

ESTIMATES COMMITTEE (1973-74)

(FIFTH LOK SABHA)

FORTY-EIGHTH REPORT

MINISTRY OF FINANCE

[Action taken by Government on the Recommendation contained in the Twenty-Fourth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Finance—Revision of the form and contents of the Demands for Grants.]



LOK SABHA SECRETARIAT
NEW DELHI

December, 1973/Agrahayana, 1895 (Saka)

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ESTIMATES COMMITTEE

(1973-74)

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22. Shri P. Ganga Reddy.
23. Ch. Sadhu Ram.
24. Shri Ebrahim Sulaiman Sait.
25. Shri P. A. Saminathan.

*Elected with effect from 29th November, 1973 vice Shrimati Jyotsna Chanda died.

(iv)

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STUDY GROUP 'E' OF THE ESTIMATES COMMITTEE

(1973-74)

CONVENER

Shri Krishna Chandra Halder

MEMBERS

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12. Shri Ebrahim Sulaiman Sait
13. Shri P. Ranganath Shenoy
14. Shri R. K. Sinha

*Elected with effect from 29th November, 1973 vice Shrimati Jyotsna Chanda died.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Forty-Eighth Report on Action Taken by Government on the recommendations contained in the Twenty-Fourth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Finance—Revision of the Form and Contents of the Demands for Grants.

2. The Twenty-Fourth Report of the Estimates Committee (Fifth Lok Sabha) was presented to the Lok Sabha on the 4th December, 1972. Replies indicating action taken on the various recommendations contained in the Report were furnished by Government on the 21st July, 1973, 14th December, 1973 and 17th December 1973. The Study Group 'E' of the Estimates Committee considered the replies received from the Ministry on the 18th December, 1973 and approved the draft Report on the same day. The Report was subsequently adopted by the Committee on the 20th December, 1973.

3. The Report has been divided into the following Chapters:—

- I. Report;
- II. Recommendations which have been accepted by Government;
- III. Recommendations which the Committee do not desire to pursue in view of the Government's replies;
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee; and
- V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Twenty-Fourth Report of the Estimates Committee (Fifth Lok Sabha) is given in Appendix VI to this Report. It would be observed therefrom that out of 36 recommendations made in the said Report, 28 recommendations i. e. 77.8 per cent

have been accepted by Government. The Committee do not desire to pursue 4 recommendations i.e. 11 per cent in view of Government's reply. The replies of Government to 2 recommendations i.e. 5.6 per cent have not been accepted by the Committee. Final replies of Government in respect of 2 recommendations i.e. 5.6 per cent are still awaited.

NEW DELHI;
December 20, 1973

Agrahayana 29, 1895 (S).

K. N. TEWARI,
Chairman,
Estimates Committee.

CHAPTER I

REPORT

Grants to Private Institutions

(Sl. No. 8, Para No. 4.7)

The Committee had, in Para 4.7 of their 24th Report on the Ministry of Finance—Revision of the Form and Contents of the Demands for Grants reiterated that the limits of grants of private institutions should apply to the totality of grants sanctioned by Government as a whole rather than the grants sanctioned by individual Ministries/Departments. The Committee had expressed that they saw no serious difficulty in following the suggestion made by the Public Accounts Committee by devising suitable procedural measures.

2. In their reply Government have stated that there will be many practical difficulties in adopting the procedure suggested by the Committee. They have added that the earlier recommendation of the PAC that cases of grants-in-aid to private institutions amounting to more than Rs. 5 lakhs recurring and Rs. 10 lakhs nonrecurring should be specifically brought to the notice of Parliament for approval and that these limits should apply to the totality of the amounts sanctioned to an institution by the various Ministries of the Government and not to grants sanctioned by individual Ministries, was intended to be in the nature of a central mechanism. The difficulties in the way of applying whatever limits are decided upon, with reference to the totality of grants given by the various Departments of Governments, were explained to the P.A.C. on more than one occasion. Finally, in their 50th Report the Public Accounts Committee made the suggestion that the difficulty can be overcome by maintaining a list of institutions which have received more than Rs. one lakh from any Ministry during the last 3 years and bringing the list up-to-date every year by a coordinating Ministry nominated in this behalf. Even this suggestion was found to involve difficulties and it was also felt that it may not serve the object which the P.A.C. had in view. Accordingly, the Ministry of Finance, in the action taken note submitted on 14th November, 1969, requested the P.A.C. not to press their recommendation and to agree to the application of the monetary limits with reference to grants-in-aid to private institutions for a particular purpose by individual Ministries. The Ministry has added that the reason furnished by Govern-

ment in their action taken note were based on the various difficulties that are likely to be encountered in adopting the procedure suggested by the Committee. The Ministry of Finance have urged that in view of the reasons given to the PAC and equally valid in the present case, the Estimates Committee may not press their recommendation.

3. While the Committee appreciate the difficulties pointed out by Government, they feel that it should be possible to furnish at least information for the previous year in respect of cases involving grants-in-aid given to private institutions|organisations|individuals amounting to more than Rs. 5 lakhs recurring and|or Rs. 10 lakhs non-recurring by devising a suitable procedure in this behalf.

Performance Budget

(Sl. No. 17, Para No. 7.10)

4. The Committee had, in Para 7.10 of their 24th Report, emphasised that the technique of performance budgeting has yet to be perfected and that we have reached so far only the first stage of defining the activities of a Department in a certain meaningful manner. The second stage of classifying the accounting heads in order to relate them to the performance budget has yet to be completed. The third stage which is really one of intimate and significant interest to Members of Parliament of working out and prescribing norms and standards which would enable them to evaluate and critically review the work has yet to be evolved. The Committee had, therefore, stressed the need for ensuring that all these stages for making performance budget a useful document are completed without further delay and that concrete action should be taken to see that performance budget is prepared by all Ministries|Departments who are charged with developmental and other plan activities.

5. In their reply, Government while accepting the recommendation of the Committee, have stated that during 1973-74, 13 Ministries|Departments presented their performance budget as against 11 presented during the earlier year, 1972-73. The second Report of the Team of officers on the reforms in the structure of budget and accounts relating to the revision of accounts classification heads reported to have since been received and revised accounting heads have been prescribed by the C & AG with the approval of the President in pursuance of Article 150 of the Constitution, for introduction with effect from 1-4-1974. Government hope to present the Budget for 1974-75

according to the revised classification which by and large follows the functional programme and activity pattern.

6. The Committee note that 13 Ministries/Departments have presented performance budgets this year and that the 1974-75 Budget would be presented under the revised accounting classification.

7. The Committee are, however, not fully satisfied with the information given at present in the performance budgets. These Budgets at present give mass of minor details and lack in focussing attention on key factors, which could help in the proper appraisal of a project or programme. For instance, from the Performance Budget of the Ministry of Irrigation & Power, it is rather difficult to get a clear idea of the implementation of power schemes, levels of power generation, local or national deficits in power generation etc.

8. In this connection, the Committee understand that to provide Parliament with a satisfactory basis for discussion of Government policies and their implementation, the U.K. Government is bringing out a White Paper on Public Expenditure, giving the expected levels of expenditure in the current year and forecasts of expenditure for next five years in respect of each major programme and its main components supported by brief notes and tables. Year to year variations in estimates due to 'policy changes' and 'estimating changes' are shown distinctly. The projections in these White Papers are on the basis of annual surveys of expenditure which are carried out for purposes of planning the Nation's resources as a whole.

9. Further improvements in the presentation of data in the above White Papers is being made following the recommendations made by the Expenditure Committee, U.K. which inter-alia are:—

- (i) The expenditure should be broken into what was required to maintain existing standards and what represented improvements; data on physical measures of output and alternative programme considered should also be given.**
- (iii) The effects of 'policy' and 'estimating' changes on goods and services actually provided should be incorporated.**
- (iii) The result of Government's medium-term assessment of plans should also be given.**
- (iv) A framework of data should be devised which could provide for a quantitative analysis of what has been obtained**

in return for the money spent. Specimen summary tables have been suggested for bringing together the expenditure figures and key non-financial statistics which could contribute to a better understanding of the working and appraisal of a programme.

10. The Committee would suggest that the Ministry of Finance should undertake a study of the recent developments in U.K. so as to incorporate in the performance budgets meaningful data which would help the Members of Parliament and the public to judge the achievements of a project as compared to its objectives.

11. The Committee feel that the following points in particular may be covered:—

- (1) The impact of revision of project estimates|capacity on the economics of the project with particular reference to the cost of production.
- (2) Capacity utilisation and the reasons for shortfalls, if any.
- (3) Cost benefit analysis.
- (4) Contribution made by the project towards fulfilment of:
 - (i) sectoral;
 - (ii) regional;
 - (iii) national plan.

12. In general the effort should be to so present the data in the performance budget that it helps to throw up parameters for judging not only the performance of the particular unit but also facilitate a comparative study being made with other similar units.

Guidelines for classifying expenditure as plan and non-plan

(Sl. No. 19, Para No. 9.3)

13. The Committee had in para 9.3 of their 24th Report observed that they were unable to appreciate how in the absence of clear guidelines expenditure could be classified as Plan and non-Plan. The Committee had desired that the Planning Commission and Government should finalise the matter without further delay so that clear guidelines in this behalf were issued and observed in preparing the

budget documents. The Committee had also desired that these guidelines should be clearly mentioned at a suitable place in the budget documents for the information of the Members of Parliament. The Committee had no doubt that in issuing the guidelines, the Planning Commission/Government would take into account the proposals of the Ministry of Finance to rationalise the accounting heads.

14. In their reply, Government have stated that the recommendation of the Committee is being examined in consultation with the Planning Commission. They have added that the Committee would be informed of the decision of the Government as early as possible.

15. The Committee would like to point out that during the course of evidence in September-October, 1972, the representative of the Planning Commission had stated that they had already circulated a note to various Ministries and Divisions of the Commission calling for information and expected to finalise the guidelines by the end of the financial year 1972-73. The Committee are concerned to note that the matter has not yet been finalised and no decision communicated to the Committee. They, therefore, do not feel happy about this inordinate delay and urge that it is a matter of great urgency and importance that the guidelines for classification of Plan and non-Plan expenditure are finalised and issued at least before the commencement of the Fifth Five Year Plan in the interest of effective budgetary control.

Forward Looking Budgets

(Sl. No. 32, Para No. 18.4)

16. In para 18.4 of their 24th Report, the Committee had felt that rather than merely issuing the instructions and leaving further action to the initiative of the Ministries|Departments, a more active role is required to be played by the Ministry of Finance and the Planning Commission to develop the concept of "forward looking budgets" so that advance planning of men and materials is taken up seriously at least in the Fifth Five Year Plan.

17. In their reply Government have stated that steps have already been taken to implement the observations of the Committee. It was added that along with the budget papers. Notes on Important Projects and Schemes giving the various details is already being circulated. Steps have also been taken to add greater details in the description of schemes etc. in the Notes on Important Projects and

Schemes. The developmental plans of the various Administrative Ministries are discussed with each Ministry by the Planning Commission and the Ministry of Finance with a view to assessing the physical possibilities and financial resources that are available both in the context of the Annual Plan and the Five Year Plan. The physical targets for the Annual Plan and the assistance made available on their basis are thus correlated with a forward looking assessment of men and materials. It may not always be possible to either accurately forecast or fully disclose the perspective and future requirements for such activities or services, for instance in the case of Defence Services. The Ministry of Finance has further stated that the discussions are at present also held in the Planning Commission in consultation with the Ministry of Finance with the Public Sector Enterprises. An attempt is being made to enlarge the years covered by the perspective plan in respect of the public sector enterprises in such a manner that as against the assessment for a particular year, the projection for subsequent years could be updated every year.

