of the Estimates and Public Accounts Committees of the enormous delays that have taken place in procuring stores by the indenting Deptts. It is inevitable that a Government Department should introduce all kinds of formal procedure which involves consultation with various authorities at different levels and thus causing overall delay in purchasing stores.

There are also purchase agencies abroad through whom the indents are canalized. Although the Trade Commissioners were the representatives of the Ministry of Commerce, they did not actually place the orders for

purchase of stores and they were merely associated with the Purchase Organisation in the matter of negotiating with the firms etc., in the foreign countries.

- (iv) The India Stores Department, London was set up as a temporary measure. The system of not taking the concurrence of the Financial Counsellor for the purchase of stores was faulty and there was no check that prices paid were economical.

In this case, the stores organisation at London functioned under the control of the High Commissioner and not directly under the D.G., Supplies in Delhi. The I.S.D. London adopted its own procedure and took decisions about which the D.G., Supplies had little or no knowledge.

- (v) Orders for the purchase of stores which were available in India were placed abroad and this meant a heavy drain in the foreign exchange.
- (vi) In the case of articles of foreign manufacture if orders were placed with the agents of the foreign firms operating in India, apart from securing a reduction in the prices of the various articles, the possibility of obtaining free servicing etc., could also be tapped.
- (vii) Excepting India, no other country was maintaining Purchase Organisations in foreign countries
- (viii) Government is at present getting a small rebates on purchases. If bulk purchases were made centrally, greater concessions in the matter of prices, technical advice, servicing etc., might be obtained. The foreign firms in their own interest would appoint their agents in India for keeping in direct and permanent touch with the Government of India and the quotations offered by them would be competitive.
- (ix) The rate of 2 per cent. commission charged by the D.G., Supplies (1 per cent. for Purchase and 1 per cent. for Inspection) was unnecessarily high and was at the expense of Public Exchequer. It was no use swelling the earnings of the Supply Organisation by charging a high rate of commission on the purchases made by it on the stores supplied to various Departments and Governments. The rate of commission should be as low as possible so that stores were obtained at a comparatively cheaper rate by the Department concerned.

- (x) There was a dispersal of offices dealing with the purchase of stores. The offices were not under the unified control with the result that there was delay, variance in policies and bad management.
- (xi) All the Purchase Organisations were run by officials who had no or little knowledge of business, trade and commerce. At any rate, those who were responsible for making policy from time to time were not currently drawn from the business community so that latest ideas could be incorporated in the working of the organisation.
- (xii) Inspection of stores was faulty. In many cases, indenting department complained of the poor or inferior quality of stores. In some cases foreigners were asked to act as Inspectors and their certificates were relied upon which were later found to be incorrect.
- (xiii) There was no regular machinery for calling for indents especially in the case of stores bought outside India. Many of the contracts were entered into as a result of negotiations and there were no comparative figures or offers to enable one to determine whether the deal was satisfactory or economical.
- (xiv) The present Purchase Organisation had reduced itself to a routine establishment without concerning itself with the development aspect of the problem. It is no exaggeration to say that the Government is the biggest buyer and largely determines the rate of progress on levels of production of the various industries. An efficient Purchase Organisation should, as far as possible, assess the requirements of the Government and advise on the planned industrial development in the sphere of stores needed by the Government, particularly in regard to the strategic, Defence, Railways etc., stores.

Brief history of the proposal for a State Purchase Corporation

5. On the 10th March, 1948, the matter was brought up in the Central Legislature on a cut motion moved by Sarvashri M. Ananthasayanam Ayyangar and R. N. Goenka while discussing the Demands for Grants relating to the Ministry of Commerce & Industry.

One of the arguments put forth was that Government with a heavy bill to foot for foodgrains should not allow the very wide margin of profits between the prices obtaining in this country and outside to go to the trade, but should set up a Corporation to tap at least a portion of the difference with a view to augmenting Government's resources. The then Commerce Minister, Shri C. H. Bhabha,

in his reply stated that the matter was under Government's consideration and that a decision would be taken shortly.

Committee on State Trading

6. In October, 1948, the Government of India in the Ministry of Commerce & Industry appointed a Committee on State Trading with the following terms of reference :

“Whether, having regard to present day conditions and future trends of India's international trade, it would be of advantage to set up a State-owned or State-sponsored organisation for handling any sector of the foreign trade of the country. If so, what the structure of the organisation should be and what the field and scope of the activities of the organisation should be”.