18. In their further reply, Government have stated that the whole question of a 'forward looking Budget' for men and materials|effective implementation of Projects in Fifth Plan with a view to achieving the socio-economic objectives has been engaging the attention of the Planning Commission. The organisational frame-work is being worked out and suitable procedures would be evolved in the following months.

19. The Committee are not satisfied with the above reply of the Government. They would, in this connection, like to point out that during the course of evidence the Secretary, Department of Expenditure had stated: "This is the process which has now started and it will take some time. We have not specifically stipulated that the Planning Commission should be assigned a role in this matter but we always think that in such matters the Ministries will always associate the Planning Commission in drawing up such plans. As regards the progress made by the Ministry, the process has started and Ministries are having technical cells so that this can be done. Our endeavour will be to see that this kind of forward planning of men and materials is taken up at least in the Fifth Five Year Plan."

20. The Committee expect that Government, in consultation with the Planning Commission will make every effort to improve the technique of forward planning of men and materials so as to obviate any shortfall in the achievement of targets in the Fifth Five Year Plan.

Implementation of recommendations .

21. The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore, like the Government to keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. In cases where it is not possible to implement the recommendation for any reason, the matter should be reported to the Committee with reasons for non-implementation.

22. The Committee further observe that in respect of certain recommendations, final replies of Government are still awaited and the same have been included in Chapter V. They desire that final replies to these recommendations and further information where called for in respect of recommendations included in Chapters-II and III may be intimated to the Committee expeditiously.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1 Para No. 1.3)

The Committee have no objection to the provisions relating to a service being included in one Demand. They note that reappropriation of funds between Revenue and Capital will not, however, be permitted.

Reply of Government

The observation of the Committee has noted.

[Min. of Fin. (E.A.D.) O. M. No. F.8(26)-B/72 dated 7-6-73]

Recommendation (Sl. No. 2 Para No. 2.5)

The Committee have no objection to the proposed rationalisation of the number of Demands for Grants. They would, however, like to stress that there are certain statutory and autonomous Semi-autonomous organisations like the Indian Council of Agricultural Research, Council of Scientific and Industrial Research, etc., which are mainly financed by Government involving substantial amounts. The provisions therefor have hitherto been made in district Demands for Grants. The Committee would like Government to consider the advisability of retaining a separate Demand for Grant for such organisations, failing which it is necessary that the provisions made for various activities of these organisations are clearly brought out in a schedule in the relevant Demands for Grants with suitable self-explanatory notes.

Reply of Government

The Committee's observations, were kept in view at the time of restructuring of the Demands for Grants for 1973-74. For the Indian Council of Agricultural Research and Council of Scientific and Industrial Research, the existing practice of including the entire provision for assistance to the Councils in a separate and distinct Demand for each has been continued in 1973-74.

[Min. of Fin. (E.A.D.) O.M. No. F. 8(26)-B/72, dated 7-6-73].

Recommendation (Sl. No. 3, Para No. 2.6)

The Committee consider that it is but appropriate that the provision for Secretariat proper of the Ministries|Departments should

continue to be shown in a separate Demand as at present, but where for an unavoidable reason, the expenditure on Secretariat is included in a composite Demand, the expenditure on the Secretariat should be mentioned clearly and pointedly so that the Members know the expenditure on it as distinct from expenditure on activities of the Ministries|Departments.

Reply of Government

In view of this recommendation of the Committee, the arrangement as obtaining in the Demands for Grants for 1972-73 in regard to the provision for Secretariat proper of the Ministries|Departments was not disturbed while recasting the Demands for Grants for 1973-74. However, in the interest of a more meaningful presentation of the programmes and activities of the various Services/Departments in a compact and comprehensible manner, the recommendation of the Team, as mentioned in paragraph 2.2 of the Committee's Report, deserves to be given further consideration. A separate Note in this regard will be submitted to the Committee.

[Min. of Fin. (E.A.D.) O.M. No. F. 8(26)-B/72, dated 7-6-73].

Further information supplied by Government

In the earlier 'Action Taken Note' submitted to the Committee in respect of this item it was mentioned that a separate note would be submitted to the Committee, after further consideration of the relevant recommendation of the 'Team on Reforms in the Structure of Budget and Accounts'.

In paragraph 14(a) of its First Report, the 'Team on Reforms in the Structure of Budget and Accounts' recommended that provision relating to Miscellaneous functions|services administered by a Ministry|Department as well as those relating to the Secretariat expenditure of the Ministry|Department may be included in a separate Demand. It was the intention of the Committee that while a separate Demand may be presented for each of the major services of a Ministry, the residuary Demand may contain, apart from the Secretariat, the provision for miscellaneous or other items which do not form by themselves a major service.

As pointed out in the 'Action Taken Note', the Demands for Grants presented in 1973-74 are on the same pattern as 1972-73, in so far as Secretariat proper is concerned. In effect, the recommendations of the Team, *vide* para 14(a) of its First Report, has not been implemented in 1973-74 in difference to the recommendations of the Estimates Committee and the arrangements obtaining in the Demands for 1972-73 in regard to provisions for Secretariat proper was continued in the Demands for Grants for 1973-74.

While prior to 1973-74, by and large, separate Demands were presented for provisions relating to Secretariat and its offices, some Demands also included provision for other items of expenditure. Demand No. 85 in 1971-72 for instance, included provision for certain organisations of the Ministry of Works and Housing namely, Town and Country Planning, along with the provision for the Secretariat of the Ministry. Similarly, in the Demands for Grants for 1972-73, provisions for certain residual expenditure were included in the Demands relating to Secretariat of the Ministry/Department. Provision for External Affairs, including that for the Secretariat, had been part of a composite Demand for a very long time.

However, even where the provision relating to residuary items was included in the Demand relating to the Secretariat, the provision for the latter was in every case separate and clearly identifiable. Thus, the requirement that expenditure on this account should be distinct from the expenditure on other activities of the Ministry was fulfilled.

To sum up, as pointed out in the 'Action Taken Note' in view of the recommendations of the Committee, the arrangements obtaining in the Demands for 1972-73 in regard to provision for Secretariat proper of a Ministry/Department were not disturbed in the Demands for 1973-74 in spite of the recommendation in the Report of the "Team on Reforms in the Structure of Budget and Accounts". It is also proposed to follow in the Demand for 1974-75 the same pattern as was obtaining in 1972-73, and continued in 1973-74.

[Min. of Fin. (E.A.D.) No. F.8(26)-B/72 dated 14-12-73.]

Recommendation (Serial No. 5, Para No. 3.6)

The Committee appreciate the concept that in the Demands (i.e. Part II) accompanying the Budget statement stress should be laid on major programmes and activities of the Departments highlighting those aspects of the Budget which are important for an appreciation of the resource allocation at the national level. The Committee would, however, like to point out that Government are at present furnishing useful information about activities covered by way of notes in Part II of the Demands as well as by a separate brochure entitled 'Notes on Important Projects and Schemes'. Part II of the Demands also contain schedules indicating details of New Service/New Instruments of Service, Major Works, Grants-in-Aid to Non-Government Bodies (in excess of certain limits).

Reply of Government

All the information, referred to, has been continued in the revised pattern of the Demands and the Detailed Demands.

[Min. of Fin. (E.A.D.) O.M. No. F. 8(26)-B/72, dated 7-6-73].

Recommendation (Serial No. 6, Para No. 3.7)

The Committee have no objection to these proposal of Government provided it is ensured that Part III of the Demands would be made available to Members of Parliament along with other budget documents or at least two weeks in advance of the date for discussion of the Demands for Grants of the relevant Ministry|Department. Till such time this can be done on an assured basis, the Committee would like Government to continue the present practice so that information on these important matters is made available to Members well in advance of the discussion in the House.

Reply of Government

A statement indicating the dates on which the Detailed Demands for Grants of each Ministry were laid before Lok Sabha and dates on which the discussion thereon commenced in the Lok Sabha is enclosed (Appendix I). It will be observed that except in the case of Ministries of Home Affairs, Education and Social Welfare, Heavy Industry and Industrial Development, the Detailed Demands, in all other cases were laid before Lok Sabha more than two weeks before the commencement of the discussion of the Demands for Grants of the relevant Ministry. In the case of these Ministries also the Detailed Demands were presented at least 10 days before their discussion. Efforts will be made in future years to completely adhere to the two weeks limit as has already been assured (*vide* S. No. 13-Para 6.5).

[Min. of Fin. (E. A. D.) O. M. No. F. 8 (26)-B|72, dated 7-6-73]

Recommendation (Serial No. 7. Para No. 4.4.).

The Committee feel that more listing of the new services/new instrument of service for which provision is included in the budget estimate does not serve fully the purpose underlying the recommendations made earlier by the Public Accounts Committee. They consider that comprehensive notes on new services/new instrument of service to bring out the objective underlying the service|activity, the financial implications thereof, the time schedule for completion and commissioning the contribution expected, to be made in the economic and industrial field etc. may be clearly set out in the notes to be included in Part II of the Demands.

Reply of Government

The recommendation is noted for compliance. However, owing to the numerous changes involved in the restructuring of the Demands for Grants and the limited time available, it did not become possible to give comprehensive notes on the items of 'New service' | "New Instrument of Service" in Part II of the Demands for 1973-74 in all cases.

[Min. of Fin. (E. A. D) O. M. No. F. 8 (26)-B|72 dated 7.6-73]

Comments of the Committee

The Committee trust that from next year onward Government would ensure that comprehensive notes on new services | new instrument of service are recorded in Part-II of the Demands in each and every case.

Recommendation (Serial No. 9, Para 4.11)

The Committee consider it singularly unfortunate that details of subsidy on food transactions which had been agreed to be given by Government, were not given in the Budget papers for 1971-72 and 1972-73. They hope that there will be no laxity on this accounts in future and full details of subsidy on food transactions, such as average cost price and sale price, actual price paid to the indigenous producer and the country from which it is imported, administrative expenditure, freight, incidental and other charges, losses in transit, handling and storage, per quintal subsidy etc. would be given in the budget papers. The Committee consider that giving of full information on food grains subsidy, which involves crores of rupees every year, is vital from the point of view of Parliamentary accountability.

Reply of Government

The recommendation of the Committee has been noted and the requisite information has been given this year, vide P. 48 of the Explanatory Memorandum on the Budget for 1973-74.

[Min. of Fin (E. A. D.) O. M. No. F. 8 (26)-B|72, dated 7-6-73].

Comments of the Committee

The Committee note that the necessary details regarding subsidy payable to the Food Corporation of India for handling indigenously procured foodgrains (wheat and rice) have now been provided in the Explanatory Memorandum. They, however, find that subsidy is

also paid to the Corporation for coarse food-grains. Information regarding the average procurement price of various types of coarse foodgrains, the average sale price, the storage and other incidentals, the element of subsidy etc. should also be clearly brought out in the Explanatory Memorandum for each major coarse grain on the same lines as done for wheat and rice.

The Committee would further like that information should be specifically given in respect of imported food-grains so as to bring out *inter-alia* the average imported price, freight charges, storage transit losses etc., sale price and the element of subsidy involved therein.

Recommendation (Serial Nos. 10, 11, & 12, Para Nos. 5.2, 5.3 & 5.4)

The Committee attach great importance to the 'Notes on Important Projects and Schemes' which are presented along with the Demands for Grants. It is these notes which enable Members of Parliament to understand the objective underlying the expenditure. It is, therefore, of the utmost importance that these Notes on Important Projects and Schemes should be self-contained and bring out *inter-alia* all significant aspects like the objective underlying the scheme, the financial implications, the time schedule for its completion the contribution it would make to the industrial, economic and national sphere etc.

In the case of the continuing schemes, the notes should clearly set out the precise progress made in implementing the projects scheme in accordance with the original schedule, the reasons for variations and their implications both in financial terms and in their impact on the national economy.

The Committee would like Government to give separately the notes on new service/new instruments of service and continuing projects/schemes under implementation.

The Committee welcome the assurance given by the Secretary, Department of Economic Affairs to the effect that "in this Note on important projects, we will give information so that it is possible to know the position at glance. Ministries would also be asked to state what is holding up the progress. This would enable the members to know how the schemes are progressing and whether proper provisions are made or not". The Committee would like this assurance to be implemented in letter and spirit.

Reply of Government

The recommendations of the Committee have been noted and as far as practicable complied with in the restructured Demands and Notes on Schemes and Projects which formed part of the Detailed Demands for 1973-74 presented this year. A copy of the instructions issued in this regard *vide* this Ministry's D. O. No. F.) (69) B/72 dated 5.12.72, is enclosed (At Appendix II). Efforts will be continued to improve upon the presentation wherever required.

[Ministry of Fin. (E. A. D.) O. M. No. F.8 (26)-B/72, dated 7. 6. 73].

Comments of the Committee

The Committee observe that while the Ministry of Finance have issued detailed instruction to the various Ministries of the Government of India to compile the information on the various points as per the recommendations of the Committee, the Notes on Important Projects and Schemes now dovetailed in the relevant Demand book are more or less on the old lines.

The Committee feel that if the detailed information asked for in the Department of Economic Affairs letter of 5th December, 1972 is collected, analysed and presented in a meaningful manner in the Budget papers, it would provide valuable information to the Members of Parliament about the programme-cum-performance of important projects and schemes included in the Budget.

Recommendation (Serial Nos. 13 & 14, Para Nos. 6.5 & 6.6)

The Committee appreciate Government's proposal to formally lay Part III of Demands on the Table of the House. As already observed this part of the Demand which is going to be made comprehensive by inclusion of detailed information, should be laid on the Table of the House well in advance of the date of discussion fixed for the Demands. The Committee consider that Part III of the Demands should be presented at least fifteen days in advance of the consideration in the House so that Members have sufficient time to examine its contents in detail. The Committee take note of the difficulties expressed by the representatives of Government in making this part of the Demands available two weeks in advance for the next year *i.e.* 1973-74, but they have been assured that all procedural and administrative details would be got over for the presentation of Demands for the following year *i. e.*, 1974-75.

The Committee need hardly point out that since details of various schemes and proposals are settled by the Government well

in advance of the commencement of the financial year and Demands of only a few Ministries|Departments come up for detailed discussion in the House, it should not be too difficult to ensure presentation of Part III of Demands at least fifteen days in advance of the consideration in the House.

Reply of Government

In this connection attention is invited to the reply in respect of Committee's recommendation at S. No. 6 *ibid*.

[Min. of Fin. (E. A. D) O. M. No. F.8 (26)-B|72, dated 7-6-73].

Recommendation (Serial No. 15, Para 6.7)

The Committee note that Government propose to make Part III Demands compact by not exhibiting therein details of programmes|activities for which provision in a year is less than Rs. 1 lakh, object-wise break up of schemes costing less than Rs. 10 lakhs and break-up by circles of account.

Reply of Government

The observations of the Committee have been noted.

[Min. of Fin. (EAD) O. M. No. F.8(26)-B/72, dated 7.6.73].

Further Information supplied by Government

In the earlier reply it was indicated that the observations of the Committee had been noted. It is clarified that Part III of the Demands for Grants for 1973-74 were prepared and presented on the pattern envisaged in paragraph 6.7 of the Committee's Report.

[Min. of Fin. (EAD) No. F.8 (26)-B|72, dated 14.12.73].

Recommendation (Serial No 16, Para 7.9)

The Committee have no objection in principle to the proposal that performance budgets should gradually be integrated with Part III of the Demands. But till such time as this integration has taken place in all the Ministries|Departments concerned, Part III of the Demand should continue to be presented separately as at present.

Reply of Government

The recommendation of the Committee has been noted.

[Min. of Fin. (E.A.D.) O.M. No. F. 8(26)-B/72, dated 7-6-73].

Further Information supplied by Government

The Committee's recommendation has been accepted

[Min. of Fin. (EAD) No. F. 8 (26)-B|72 dated 14.12.73].

Recommendation (Serial No. 17, Para No. 7.10)

The Committee need hardly point out that the technique of performance budgeting has yet to be perfected and that we have reached so far only first stage of defining the activities of a Department in a certain meaningful manner. In fact, the second stage of classifying the Accounting Heads in order to relate them to the Performance Budget has yet to be completed. The third stage which is really one of intimate and significant interest to Members of Parliament of working out and prescribing norms and standards which would enable them to evaluate and critically review the work has yet to be evolved. The Committee cannot too strongly stress the need for ensuring that all these stages for making Performance Budget a useful document are completed without further delay and that concrete action shall be taken to see that Performance Budget is prepared by all Ministries|Departments who are charged with developmental and other Plan activities.

Reply of Government

The recommendations of the Committee have been noted.

[Min. of Fin. (E. A. D) O. M. No. F. 8 (26)-B|72, dated 7-6-73].

Futher Information supplied by Government

The recommendations of the Committee have been accepted. During 1973-74, 13 Ministries|Departments presented their performance budget as against 11 presented during the earlier year-1972-73. The Second Report of the Team of the Officers on Reforms in the structure of Budget and Accounts, relating to the revision of Accounts Classification Heads, has since been received and revised accounting heads have been prescribed by the C&AG, with the approval of President, in pursuance of Article 150 of the Constitution for introduction with effect from 1. 4. 1974. It is hoped to present the Budget for 1974-75 according to the revised classification which by and large, follow the functional, programme and activity pattern.

[Min. of Fin. (EAD) No. F. 8 (26)-B|72 dated 14.12.73].

Comments of the Committee

Please see paras 10, 11 and 12 of the Report (Chapter-1).

Recommendation (Serial No. 20, Para 10.3)

The Committee appreciate the acceptance of the suggestion that a key or a guide to the Budget papers would be brought out by the Ministry from the Budget for 1973-74. Attempt would also be made in the key|guide to explain some of the more difficult technical terms used in the Budget.

Reply of Government

A brochure "Key to the Budget Documents, 1973-74" was circulated along with the Budget papers.

[Min. of Finance (EAD) O. M. No. F 8 (26)-B|72, dated 7.6.73].

Recommendation (Serial No. 21, Para 11.2)

The Committee consider that the public at large have a right to know broadly how the money raised by way of taxation is being spent. The Committee note that the 'Budget At a Glance' being brought out by the Government gives some information about the broad heads under which the money is being raised by way of taxation and of disbursement thereof on capital and revenue account. The Committee feel that the information at present given is merely in the form of tables without any explanatory notes. The Committee would like Government to amplify this publication so as to give the public at large the requisite information in an intelligible manner which would make them appreciate the allocation of resources for developmental, plan and socio-economic activities and also make them aware of the expenditure which is being incurred on non-plan and administrative account.

Reply of Government

The recommendation of the Committee has been noted and efforts will be made to make the "Budget at a Glance" as much informative as possible within the short time available for its preparation after the estimates, including those relating to tax proposals, are finalised.

[Min. of Fin. (EAD) O. M. No. F. 8 (26)-B|72, dated 7.6.73]

Comments of the Committee

The Committee would like to emphasise that while amplifying

the document 'Budget at a Glance' by giving explanatory notes which would enable the public to know the expenditure which is being incurred on non-plan and administrative account, it would be useful if a advantage is taken of the manner in which information is compiled in the publication entitled 'How Your Tax Dollar is Spent' brought out by the Government of Canada at the time of the Budget, which shows at glance how the money raised from public is spent. The Committee note that the said publication describes the process and gives an idea of the spending plans for the next financial year.

Recommendation (Serial No. 23, Para 13.3)

The Committee note that Government propose to bring about the necessary change in the form of budget, as per recommendation of the Official Team, appointed by them for the next budget, 1973-74. The Committee would like to stress that all matters connected with the revised structure of classification of budget should be finalised well in time, so that for the Fifth Plan, the budget can be prepared in the revised manner from the very first year of the Plan.

Reply of Government

The recommendation of the Committee has been noted. It is the intention of the Government to present the Budget for 1974-75 under the revised accounting of classification.

[No. F. 8 (26)-B|72, dated 7.6.73].

Recommendation (Serial No. 24, Para 14.4)

The Committee attach the greatest importance to the role and contribution of public sector which has come to occupy a commending position in national economy. The investment in public undertakings already exceeds Rs. 4000/- crores and the outlay thereon in the Fifth Five Year Plan is bound to be on a greatly enhanced scale. It is therefore, of vital importance that the Members of Parliament are kept informed about the performance and achievements of the public sector and its contribution to the national economy.

Reply of Government

Noted.

[B. P. E. O. M. No F.1 (68) Adv (F)|72].

Recommendation (Serial No. 25, Para 14.5)

The Committee find that the Annual Report being brought out by the Bureau of Public Enterprises at present covers only some

aspects of the functioning of the public undertakings. It fails to indicate clearly the basic and important problems facing these undertakings, their major deficiencies and the remedial measures taken or proposed to be taken by Government. In the opinion of the Committee, this Report should inter alia bring out:

- (a) the contribution made by undertakings in achieving a self-reliant and self-generating economy and in achieving the social and economic objectives;
- (b) the extent to which the role and objectives envisaged for the undertakings have been achieved;
- (c) quality and price of goods manufactured by these undertakings and the extent to which these have given satisfaction to the public;
- (d) percentage utilisation of rated capacity; and
- (e) cumulative and annual loss on these undertakings, reasons therefor and the remedial steps taken or proposed to be taken by Government.

Reply of Government

Improving the form and content of the Annual Report is a continuous process in which the BPE is engaged. In the Annual Report for '71-72' since submitted to Parliament, the following additional features were incorporated:

- (i) A new chapter on the performance of Petroleum group of industries has been introduced;
- (ii) A chapter has been added on "Maintenance of Machinery" which indicates the extent of breakdowns and losses resulting therefrom. An account of measures taken by the enterprises for effective utilisation of machinery has also been given;
- (iii) In the chapter on Sales Promotion and Exports the Table showing production in quantitative terms has been modified to indicate the extent of capacity utilisation in respect of major items of production;
- (iv) The analysis appended at the end of the Report gives the working results of enterprises for three years instead of for two years given in the past.

Keeping in view the opinions expressed by the Committee, the B. P. E. will continue to improve the form and content of the Annual Report.

[B. P. E. O. M. No. 18 (1) Adv (F)/73].

Recommendation (Serial No. 26, Para No. 14.6)

The Committee need hardly point out that if this annual report is to serve the purpose of informing the Members of Parliament it should be made available to them along with other budget documents so that the Members can study and make use of it when the relevant Demands for Grants come up for discussion in the House. The Committee are unable to appreciate why the mere process of compilation and printing of annual report should take as many as 5 to 6 months. The Committee would like Government to take concerted measures to ensure that the process of compilation and printing is speeded up so that the report is made available to Members of Parliament along with other budget papers.

Reply of Government

As already explained to the Committee, preparation of the Report in the BPF requires time, for consolidation and analysis and three to four months for the press to bring out the English and the Hindi version. The Recommendation of the Committee is noted and every effort will be made to improve upon the date of presentation of the Report to the Parliament.

[B. P. E. O. M. No. 18 (1) Ad (F)/73].