Partly because of the limitations of time and partly because of the urgency of formulating a policy with regard to the commercial activities of Government, this Committee did not examine the question of stores purchase or disposal in all its aspects as stated below in Para. 9 of their Report :

* * * * *

It is recommended that the question of stores purchase and disposals be taken up for separate examination.”

Action taken by the Government on the recommendation of the Estimates Committee.

7. In October, 1952, while intimating the progress of action taken by them to implement the recommendation made by the Estimates Committee on the subject of organisation, method and procedure for the purchase of stores and the setting up of a State Purchase Organisation, the Government stated as below :

“Two Committees—one in London and another in Washington—have been set up with the following terms of reference :

- (i) Provision of adequate and suitable personnel for staffing the organisation ;
- (ii) To examine and report on the methods at present adopted in regard to :
 - (a) Procurement,
 - (b) Inspection, and
 - (c) Shipment,

and to suggest improvements, if any.

- (iii) The manner of determination of Government demands, rationalised planning, provisioning and indenting of stores, particularly with reference to proper screening and processing of demands prior to their being placed abroad,

The reports of the Committee are expected shortly."

The Ministry of Works, Housing and Supply have not so far furnished their final reply in the matter and it is being pursued with them.

III

COMPOSITION AND FUNCTION OF THE PROPOSED STATE PURCHASE CORPORATION

8. It is an admitted fact that the centralised buying eliminates middlemen's commission and secures to the country discounts usually available on large purchases. In order to centralize at one place the work of purchase of Stores and materials required by the Government at the Centre and in the various States of India, the proposed Corporation will have to be established by an Act of Parliament. Since it will be a purchasing organisation and will earn profits through commissions, it should be run on strict commercial principles. In form, the Corporation shall be an adaptation of the large Joint Stock Company to public enterprises. Its fundamental characteristic shall be the total absence of profit maximisation as a criterion of criticism or guide to policy. It shall combine the advantages of State ownership with those of commercial administration.

9. The capital which shall be fixed by the Government of India shall be raised through an advance of loan to be made by them. This can be done on the lines of other Corporations established by Government which are fully nationalized.

10. The Corporation shall have autonomy in its day-to-day administration but the broad outlines of policy shall be laid down by Parliament. The Annual Reports, Accounts etc., of the Corporation shall be laid before Parliament and discussions on the policy followed by the Corporation shall be allowed in the House. The Accounts of the Corporation shall be audited by or under the direction of the Comptroller and Auditor-General.

11. The Corporation shall be run by a Board of Directors and a Managing Director who shall be responsible for managing the day-to-day affairs and giving effect to the decisions of the Board. The Members of the Board of Directors should not be representatives of any sectional interest. They should possess a wide outlook in commercial and economic affairs. They should be appointed by Government from amongst the services as well as from the business community in the country.

12. The Corporation should be authorised under the Act constituting it to frame its rules, procedure and business which would be suitable for the enterprise, and its smooth and efficient working. The rules will, however, be placed before Parliament.

13. The procedure for the purchase of stores should be such that with the minimum of delay, the purchases are made. The procedure should be simple and help in procuring and delivering goods to the indenters within the minimum time. The appointment of intermediate agents should be avoided.

14. After the setting up of the Corporation, all indents for the purchase of stores on behalf of the State and Union Governments should always be placed with the Corporation. The Corporation will advertise periodically its requirements in bulk by combining the requirements of the various State Governments, Departments and Ministries of the Government of India for particular items so as to obtain competitive quotations.

15. Global tenders shall be invited in respect of stores which are not available in India through the Indian Trade Commissioners or Embassies abroad.

16. The services of the Indian Banking, Insurance and Shipping concerns should be utilised to the full for the purpose of purchase of stores from foreign firms by the Corporation and their shipment to India.

17. The Corporation will encourage and foster local industries and explore all possibilities of getting the articles manufactured locally by private agencies or departmentally before placing orders abroad.

18. A small percentage (say $\frac{1}{2}$ or $\frac{1}{3}$) as against the present rate of 2 per cent. will be charged as commission on the purchases made by the Corporation and this commission shall be treated as the earnings of the Corporation. The net earnings after deduction of expenditure on staff, buildings, inspection etc., shall be credited to Government.

19. The Corporation shall frame detailed rules regarding the policy and procedure in the matter of purchase of stores from abroad, their inspection and the engagement of freight to India in the context of the existing procedure so as to fit in the flexibility of the general economic framework of a private concern.