Recommendation (Serial No. 27, Para No. 14.7)

The Committee, therefore, recommend that an examination of the information provided in the consolidated report brought out by the B.P.E. should immediately be undertaken with a view to improving the format and giving to Parliament information on all vital aspects affecting these undertakings in a properly analysed manner. Detailed proposals for improving the report and presentation of data in a meaningful manner and its timely submission to Parliament should be drawn up and submitted to the Committee on Public Undertakings for approval before implementation.

Reply of Government

Government accepts this recommendation. Detailed proposals in this regard will be drawn up and submitted to the Committee on Public Undertakings for approval before implementation.

[B. P. E. O. M. No. 18 (1) Ad (F)/73].

Comments of the Committee on Sl. Nos. 24, 25, 26 and 27

The Committee note that the proposals have been made by the Bureau of Public Enterprises for the consideration of the Committee on Public Undertakings which will no doubt take suitable action in the matter.

Recommendation (Serial Nos. 28 & 29, Para Nos. 15.5 & 15.6)

The Committee recommend that White Papers on new public undertakings or expansion of existing public undertakings involving an outlay of Rs. 100 crores or more to start with, in either case should be brought out by Government containing information on all significant aspects.

They would suggest that similar White Papers should also be brought out in respect of departmental manufacturing units which entail an expenditure of Rs. 100 crores or more, to start with. These White Papers should be presented to Parliament as and when ready, at any rate before the discussion on Demands for Grants.

Reply of Government

Government have since set up a Public Investment Board with the following functions:

- (a) Examination of the broad contours of an investment proposal in the project formulation stage based on which a decision to prepare the Feasibility Report would be taken;
- (b) Taking investment decision on proposals for public investment to produce goods and to provide services;
- (c) Consideration of proposals for revision of cost estimates which exceed those approved at the time of investment decision.

A copy of Ministry of Finance O.M. No. 26(6)/PF-II/70 dated 30-9-1972 is enclosed (at Appendix III).

Government accepts the recommendations that White Papers on new public undertakings or expansion of existing public undertakings and departmental undertakings involving an outlay of Rs. 100 crores or more, shall be presented to Parliament, before the discussion on Demands for Grants.

[B.P.E. O.M. No. F.1(68)/Adv(F)/72].

Recommendation (Serial No. 30, Para No. 16.3)

The Committee feel that despite instructions issued by Government from time to time for framing project estimates realistically, the general tendency to pitch the estimates low at the time of approval of projects by Parliament still persists. They suggest that all the information that is submitted by the Ministries to the Finance Ministry at the time of investment decisions, should be brought out and highlighted, at one place, say, in the Notes on Important Projects and Schemes, so that Members of Parliament are kept contemporaneously informed.

Reply of Government

Instructions have been issued from time to time laying emphasis on framing estimates realistically. In so far as projects/schemes (including the investments in existing or proposed public undertakings) are concerned, the Ministries are required to give detailed information on the objectives of the proposed project/scheme, its scope, demand assessment and details of product mix and its capacity, foreign collaboration, if any, capital cost estimates, likely dates of completion of the project and commencement of production, if any, estimates of profitability and likely return on capital employed when the project achieves full rated capacity production and cost benefit analysis. In the case of proposals for further investment in continuing schemes/projects, scrutiny involves *inter alia* the progress made, targets achieved, etc. After receipt of the above information, detailed scrutiny is made in the Finance Ministry. The institution of Internal Financial Advisers in the Ministries is also utilised for the scrutiny and estimation of provisions. The procedure regarding scrutiny of proposals for investment in the public sector has been recently revised with a view to removing the bottlenecks. A Public Investment Board has been set up on 30th September 1972, for examination of the broad contours of an investment proposal in the project formulation stage based on which a decision to prepare the Feasibility Report would be taken, for taking investment decision on proposals for public investment to produce goods and to provide services and for consideration of proposals for revision of cost estimates which exceed those approved at the time of investment decision.

The suggestion of the Committee that all the information that is submitted by the Ministries to the Finance Ministry at the time of investment decisions should be brought out and highlighted at one place, say in the notes on Important Projects and Schemes so

that Members of Parliament are kept contemporaneously informed, has been accepted by Government and accordingly necessary instructions have been issued to the Ministries to furnish all the necessary details for incorporation in the Notes on Important Schemes etc.

[Min. of Fin. O.M. No. F. No. 13 (6)-E (Coord) | dated 3-7-73].

Comments of the Committee

The Committee note that Government have accepted the recommendation. They hope that Government would ensure that all relevant and significant factors which have contributed towards investment decisions would be duly incorporated in the Notes on Important Projects and Schemes so that Members of Parliament are kept contemporaneously informed.

Recommendation (Serial No. 31, Para No. 17.4)

The Committee feel that a study to find out "worst cases" of rush of expenditure at the end of the year, as suggested by the Study Team of the Administrative Reforms Commission would be useful and should be undertaken by the Finance Ministry with a view to checking the tendency of rush of expenditure more effectively.

Reply of Government

The existing arrangements for financial control through Internal Financial Advisers coupled with a system of reporting and test checks carried out by the Financial Advisers of the Department of Expenditure accredited to the administrative Ministries are quite elaborate. Information has been called for from the Associate Finance Divisions regarding instances of worst cases of rush on expenditure at the end of the year. On the basis of this information, it is proposed to carry out some case studies on a selective basis. Based on the results of studies appropriate measures will be devised to curb recurrence of rush of expenditure towards the end of the financial year.

[Min. of Fin. O.M. No. F. 13 (5)-E (Coord) | 72 dated 26-6-1973].

Comments of the Committee

The latest position with regard to the measures taken to curb recurrence of such of expenditure towards the end of the financial year may be intimated for the information of the Committee.

Recommendation (Serial No. 33, Para No. 19.4)

The Committee note that Government have set up Public Investment Board in order to streamline and speed up decisions an investments. The Committee would like to watch the working of the Investment Board. The Committee, however, need hardly emphasise that the considerations weighing with the Public Investment Board in taking decisions about investments particularly these involving rupees hundred crores and more would be brought to the notice of Members of Parliament in Budget documents.

Reply of Government

The above recommendation of the Committee has been noted by Government. The considerations weighing with the Public Investment Board in deciding cases of investments involving Rs. 100 crores or more will be brought to the notice of Members of Parliament through the Annual Reports of the Ministry of Finance.

[Min. of Fin. Deptt. of Expenditure O.M. No. 32(31)/PF-II/72 dated 7-7-1973].

Recommendation (Serial No. 35, Para No. 21.5)

The Committee feel that the checks at present exercised by Government and the Planning Commission to ensure proper utilisation of grants and loans given to State Governments for development of backward areas and other special problems are not effective enough. They would suggest that the existing procedures may be reviewed in order to ensure full and proper utilisation of these funds and securing due development of the weaker sections or areas of the States.

Reply of Government

The procedure regarding the release of funds to State Governments for Centrally Sponsored Schemes has been modified *vide* this Ministry's letter No. F2(33)-P/71 dated the 22nd March, 1973 (copy enclosed at Appendix IV). Under the revised procedure automatic release of ways and means advances has been reduced from 10 instalments to 8 instalments and further release of funds by the administrative Ministries has been made conditional to the receipt of progress of expenditure within the stipulated date. It is hoped that this procedure would enable the administrative Ministries to keep a strict watch on the implementation of their programmes and make diversion of funds by States impossible.

[Min. of Fin. (Expdr.) O.M. No. F5(5) PFI/72 dated 30-6-1973].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT REPLY

Recommendation (Serial No. 4, Para No. 2.7)

The Committee have no doubt that Government would review the structure of Demands for Grants in respect of other Ministries/Departments as done already in the case of Ministry of Agriculture by the team of officers appointed by Government and that these would be finalised in consultation with Audit, keeping in view the observations made by the Committee in the earlier paragraphs.

Reply of Government

For 1973-74, the Demands for Grants were reconstructed on the lines in which the Demands for Grants for 1972-73 for the Ministry of Agriculture had been recast by the Team of Officers which was headed by the former Deputy Comptroller and Auditor General of India. As the pattern followed was the same for other Demands, further consultation with Audit was not found necessary.

In this connection attention is also invited to Paras 17 and 18 of the "Key to Budget Documents, 1973-74" and the "Introductory Note" in the 'Summary of Demands for Grants for 1973-74'.

[Min. of Fin. (E. A. D. O. M. No. F. 8(26)-B/72, dated 7-6-1973].

(Recommendation (Serial No. 18, Para No. 8.3)

The Committee welcome the proposal of the Government to rationalise presentation of items of expenditure by a standard object classification. They note that the official team in their Report have pointed out that this may have to be varied for Railways, Defence, P&T. and even for other civil Departments to indicate more precisely the types of expenditure incurred by them. The Committee would suggest that the standard objects of classification may be drawn up in respect of these Ministries/Departments also in consultation with Audit so as to observe uniformity in treatment, as far as possible. The Committee would also suggest that a comprehensive review of the standard objects of classification may be done after two or three years of gaining experience so as to make the presentation rational and more meaningful for purposes of accountability to Parliament.

Reply of Government

The recommendations of the Committee have been noted and action is being taken accordingly.

[Min. of Fin. (E.A.D.) O. M. No. F8(26)-B|72, dated 7-6-1973]

Further Information supplied by Government

The recommendation is accepted and standard objects of expenditure for the Departments, referred to, will be drawn up, in consultation with Audit wherever necessary.

However, for reasons which are obvious, it may not be feasible to draw up standard objects for expenditure, and exhibit the provision accordingly, in the case of Defence Services. It may also be added that for the Railways, this matter *inter alia* is under examination of a Task Force.

[Min. of Fin. (DEA) No. F8(26)-B|72 dated 14-12-1973].

Comments of the Government

The Committee would urge that the work relating to the drawing up of standard objects of classification in respect of the Ministries/ Departments concerned may be expedited, and the result of action taken intimated to them (Committee) expeditiously.

Recommendation (Serial No. 22, Para 12.2)

The importance of continuous research and study in budgetary matters in the interest of more intelligible presentation and better accountability to Parliament, needs no emphasis. The Committee would like Government to arrange for continuous research being carried out in this field with a view to make the information included in Budget papers more purposeful in the interest of accountability to Parliament and reflect the socio-economic and developmental objectives of Government. Elsewhere in the Report, the Committee have also suggested that an informative brochure may be brought out about resource allocation for various activities for the information of the public. The research staff could help to make this brochure comprehensive and presentable, keeping in view similar publications brought out on the subject by other countries.

Reply of Government

The recommendations of the Committee have been noted.

[Min. of Fin. (EAD) O.M. No. F8 (26)-B|73, dated 7-6-1973]

Further information supplied by Government

The recommendation of the Committee for the need for continuous research and study in budgetary matters and for making the information included in the Budget more purposeful in the interest of accountability to Parliament has been continuously kept in view.

As the Committee is aware, in the past 2½ years a number of improvements have been made both in the structure of the Demands and in the information supplied to Parliament at the time of presentation of the Budget.

The proposal of the Ministry of Finance which was approved by the Estimates Committee regarding the restructuring of the Demands was implemented in the 1973-74 Budget. The major features of this restructuring—bringing in one Demand revenue, capital and loan provisions, two tier presentation of Demands with appropriate details—have made the information provided in the Budget documents more purposeful in the interest of accountability to Parliament.

On the basis of the recommendations of the Team comprising representatives of Budget Division, Planning Commission and the then Deputy Comptroller and Auditor General of India, Shri A. K. Mukherji who was the Convener of the Team, Comptroller and Auditor General has prescribed completely revised Heads of classification which will also be adopted in the Budget. This classification, which takes into account the recommendation contained in U.N. Manual on this subject, attempts at reorientation of the accounts heads on a functional basis with stress on programmes and activities.

The introduction of the concept of Performance budget was also a measure to improve the quality of budgetary information to ensure better appraisal of performance and greater accountability.

Apart from improvements made in the information made available in the documents accompanying the Budget, for the first time a 'Key to the Budget' was also presented along with 1973-74 Budget. The Key *inter alia* explained the important and technical terms used in the Budget as well as the procedures relating to it.

It is true these improvements and changes, some of which involved considerable research and effort, were made as part of regular function of the Budget Division and without a special Research Cell. It

is, however, recognised that there is need for a Cell in the Ministry of Finance to undertake, on continuous basis, study and research on Budgetary matters. It is hoped that separate staff for undertaking research and study could be organised soon when conditions for augmentation of staff become more conducive.

[Min. of Fin. (DEA) No. F. 8(26)-B/72, dated 14-12-1973].

Comments of the Committee

While noting the earnest efforts being made by Government in recent years to improve the format and contents of Budget papers, the Committee feel that Government should have by now been able to find staff to attend to the vital problem of continuous research in order to make the budget papers more purposeful in the interest of accountability to Parliament and reflect the economic and socio-economic objectives of Government.

The Committee would like concrete action to be taken in this behalf without further delay.

Recommendation (Serial Nos. 34, Para 20.3)

While the Committee are not averse to the idea of greater decentralisation of powers, they consider that it should not lead to unnecessary proliferation of institutional arrangement already existing in the fields of financial advice; work study etc. They feel that a review of the system introduced in 1968 should be conducted by next year i.e. before the commencement of the Fifth Plan, with a view to removing bottlenecks, if any, and achieving the desired results with the utmost economy consistent with efficiency.

Reply of Government

Government agree with the recommendation of the Committee that the greater decentralisation of powers should not lead to unnecessary proliferation of institutional arrangements already existing in the fields of financial advice, work study etc. and this aspect will be kept in view while considering further delegation of powers to the Ministries/Departments or while reviewing the existing powers in due course. As regards the recommendation of the Committee that review of the system introduced in 1968 should be conducted during 1973-74, it may be stated that the system of internal financial advice functioning in the Ministries and the exercise of the delegated powers by them has been under constant watch of the Ministry of Finance and remedial measures are taken wherever

necessary in order to remove the bottlenecks in the exercise of these delegated powers for speedy implementation the schemes etc. Ministry of Finance have recently revised the procedure regarding the clearance of the schemes through the Expenditure Finance Committee. The system introduced on 18-12-1972 is intended to cover a long range problem and its working has to be judged with reference to the results achieved over a long period. Government have, however, set up a group of Ministers to examine the adequacy of the existing powers available to the Ministries and to consider the delegation of more powers to them particularly with a view to removing the bottlenecks in the speedy implementation of the developmental schemes and also satisfying the requirements of the changing circumstances. This would naturally entail a fresh review of the delegation of powers given in the scheme of 1968.

[Min. of Fin. O.M. No. 19 F.13 (4) |E (Coord) |72, dated 26-6-1973]

Further Information Supplied by the Government

In addition to what has already been stated in the earlier reply of the Government, it may be stated that question of further delegation of financial powers is under consideration of the Government.

[Min. of Fin. O.M. No. F. 13 (7) -E (Coord) |72, dated 17-12-73]

Comments of the Committee

The result of examination by the Group of Ministers regarding the adequacy of the existing powers available to the Ministries with a view to removing the bottlenecks in the speedy implementation of the developmental schemes and also satisfying requirements of the changing circumstances may be intimated for the information of the Committee. Action taken in pursuance of the recommendations of the Group of Ministers may also please be indicated.

CHAPTER IV

RECOMMENDATION IN RESPECT OF WHICH REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 8, Para No. 4.7)

The Committee reiterate that the limits of grants to private institutions should apply to the totality of grants sanctioned by Government as a whole rather than the grants sanctioned by individual Ministries|Departments. They see no serious difficulty in following the suggestion made by the Public Accounts Committee by devising suitable procedural measures.

Reply of Government

The recommendation of the Committee has been considered. It is felt that there will be many practical difficulties in adopting the procedure suggested by the Committee. The earlier recommendation of the P.A.C. that cases of grants-in-aid to private institutions amounting to more than Rs. 5 lakhs recurring and Rs. 10 lakhs non-recurring should be specifically brought to the notice of Parliament for approval and that these limits should apply to the totality of the amounts sanctioned to an institution by the various Ministries of the Government and not to grants sanctioned by individual Ministries, was intended to be in the nature of a control mechanism. The difficulties in the way of applying whatever limits are decided upon, with reference to the totality of grants given by the various Departments of the Government, were explained to the P.A.C. on more than one occasion. Finally, in their 50th Report they made the suggestion that the difficulty can be overcome by maintaining a list of institutions which have received more than Rs. one lakh from any Ministry during the last 3 years and bringing the list up-to-date every year by a coordinating Ministry nominated in this behalf. Even this suggestion was found to involve difficulties as detailed below, and it was also felt that it may not serve the object which the P.A.C. had in view. Accordingly in the "action taken note" submitted on 14th November, 1969 (copy enclosed at Appendix V), the P.A.C. were requested not to press their recommendations and to agree to the application of the monetary limits with reference to the grants-in-aid to a private institution for a particular purpose by individual Ministries.

The reasons furnished by Government in their "action taken note" were based on the various difficulties that are likely to be encountered in adopting the procedure suggested by the Committee. These were, firstly, that regulating the cases with reference to a list of institutions receiving grants of more than Rs. 1 lakh may not be reliable as the list, apart from being compiled on the basis of past grants, will not include individual grants of less than Rs. 1 lakh given to the same institution by more than one Ministry which may add up in the aggregate to more than the prescribed monetary limit. There is also the further point that separate limits have been prescribed for recurring and non-recurring grants. It will not be possible to set off the amount of a particular sanction against one or other of these limits without a meticulous examination of the purpose of the grant and this may entail additional labour and protracted correspondence. These difficulties can be met only if a list of all grants-in-aid paid by Government is drawn up, kept up to date and also circulated to all the Ministries, thereby resulting in considerable work all round. Secondly, regarding the suggestion for designating a particular Ministry as the coordinating Ministry for this purpose to whom all copies of sanctions of grants-in-aid could be endorsed, apart from the extra work-load involved it was pointed out that such over-centralisation may prevent effective timely action as in some cases grants would have been paid by the time the sanctions reach the coordinating Ministry. As regards the suggestion that each administrative Ministry should consult the coordinating Ministry before grants of Rs. 1 lakh or more are paid, adoption of such a procedure would entail avoidable inter-Ministerial correspondence and possible delay in payment of grants. Besides such a procedure can be effective only if the coordinating Ministry kept itself posted with the up-to-date position regarding the grants paid to the various institutions treating recurring and non-recurring grants differently. Further, acceptance of the recommendation of the Committee would slow down the disbursement of grants specially towards the close of the financial year, and the undisbursed grants would lapse, necessitating fresh sanctions in the following year. On the other hand, if grants were disbursed by the concerned Ministries, without such prior scrutiny by the coordinating Ministry, then the stipulated limits could well be exceeded, and there would be contravention of the Committee's direction.

In view of the reasons given to the PAC and equally valid in the present case, the Estimates Committee are also requested not to press their recommendation.

[Min. of Fin. O.M. No. F.13(2)-E(Coord.)|72 dated 5-7-72]

Comments of the Committee

Please see para 3 of the Report (Chapter-I)

Recommendation (Serial No. 32, Para 18.4)

The Committee feel that rather than merely issuing the instructions and leaving further action to the initiative of the Ministries Departments, a more active role is required to be played by the Ministry of Finance and the Planning Commission to develop the concept of 'forward looking budgets' so that advance planning of men and materials is taken up seriously at least in the Fifth Five Year Plan.

Reply of Government

Steps have already been taken to implement the observations of the Committee. Along with the Budget papers notes on important projects and schemes giving the various details is already being circulated. Steps have also been taken to add greater details in the description of schemes etc. in the notes on important projects and schemes *vide* the 'Action taken' statement regarding Para 5.4 of the above Report of the Committee forwarded with this Ministry's O.M. No. F. 8(26)-B/72 dated 7-6-1973.

2. The developmental Plans of the various administrative Ministries are discussed with each Ministry by the Planning Commission and the Ministry of Finance with a view to assessing the physical possibilities and financial resources that are available both in the context of the Annual Plan and the Five Year Plan. The physical targets for the Annual plan and the assistance made available on their basis are thus co-related with a forward looking assessment of men and materials. It has, however, to be appreciated that it may not always be possible to either accurately forecast or fully disclose the perspectives and future requirements for such activities or services, for instance in the case of Defence services.

Discussions are at present also held in the Planning Commission in consultation with the Ministry of Finance with the Public Sector Enterprises. An attempt is being made to enlarge the years covered by the Perspective Plan in respect of the Public Sector Enterprises in such a manner that as against the assessment for a particular year, the projection for subsequent years could be updated every year.

[Min. of Fin. O. M. No. F13(7)-E(Coord)/72 dt. 5.7.73]

Further Information Supplied by Government

The whole question of a 'forward looking Budget' for men and materials/effective implementation of Projects in 5th Plan with a view to achieving the socio-economic objectives has been engaging the attention of the Planning Commission. The organisational frame-work is being worked out and suitable procedures would be evolved in the following months.

[Min. of Fin. O.M. No. F13(7)-E(Cocrd)/72 dt. 17.12.73].

Comments of the Committee

Please see paras 19 and 20 of the Report (Chapter-I).

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED.

Recommendation (Serial No. 19, Para No. 9.3)

The Committee are enable to appreciate how in the absence of clear guidelines expenditure could be classified as Plan and non-Plan. The committee would like the Planning Commission and Government to finalise the matter without further delay so that clear guidelines in this behalf are issued and observed in preparing the budget documents. These guidelines should also be clearly mentioned at a suitable place in the budget documents for the information of the Members of Parliament. The Committee have no doubt that in issuing the guidelines, the Planning Commission|Government would take into account the proposals of the Ministry of Finance to rationalise the Accounting Heads.

Reply of Government

The above recommendation of the Committee is being examined in consultation with the Planning Commission. The Committee will be informed of the decision of the Government as early as possible.

[Min. of Finance (Expenditure Department) O. M. No. F5(5)-PEI|73 dated 30-9-1973].

Comments of the Committee

Please see para 15 of the Report (Chapter-I)

Recommendation (Serial No. 36, Para 21.6)

The Committee also feel it necessary that Parliament should be contemporaneously informed through budget documents as to how far the various socio-economic objectives which had been kept before the country by Government had been realised during the previous year and what further steps were proposed in the gudget year. For this purpose, they would suggest that the Ministry of Finance in conjunction with the Planning Commission may examine as to how far the information given at present in the budget papers, Annual Plan Document and the Annual Reports of the Ministries

needs to be supplemented. It may also be ensured that the Annual Reports and the Annual Plan document are made available to Parliament before the Demands come up for detailed discussion.

Reply of Government

The above recommendation of the Committee is being examined in consultation with the Planning Committee. The Committee will be informed of the decision of the Government as early as possible.

[Min. of Fin. O.M. No. F.13(7)-E(Coord)/72 dated 26-6-73]

Further Information Supplied by Government

The whole question of a 'forward looking Budget' for men and materials|effective implementation of Projects in 5th Plan with a view to achieving the socio-economic objectives has been engaging the attention of the Planing Commission. The organisational frame-work is being worked out and suitable procedures would be evolved in the following months.

[Min. of Fin. O. M. No. F13(7)-E(Coord)/72 dt. 17.12.73]

Comments of the Committee

The decision in the matter may be expedited and communicated to the Committee as early as possible. The factual position about review of performance for the previous plan year and information about the next plan year may also be intimated to the Committee expeditiously.

NEW DELHI;
December 20, 1973

Agrahayana 29, 1895 (S).

K. N. TEWARI
Chairman,
Estimates Committee.

APPENDIX I

(Vide Recommendation No. 6 in Chapter II)

Name of the Ministry/Department	Date on which Part III laid	Date on which discussion started in Lok Sabha
1	2	3
Commerce	16-3-73	6-4-73
Communications	”	27-4-73
External Affairs	”	18-4-73
Home Affairs	”	28-3-73
Information and Broadcasting .	”	27-4-73
Labour and Rehabilitation .	”	25-4-73
Planning	”	27-4-73
Law, Justice and Company Affairs	”	27-4-73
Works and Housing	”	27-4-73
Culture	”	4-4-73
Electronics	”	27-4-73
Science and Technology	”	2-4-73
Space	”	27-4-73
Supply	”	27-4-73
Parliament, Department of Parliamentary Affairs, Secretariats of the President and Vice President and U.P.S.C.	”	27-4-73
Agriculture	21-3-73	16-4-73
Education and Social Welfare	”	4-4-73
Health and Family Planning	”	27-4-73
Heavy Industry	”	3-4-73
Industrial Development	”	2-4-73
Irrigation and Power	”	9-4-73
Petroleum and Chemicals .	”	27-4-73
Tourism and Civil Aviation	”	27-4-73
Atomic Energy	”	27-4-73

1	2	3
Defence	26-3-73	23-4-73
Finance . . .	”	27-4-73
Shipping and Transport	”	27-4-73
Steel and Mines .	”	27-4-73

APPENDIX II

(Vide Recommendation Nos. 10, 11 and 12 in Chapter No. II)

B. MAITHREYAN,
Joint Secretary

D.O. No. F. 3(69)-B|72

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 5th December, 1979

SUBJECT:—*Demands for Grants for the year 1973-74 Preparation of Notes on Important Schemes and performance-cum-programme statements.*

Dear Shri

Please refer to my d.o. No. F. 3(6)-B|72 dated the 24th April, 1972 enclosing a copy of the First Report submitted by the Team on Reforms in the Structure of Budget and Accounts and a copy of the Note Submitted to the Estimates Committee of Parliament seeking its approval to the adoption of the recommendations of the Team. Under the revised arrangements proposed, the Notes on Important Schemes and Projects which are now brought out as a separate document will from 1973-74, be appended to Part III of the Demands for Grants of the respective Ministries.

During the course of examination of this Ministry on the Note submitted to it, the Estimates Committee referred to the insufficiency of the information contained in the Notes on Important Schemes and Projects, especially those relating to public sector undertakings. The Committee desired that the Notes should invariably contain factual information on the following points:

- (a) objective underlying the project.
- (b) original cost of the project.
- (c) if it was revised later, when it was revised and why it was revised.
- (d) original schedule of completion of project or scheme.

- (e) whether a target date of completion was adhered to; and if not, the reasons therefor.
- (f) if it is a plan scheme, whether the targets laid down in the Plan are being achieved; and if not, the reasons therefor.
- (g) the installed capacity and the actual level of utilisation, the percentage of the latter to the former and the reasons for under-utilisation wherever the installed capacity is not being utilised.
- (h) the phasing of investment on the Project or in other words the estimate of investment contemplated in each of the succeeding years till the completion of the Project.

We have assured the Committee that we would incorporate in the Notes on Schemes and Projects information on all these points. It is, therefore, necessary that the administrative Ministries initiate timely action to get all the relevant information from the public sector undertakings under their control. As the BPE is intimately connected with the working of public sector undertakings, it has also been decided that the Notes on Projects relating to public sector undertakings should be scrutinised by the Bureau in regard to their adequacy before they are incorporated in the budget document. It is, therefore, requested that the Notes on Schemes and Projects may be prepared in two parts, (1) relating to public sector undertakings; (2) other schemes and projects. While forwarding the material to this Division (in triplicate) a copy thereof may be sent simultaneously to the accredited Expenditure Division of the Ministry|Division of the Ministry|Department for their comments. A copy of the Notes relating to the first part may also simultaneously be sent to the BPE (by name to Shri D. K. Chakravorty, Adviser, Finance).

In spite of our instructions year after year we regret to note that in quite a few cases material is sent by the Ministry very late and also in an incomplete form. Some-time assorted booklets or notes prepared in some other connection are sent to us with the result that within the short time available it becomes an extremely difficult task for us to wade through the mass of material and bring out a concise and meaningful note. You may, therefore, kindly ensure that the note is brief, factual and readable. Some of the other important points which are to be borne in mind while preparing the notes are:

- (1) In respect of the Public sector undertakings, the Notes should definitely include all the information asked for in the circular D.O. letter dated 18th November, 1968 from the Secretary (Expenditure) to all the Secretaries (copy enclosed). I am particularly mentioning this because the material received in the previous years did not always include information in respect of all the items prescribed. As stated in the Circular D.O. letter it is essential that this information is provided to Parliament in view of the commitment given to the Estimates Committee.
- (2) Also, in respect of public sector undertakings, performance-cum-programme statement and Business type of budgets are to be made available to Parliament at the time of the annual budget. In this connection attention is invited to the proforma for the preparation of performance-cum-programme statements sent under this Ministry's circular letter dated 5th May, 1971 (copy enclosed). It is necessary that statements are prepared in the above mentioned proforma in respect of all the undertakings. Performance and Efficiency indices to be indicated by the Undertakings (Item VI of the proforma) should be comprehensive and should bring out the performance of the undertakings. While we have left to the undertakings to construct these indices a few guidelines are indicated below on the basis of which perhaps, the indices may be developed by the undertakings more meaningfully. The indices to be developed may, for example relate to efficiency in:—
- (a) consumption of raw materials per unit of output (estimated and actual);
 - (b) consumption of fuel, power, etc. per unit of output (estimated and actual);
 - (c) total capacity and capacity under utilisation of plant, machinery and other assets (percentages);
 - (d) manpower and labour utilisation; and
 - (e) cost per unit of output (anticipated and actual).
- (3) It will not be necessary to include the material in respect of public sector undertakings again in the Performance Budgets being prepared by the Ministries. In other words, these Notes on Schemes should be made as comprehensive as possible so far as public sector undertakings are concerned.

- (4) The material in respect of all public sector and other autonomous bodies should be furnished whether or not there is any specific budget provision for investment, loan, grant, etc.
- (5) In respect of other schemes, projects and programmes, the notes should be confined to those costing Rs. 1 crore or more and for which provision is made in the Budget (Plan or non-plan) giving up-to-date information about the scope of the project, scheme and programme, the total estimated outlay, the results, expected from it, the progress in the execution and the estimated progress at the end of the Budget year.

The notes should include detailed account of the progress in terms of both financial outlays and physical achievements and it should be explained as to what extent the programme for targets of the earlier year or years have been realised and furnish to the extent practicable the reasons for the shortfall, if any.

Similar notes may be furnished in respect of projects or schemes costing less than Rs. 1 crore if the Ministries consider them particularly important.

It is emphasised that every endeavour should be made to give a full picture of the objectives, scope, outlays, targets, accomplishments, financial results (where practicable), etc., in support of the budget provisions.

- (6) The notes should include schemes, projects and programmes executed through autonomous bodies and State Governments also and a clear indication to this effect should be given in the notes.

The notes should reach us in triplicate (with a copy to the BPE in so far as they relate to public sector undertakings) latest by 1st January, 1973 and the Hindi version by 8th January, 1973. In some cases you may find it difficult to adhere to this time schedule, as the relevant budget proposals may still be under consideration. In such cases, write-up material may be sent in advance, leaving blanks at places where the budget provisions are to be indicated. As soon as the relevant proposals are finalised, the budget provisions may be intimated to us.

It is possible that decision in regard to some of the new schemes and projects may be taken after the date fixed for the transmission

of the above material. It is essential that as soon as these decisions are taken a write-up on the above lines is sent so that the same may be incorporated in the budget documents. I need hardly add that non-inclusion of information on new schemes and projects would greatly detract from the value of the notes, besides laying ourselves open to criticism.

While preparing the note limited space that could be allotted to each project or scheme in the budget documents for these notes may also please be kept in view. Our endeavour should be to present not only a comprehensive picture but also to make it compact.

It will be useful if you could kindly nominate one of your officer to co-ordinate this work within your Ministry/Department under intimation to us and to the B. P. E. So far as the Budget Division is concerned. Shri A. Bhattacharya, Deputy Secretary, will coordinate the work. You may kindly arrange to send all the material to him.

Yours Sincerely,
(B. MAITHREYAN).

Shri
Joint Secretary,
Ministry
_____of
Department

No. F. 3(69)-B|72

Copy for information to Lok Sabha Sectt. (Estimates Committee Branch).

(B. Maithreyan)

No. F. 3(69)-B|72

Copy forwarded to all Financial Advisers with the request that they may please ensure that the material is sent by the Ministries by the prescribed dates. They are also requested to communicate their comments thereon immediately.

Copy also forwarded to Shri D. K. Chakravorty, Adviser (Finance), B.P.E. with reference to his d.o. No.—BPE-1(84) Adv(F)|72 dated 21-11-72.

(B. Maithreyan)

P. Govinda Nair,
Secretary (Expenditure)

D.O. No. 43|ADV (F)|BPE|68-22

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
BUREAU OF PUBLIC ENTERPRISES

New Delhi, the 18th November, 1969

My dear

The Committee on Public Undertakings in its 15th Report on Financial Management in Public Undertakings has made the following observations with regard to the approval by Parliament of the capital outlay proposed to be made during the financial year on the existing public sector undertakings as well as in respect of new ones proposed to be set up.

Recommn. 24 "The Committee suggest that whenever demands for additional investment in public undertakings either by way of loan or equity, are placed before Parliament, detailed up-to-date information about the past investments in such undertakings, their achievements and working results should be given so that Parliament can exercise more effective scrutiny before approving the demands."

Recommn. 25 "So far as new public undertakings are concerned, the Committee are of the view that prior approval of Parliament should be obtained before registering a Government Company as far as possible. Government should also lay before Parliament a document giving in detail the objectives of the proposed undertaking, its expected profitability, financial and other obligations".

2. The replies furnished to the Committee are reproduced below:—

The setting up of a new public undertaking is treated as a "new service" which means that investment therein is made after obtaining Parliament's approval thereto either through the annual budget of the coming year or through a supplementary grant during the course of the year. In urgent cases, advances from the Contingency Fund are taken, but these are recoupled by presenting supplementary demands to Parliament in accordance with the Contingency Fund rules.

While obtaining approval of Parliament through the annual budget or supplementary demands, detailed information as far as

possible on the objectives, scope, capital cost, foreign participation if any, profitability and other financial obligations will be incorporated in the "Notes on important Schemes" which are appended to the Volumes of Demands for Grants of the Ministries concerned, or in the explanations below the supplementary demands as the case may be.

In each volume the Demands for Grants of the Ministries concerned, a separate section will be added which will specifically contain the list of all "New Service" and "New instrument of service" items included in the budget documents relating to public sector undertakings. This section will show the details of investment either by way of loan or equity in public undertakings indicating also the references where full details such as the objectives of the new undertaking, their capital cost, foreign participation, financial obligations, profitability etc. are given in the budget documents. Similar information in respect of new service items will also be given in the introductory note to the "Supplementary Demands".

3. In order to give effect to the proposed procedure the following may be noted.

Existing undertakings: Alongwith the budget proposal regarding additional investment either in the form of equity or loans in an existing undertaking, a brief write up may be sent to the Budget Division of the Finance Ministry detailing up-to-date information on the performance of the undertaking, which may *inter-alia* include:

- (i) The total capital cost of the project showing also the expenditure incurred up-to-date including the utilisation of internal resources for the purpose. Any likely increase in the capital cost may be also indicated.
- (ii) The total investment in the undertaking by way of loan or equity, showing also the repayment of loans, if any.
- (iii) The physical progress of the construction activities, erection of plant and machinery, township etc. and the likely date of the completion of the project and commencement of production.
- (iv) Information relating to expansions that may have been undertaken or are proposed to be undertaken in the immediate future.

(v) Production achievements in physical terms together with a comparison of the level of previous years' production, etc. and

(vi) Dividends, if any declared.

New or proposed Undertakings:

The setting up of new public undertakings is treated as a 'new service' which means the investment therein is to be made only after obtaining Parliament's approval thereto either through the annual budget of the coming year or through a supplementary grant during the course of the year. (In urgent cases advances from the Contingency Fund are taken, but these are recouped by presenting supplementary demands to Parliament in accordance with the Contingency Fund Rules). While obtaining the approval of Parliament whether through the annual budget or through supplementary demands, it will be necessary to give detailed information in the 'Notes on important schemes' which are appended to the volumes of the "Demands for Grants" of the Ministries concerned or in the explanations below the supplementary demands as the case may be. In order to incorporate full information in this regard in the budget documents, it is requested that alongwith the demands for investment either in the form of equity or loan in new public undertakings a brief write up may please be sent to the Budget Division of the Finance Ministry indicating the information on the following points:—

- (a) Objectives of the proposed undertaking and its scope;
- (b) Demand assessment and details of product mix and its capacity;
- (c) Location of the undertaking;
- (d) Foreign collaboration, if any.
- (e) Capital cost estimates, together with foreign exchange components;
- (f) The likely dates of completion of project and commencement of production;
- (g) Estimates of profitability; and likely return on capital employed when the project achieves full rated capacity production; and
- (h) Cost benefit analysis.

I shall be glad if you will kindly ensure that detailed information on the lines suggested above is invariably sent in future to the Budget Division of the Finance Ministry alongwith the demands for investment in public undertakings for incorporation in the Budget| Supplementary Demands documents.

Yours sincerely,
Sd|- (P. Govindan Nair)

Immediate|Budget

No. F. 3(70)-B|70

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 5th May, 1971.

OFFICE MEMORANDUM

SUB:—*Demands for Grants for the year 1971-72-Preparation of Notes on Important Schemes and performance-cum-programme Statements.*

The undersigned is directed to refer to this Ministry's O.M. No. F. 8(6)-B|60 dated, the 12th June, 1961 wherein extracts of the recommendations made by the Estimates Committee (Second Lok Sabha) in their 73rd Report regarding the preparation of performance-cum-programme Statements were communicated to the Ministries. It would be recalled that the Committee recommended that the Public Sector Undertakings should prepare performance cum-programme Statements for the Budget year as well as for the previous year and that it should be made available to Parliament at the time of the Annual Budget. The Committee further suggested that the specimen forms in which the Public Sector Corporations in U.S.A. are required to submit their Statements and Budgets to the Congress might be suitably adopted for use by Public Sector Undertakings in India. Based on these recommendations, the Ministries were requested to evolve the necessary suitable forms of the Statements, where necessary, in consultation with th undertakings concerned.

2. From the material furnished for notes on Important Schemes and Projects including Public Sector Undertakings by different Ministries this year in response to this Ministry's D. O. lètter No.

F. 3(70)-B/70 dated 17th November, 1970, it is noticed that the performance-cum-programme Statements have been prepared for a few public sector undertakings and further there is no uniformity in the form of the Statements furnished for these few undertakings.

3. Keeping in view the requirements indicated by the Estimates Committee, a proforma for the preparation of performance-cum-programme Statements has been evolved and is sent herewith.

4. The Ministry of Defence etc., are requested to send this Ministry immediately the performance-cum-programme statements in respect of public sector undertakings in the enclosed proforma preferably for inclusion in the final Budget Documents for 1971-72 itself. The proforma may, in any case, be adopted for sending material for inclusion in the Budgets for future years.

Sd/- (K. S. Sastry)

Deputy Secretary to the Government of India.

To

All Ministries and Departments of the Government of India.

Physical Achievements	Rated Capacity	Attainable Capacity	Targets (1969-71)	Actuals	Targets	Revised Targets	Budget Estimates (1971-73)
(a) Production							
(b) Sales							
II. Results of Operations							
(a) Gross Earnings	1969-70 (Actuals)		1970-71 (Revised Estimates)			1971-72 (Budget Estimates)	
(b) Cost of sales excluding Depreciation and interest							
(c) Gross Profit before provision for Depreciation/interest							
(d) Net profit before taxation							
(e) Tax Provision							
(f) Net Profit (+) Loss (-) after taxation							
(g) Equity Dividends:							
(i) Rate per cent							
(ii) Dividend declared							
(h) Percentage of Net Profit on paid-up Capital							
III. Inventories as at the close of the year :							
(a) Raw materials, stores and spares	1969-70 (Actuals)		1970-71 (Revised Estimates)			1971-72 (Budget Estimates)	
(b) Stock (finished and semi-finished goods)							
(c) Total Inventories							

(d) Percentage of total Inventories to Sales

1971-72
(Budget Estimates)

1970-71
(Revised Estimates)

1969-70
(Actuals)

IV.A.—Sources & Application of Funds

Sources:

(a) Paid-up Capital

(i) Central Government

(ii) Others

(b) Reserves and Surplus

(c) Depreciation Actuals

(d) Loans

(i) From Central Government

(ii) From Others

(e) Current Liabilities

(f) Deferred Credits

(g) Other items

Applications

(a) Gross Block

(b) Investments

(c) Current Assets

(d) Other items

	1969-70 (Actuals)	1970-71 (Revised Estimates)	1971-72 (Budget Estimates)
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IV. *B. Net Work
Capital Employed*

*Return on Central
Government Investments:*

- (a) Interest on long-term Loan
- (b) Interest on short-term loan
- (c) Dividend on Equity

Performance and Efficiency indices

(These would vary from undertaking to undertaking. They should be standardised in respect of each so that the same data is made available to the Parliament every year subject to such additions and improvements that may be thought of. These indices should also be projected for the Budget year).

APPENDIX III

(Vide Recommendation Nos. 28 and 29 in Chapter II)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

(Plan Finance Division)

No. 26 (6) |PF-II|70

Dated September 30, 1972.

OFFICE MEMORANDUM

SUBJECT:—Public Investment Board.

The current procedure of scrutinising proposals for investment in the public sector is governed by circulars issued by the Ministry of Finance (Plan Finance Division and the Bureau of Public Enterprises) during 1967 and 1968. This procedure distinguishes three stages of investment scrutiny viz., project formulation, feasibility study and detailed project report. In the Ministry of Finance the Financial Adviser is the focal point for receipt of Feasibility Reports (FR) and Detailed Project Reports (DPR) and for consolidating the views of the Ministry of Finance on the investment proposals. Thereafter a series of meetings takes place at different levels in the administrative Ministry, the Ministry of Finance, Planning Commission, etc., to discuss and process these investment proposals.

2. This procedure was carefully re-examined some time back and the following important shortcomings were noticed:

- (a) Too many meetings at different levels and at different places tended to delay the investment scrutiny;
- (b) The basic and broader issues which tended to get mixed up with the less important ones could not get isolated and brought up in clear focus to high decision making levels adequately early in the process of investment decision;
- (c) There was no fixed and identifiable high forum for investment decision.

With a view to removing these shortcomings, the Central Government have decided to set up a Public Investment Board. Subject to what has been stated in para 3 below the functions of this Board will be as follows:

- (a) Examination of the broad contours of an investment proposal in the project formulation stage based on which a decision to prepare the Feasibility Report would be taken;
- (b) Taking investment decision on proposals for public investment to produce goods and to provide services;
- (c) Consideration of proposals for revision of cost estimates which exceed those approved at the time of investment decision.

3. All proposals for public investment in public sector corporations|undertakings involving an amount of Rs. 1 crore and above should be referred to the Board. Proposals on behalf of departmental undertakings which are now referred to the Expenditure-Finance Committee should thereafter be referred to the Board if the investment is of Rs. 1 crore and above. The proposals below Rs. 1 crore will continue to be referred to the Expenditure Finance Committee (EFC). Investment proposals in the joint sector involving direct Government capital investment (excluding that of public financial institutions) of Rs. 1 crore and above should also be referred to the Board. Proposals in which the investment involved is less than Rs. 1 crore will continue to be processed as per current practice. Investment proposals of the Ministry of Railways, Ministry of Defence, Department of Atomic Energy, Space and Electronics will be outside the purview of the Plan Investment Board. Approval of statutory authorities wherever prescribed or necessary would be obtained by the Administrative Ministry concerned on the decision of the Board. It should normally not be necessary to seek direct approval "in principle" of the Cabinet for an investment proposal without referring it to the Public Investment Board.

4. The composition of the Public Investment Board would be as follows:

Secretary (E), Ministry of Finance	. . . . .	Chairman
Secretary (EAD), Ministry of Finance	. . . . .	Member
Secretary, Planning Commission	. . . . .	Member
Secretary, Industrial Development	. . . . .	Member
Secretary to the Prime Minister (Dr. P. N. Dhar)	. . . . .	Member
Secretary of the administrative Ministry concerned with the public investment proposal	. . . . .	Member

Additional Secretary and Director General, Bureau of Public Enterprises will be a permanent invitee.

5. The Board would be serviced by the present Plan Finance Wing, Department of Expenditure, Ministry of Finance. The Board would meet periodically and may issue such instructions as may be necessary for the effective discharge of its functions. With the constitution of the Board and with the procedure prescribed, there should be no need hereafter for prolonged correspondence and for too many internal and inter-ministerial meetings at different levels.

6. There are three distinct stages through which a project idea travels before a public investment takes place. These are project formulation, feasibility study and detailed project report. Investment proposals in the first two stages only should be referred to the Public Investment Board for a decision. The third stage *viz.*, the examination and clearance of the Detailed Project Report and all related substantive expenditure sanctions would continue to be handled as at present by Financial Advisers in consultation with the Ministries concerned. However, if a Detailed Project Report or any other revision throws up a cost estimate which exceeds by more than 20 per cent the amount approved at the stage of investment decision by the Board, the matter should be referred to the Board again.

7. It will be desirable to keep these three stages distinct and separate. In any case, the stages of Feasibility Report and Detailed Project Report should not be telescoped. Without a clear prior investment decision, a Detailed Project Report should not be prepared which involves expenditure of considerable time and funds and which goes into details such as engineering designs, drawings, construction data etc. Expenditure should not also be undertaken on preliminaries such as land acquisition, Railway lines and sidings, side preparation etc., prior to investment decision. At the project formulation stage a preliminary and broad consideration is given to the question of priority and to the position of the investment proposals in the context of the Annual and Five Year Plans. This stage is usually relevant well before preparation of Annual|Five year Plans by the administrative Ministry concerned with the public sector investment or when investments not already provided in the Plan are proposed from time to time. The administrative Ministry should very closely associate the Planning Commission at this stage. It is also necessary during this stage to associate the Plan Finance and Project Appraisal Wing, and where foreign exchange implication is serious, the Department of Economic Affairs also. After such

consultation a report should be drawn up, incorporating the views of the concerned agencies where differences exist, by the administrative Ministry, for submission to the Public Investment Board through the Plan Finance and Project Appraisal Wing. A Feasibility Report should be prepared if the Board, after considering the report, directs so.

8. In the second stage after preparation of the Feasibility Report sufficient copies thereof should be sent by the administrative Ministry along with a note containing their views and recommendations to the concerned Financial Adviser in the Department of Expenditure. We will immediately forward for comments copies of the Report to the Planning Commission, Bureau of Public Enterprises, Plan Finance and Project appraisal Wing in the Department of Expenditure and to the Department of Economic Affairs and any other agency, deemed necessary considering the contents of the Feasibility Report. Such comments should relate largely to the broader issues which require consideration at a high level at the beginning itself. Example of such issues are:—

- (a) The contribution of the project to the economic and social objectives and adherence to concerned policies of Government;
- (b) The advisability of undertaking the project in the public sector, in the joint sector or leaving it to the private sector;
- (c) Availability of Plan Funds, desirability of diversion of Plan funds to the new projects from those already on hand;
- (d) The plant capacity and the timing of the investment in the light of supply and demand balance including export possibilities of the product|service to be provided;
- (e) The economic benefits of the project as distinct from financial returns;
- (f) Crucial assumptions in the Feasibility Report which are likely to affect the performance of the commissioned project in relation to the claims made thereon in the Feasibility Report;
- (g) Major technological and constructional aspects which may have a bearing on the investment decision.

9. The Financial Adviser will arrange to obtain the comments expeditiously, consult the administrative Ministry concerned if necessary and prepare a report suitably incorporating the comments of different examining agencies and further views of the administrative Ministry, if any. The number of internal and inter-Ministerial meetings and consultations should be kept to the minimum with a view to cutting down the time taken in preparing the Financial Adviser's report. This report along with the Note, if any, from the administrative Ministry will be forwarded to the Plan Finance and Project Appraisal Wing by the Financial Adviser. The latter will prepare a final appraisal report for the consideration of the Investment Board bringing out the essential points of and enclosing the Notes of the administrative Ministry, of the Financial Adviser and of the Project Appraisal agency of the Planning Commission, if any. This final appraisal report would examine in detail the financial and economic features of the proposed investment, of the assumptions made relating to production, prices etc. The decision of the Board on this appraisal would be either to go ahead with the investment or to drop it or to modify it. Following an affirmative investment decision, the Financial Adviser will give specific sanctions for essential preliminaries of project execution which will not depend to any serious extent on the Detailed Project Report to be prepared subsequently. Such sanctions will be preceded by a quick examination of such details of the project as the Financial Advisers may deem necessary and that did not figure in the deliberations of the Board.

10. It will be the responsibility of Plan Finance and Project Appraisal Wing besides furnishing its comments on the Feasibility Report to the financial Adviser to:

- (a) keep in touch with the Financial Adviser to ensure that Feasibility Reports are examined expeditiously;
- (b) get the meetings of the Board convened as frequently as may be necessary;
- (c) prepare the final appraisal report covering the main issues arising out of the comments referred to earlier and place it before the Board.

11. Normally, a Feasibility Report should be brought up before the Board alongwith the appraisal report within a period of three months of the receipt of the Report. Project proposals not ready for decision of the Board within three months of their receipt should be

periodically brought to the notice of the Chairman of the Board by the Project Appraisal Wing.

12. It is, however the responsibility of the administrative Ministry to ensure that Feasibility Reports contain all essential data, presenting meaningful alternatives with adequate analysis for choice and that they are sent for scrutiny in the Ministry of Finance well in time so that haste in scrutiny vitiating its usefulness is avoided.

13. The appraisal report to be considered by the Board will be circulated to the members of the Board at least a week ahead of the meeting and should be sent to the administrative Ministry at least a fortnight ahead of the meeting. This is to enable the administrative Ministry to be fully prepared to clarify questions likely to be raised by the Board.

14. This Office Memorandum supersedes the circulars* hitherto issued on the subject of scrutiny of Feasibility Reports, noted below, and modifies the relevant portions of the minutes of the Meeting circulated *vide* Department of Expenditure note No. F.4(3)-E(Coord) | 71 dated the 30th July, 1971.

Sd|-M. R. Yardi,

Secretary (Expenditure).

*1. D.O. No. 3213-S(IPF)|67 dt. 5th August, 1967 from Shri P. Govindan Nair addressed to Secretaries, Central Economic Ministries.

2. O.M. No. 2(75)|68-BPE(GM) dated 23rd April, 1968 from BPE addressed to all Ministries|Departments.

3. No. 2400-PF. II|68 dated 28th August, 1968.

APPENDIX IV

(vide Recommendation No. 35 in Chapter II)

IMMEDIATE

No. 2(33)-P/71

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Department of Expenditure)
Plan Finance I Section**

New Delhi: the 23rd March, 1973

1st Chaitra, 1895 (SAKA)

To,

Finance/Planning Secretary (All States)

**SUB: Centrally Sponsord Schemes—Release of funds towards
expenditure—procedure of—**

Sir,

Under the existing procedure of release of assistance to the State Government towards expenditure on Centrally Sponsored Schemes, instalments of ways and means advances are released every month for the first ten months of a financial year (April to January) by the Ministry of Finance subject to adjustments against the provisional payments which the various administrative Ministries issue for the schemes towards the end of the financial year on the basis of the progress reports of expenditure. The State Governments are required to furnish progress reports of expenditure on a quarterly basis, the statement for the third quarter ending December also showing the anticipated expenditure in the last quarter for purposes of provisional payments. In practice, however, it has been noticed, that the quarterly progress reports of expenditure are not received in time or with any regularity with the result that the administrative Ministries find it difficult to keep in touch with and to assess the performance under a scheme. In this context, it has been represented that the automatic release of the instalment of

ways and means advances is rather a disincentive for the prompt reporting of the progress of expenditure.

2. The matter was considered in consultation with the various administrative Ministries concerned and the Planning Commission and it has been decided that with effect from the next financial year (1973-74) the number of monthly instalment of ways and means advances for Centrally Sponsored Schemes that is being released by the Ministry of Finance should be reduced from ten to eight. Accordingly, such advances will now be released automatically by the Ministry of Finance from April to November of the financial year on the first of every month. Central assistance will thereafter be released by the administrative Ministries concerned *only* on receipt and in the light of the progress of expenditure according to the time schedules indicated below:

Release for the month of	On receipt of performance reports relating to	Reports to be received by the
December	April to September	20th November
January	October	20th December
February—March	Actuals for November—December and anticipated for the quarter ending the 31st March.	20th February

3. The Administrative Ministry concerned would be prescribing the proforma for reporting the expenditure details for which they consider necessary for evaluating the progress of implementation of the schemes. It is requested that the time schedule for reporting the expenditure is maintained in order to enable the Ministries to release the funds by the first of the respective months.

4. The assistance to be released by the Ministries will be made first adjustable against the Ways and Means advances released by the Ministry of Finance and only the balance remaining after such adjustment would be made payable in cash to the State Governments.

5. The receipt of this letter may kindly be acknowledged.

Yours faithfully,

Sd/- (Y. L. Rajwade)

Under Secretary to the Government of India.

Copy forwarded to:

1. Planning Commission (PA Division), New Delhi.
2. All concerned Central Ministries.
3. All concerned Expenditure Divisions.
4. Accountants General (All States).
5. Department of Economic Affairs (Budget Division).

Sd/- (Y. L. Rajwade)

Under Secretary to the Government of India.

APPENDIX V

(Vide Recommendation No. 8 in Chapter IV)

No. F. 8 (60)-B|69

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 14th Nov., 1969.

Statement of action taken on the recommendations of the Public Accounts Committee contained in their 50th Report (4th Lok Sabha)

Recommendations of the Committee

The Committee are glad that Government have accepted the suggestion that recurring and non-recurring grants exceeding the limits indicated by the Committee in Paras 1.74 and 1.75 of the 11th Report (Fourth Lok Sabha) should be specifically brought to the notice of Parliament. The Government have, however, expressed difficulty about implementing the allied suggestion that, in the case of grants to private institutions, these limits should apply to totality of the grants sanctioned by the various Ministries|Departments of Government rather than the grants sanctioned by individual Ministries|Departments. The Committee feel that the difficulty could be overcome. As pointed out by Government themselves, the number of cases of grants to the same institution by two or more Ministries|Departments "is likely to be very small". A list of institutions receiving grants-in-aid of more than Rs. 1 lakh from any Ministry may be drawn up on the basis of grants given to various institutions during the last 3 years and brought up to date every year. Whenever a Ministry sanctions a grant to such an institution, it may forward a copy of the sanction to the Ministry of Finance or the coordinating Ministry nominated in this behalf, which will keep a watch over the total grant sanctioned. The individual Ministry may be required to consult the coordinating Ministry before sanctioning a grant of Rs. 1 lakh or more to ensure that the limits accepted by the Government are not exceeded.

(S. No. 5 of Appendix to 50th Report—4th Lok Sabha).

Action taken by the Government

The recommendations of the Committee have been considered. It is felt that there will be many practical difficulties in adopting the procedure by the Committee.

Regulating the cases with reference to a list of institutions receiving grants of more than Rs. 1 lakh may not be reliable as the list, apart from being compiled on the basis of past grants, will not include grants of less than Rs. 1 lakh given by more than one Ministry but adding up in the aggregate to more than the prescribed monetary limit, nor will it include non-recurring grants. These difficulties can be overcome only if a list of all grants-in-aid paid by Government is drawn up, kept upto date and also circulated to all the Ministries, which, however will involve considerable work all round.

As regards the suggestion that a particular Ministry should be designated as the coordinating Ministry for this purpose to whom all copies of sanctions of grants-in-aid should be endorsed, apart from the work-load that this will involve, such a centralisation may not ensure effective timely action as in some cases the grants would have been paid by the time the sanctions reach the coordinating Ministry.

Similarly, the suggestion that each administrative Ministry should consult the coordinating Ministry before grants of Rs. 1 lakh or more are paid would, apart from resulting in avoidable inter-Ministerial correspondence and possible delay in payment of grants, be effective only if the coordinating Ministry keeps itself posted with the upto date position regarding the grants paid to the various institutions, which, however, as already stated, will involve considerable work. Further, in the case of grants given by the Ministries towards the closing months of the financial year, there may not be adequate time for the coordinating Ministry to get detailed information of these grants for the purpose of reporting to Parliament before the close of the year. Thus it may more often happen that Parliament is apprised of a grant involving 'new service' only after it has actually been released.

2. In view of the practical constraints pointed out above, the P.A.C. are requested not to press their recommendation and agree to the application of the monetary limits with reference to grants-in-aid to a private institution for a particular purpose by individual Ministries.

APPENDIX VI

(Vide Introduction to Report)

Analysis of the action taken by Government on the recommendations contained in the Twenty-Fourth Report of the Estimates Committee (Fifth Lok Sabha)

1. Total number of recommendations ..	36
2. Recommendations which have been accepted by Government (<i>Vide</i> recommendation Nos. 1, 2, 3, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 20, 21, 23, 24, 25, 26, 27, 28, 29, 30, 31, 33 and 35)	
Number	28
Percentage to total	77.8
3. Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>vide</i> recommendation Nos. 4, 18, 22 and 34)	
Number	4
Percentage to total	11
4. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at S. Nos. 8 and 32)	
Number	2
Percentage to total	5.6
5. Recommendations in respect of which final replies of Government are still awaited (<i>vide</i> recommendation Nos. 19 and 36)	
Number	2
Percentage to total	5.6