18

STANDING COMMITTEE ON FINANCE
(2004-2005)

FOURTEENTH LOK SABHA

MINISTRY OF PLANNING

DEMANDS FOR GRANTS
(2005-2006)

EIGHTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 2005/*Chaitra*, 1927 (*Saka*)

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Presented to Lok Sabha on 20.4.2005
Laid in Rajya Sabha on 20.4.2005

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Maj. Gen. (Retd.) B.C. Khanduri—*Chairman*

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3. Shri R.K. Jain	—	*Deputy Secretary*
4. Shri T. G. Chandrashekhar	—	*Under Secretary*

INTRODUCTION

I, the Chairman, Standing Committee on Finance having been authorised by the Committee to submit the Report on their behalf, present this Eighteenth Report on Demands for Grants (2005-2006) of the Ministry of Planning.

2. The Demands for Grants of the Ministry of Planning were laid on the Table of the House on 16 March, 2005. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Finance are required to consider the Demands for Grants of the Ministries/Departments under their jurisdiction and make Reports on the same to both the Houses of Parliament.

3. The Committee took oral evidence of the representatives of the Ministry of Planning at their sitting held on 29 March, 2005 in connection with examination of the Demands for Grants (2005-2006) of the Ministry of Planning.

4. The Members at the sitting held on 7 April, 2005 expressed their views on the subjects/topics that could be covered in the Report. The Committee considered and adopted the draft Report at their sitting held on 12 April, 2005.

5. The Committee wish to express their thanks to the officers of the Ministry of Planning for the co-operation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

6. For facility of reference, the observations/recommendations of the Committee have been printed in thick type.

NEW DELHI;
19 *April*, 2005
29 *Chaitra*, 1927 *(Saka)*

MAJ. GEN. (RETD.) B.C. KHANDURI,
Chairman,
Standing Committee on Finance.

REPORT

Introductory

The Planning Commission was constituted in March, 1950 by a Resolution of the Government of India and acts as the Secretariat of the National Development Council. The Planning Commission consults the Central Ministries and the State Governments while formulating Five Year Plans and Annual Plans and also oversees their implementation. The Commission also functions as an advisory Planning body at the apex level.

2. The Planning Commission functions through several subject matter Divisions and a few Specialist Divisions. These Divisions fall under two broad categories:

(i) Specialist Divisions which are concerned with aspects of entire economy *e.g.* Perspective Planning, Financial Resources, Development Policy Division, etc., and

(ii) Subject Divisions *e.g.* Agriculture, Education, Health, Housing Divisions, etc., which are concerned with specified fields of development in the related areas.

3. The overall Demands for Grants pertaining to Ministry of Planning is as follows:—

Demand No. 72—Ministry of Planning — 106.8 crore

4. In the present Report, the Committee have examined following issues:—

(1) Modernisation of office system (Office Expenses)

(2) Payment for Professional and Special Services

(3) Grants-in-Aid

(4) Tenth Plan

(5) Fiscal Performance in the Tenth Plan

(6) Zero Based Budgeting

Demand No. 72
Ministry of Planning
Major Head : 3451
Minor Head : 03
Detailed Head : 03.01.13

1. Modernisation of Office System
Office Expenses

5. The Committee have been informed that funds under this head are earmarked mainly for renovation of rooms/divisions, including regional/project offices, major electrical/civil works undertaken by CPWD.

6. Budgeted allocations under this head are as follows:

(Rs. in thousands)
(Plan)

Year	Budget Estimates	Revised Estimates	Actuals
2002-2003	1,50,00	1,50,00	1,22,93
2003-2004	1,50,00	1,13,00	1,07,54
2004-2005	7,00,00	5,16,00	3,93,01.085*
2005-2006	2,00,00		

*as on 23.03.2005

7. Explaining the reasons for sharp rise in BE 2004-05 as compared to actuals of 2003-04, the Ministry stated as under:—

"The reasons for rise is because major civil/electrical works were entrusted to CPWD during 2004-05. The expenditure during next year is expected to be less because most of major works have already been covered during 2004-05."

8. On the wide gap between the Budget Estimates of 2004-05 and 2005-06, the Ministry stated as under in a written reply:—

"The expenditure during 2005-06 is expected to be less because most of major works have already been covered during 2004-05."

9. Questioned about the reasons for revising the estimates at RE stage to a much lower level as compared to the BE in the year 2004-05, the Committee was informed as under :—

"Revising the estimates at RE stage in comparison of BE pertaining to the year 2004-05 is because the estimate received for major civil works were less than the projected estimates."

10. The details of the major works completed during 2004-05, as furnished in the post evidence reply are as under:

Details of Major Works assigned/completed by CPWD during 2004-05

(In Rs.)

Sl. No.	Name of Work	Amount sanctioned	Expdtr.	Expdtr. Upto 3/05	Status of Work
1	2	3	4	5	6
1.	Tile flooring & other misc. work plastic emulsion works on walls of 3rd floor corridor	999100	999100	——	Completed
2.	False ceiling works relating to 3rd floor	362900	362900	——	Completed
3.	Replacement of 6 damaged RCC water tanks with 10 new PVC tanks and provision of overflow pipe on terrace.	752800	536065	——	Work in Progress
4.	Prov. of aluminium grills door and false ceiling 3rd floor (Departmental Canteen)	92400	71963	——	Completed
5.	Prov. of addl. Work in departmental canteen	150000	150000	——	Completed
6	Reno. of 130 (DCH's chamber)	140000	135072	——	Completed
7.	Reno. of toilet No.5T3, 4T3,3T3	988900	331322	657578	95% completed
8.	Reno. of NIC centre ground floor	513500	——	513500	60% completed
9.	Removal of section window in corridor	137000	137000	——	Completed
10.	Ren. of 2nd floor corridor	2031700	958591	1073109	80% completed
11.	Ren. of toilets GTI-GT6, 1T1-1T4, 2T1-2T3, 3T1, 4T1, 4T2, 5T1 & 5T2 (17 nos.)	4723400	——	472340	5% completed

1	2	3	4	5	6
12.	Ren. of room of Adviser/Jt.Adviser Section PS/Steonographer room & Corridor of 4th, 5th floor. Providing solid hard wood flooring in conference hall no. 21, 122, 126, 134, 136	5271000	48615	1000000	5% completed
13.	Providing solid hard wood flooring in 2360800 conference hall no. 121,122,126, 134, 136	2360800	602577	1758223	50% completed
14.	P/F rubber wood flooring POP & aluminium window at r.no. 202	71200	71200	——-	Completed
15.	Providing compactor in R.No. 352, 362B, 417, 436 & 526C	999700	13586	986114	Compactor received, installation pending
16.	Providing Godrej Compactor in (336)	379500	————	379500	-do-
17.	Ren. of various room for PS/PA	6953100	———	3476550	Tender accepted, works started
18.	Ren. of r.no. 528, 526C, 520B, 436, 417, 362B, 352, 344A, 336, 336A, 330, 316, 146, 147, G-9, G-8 & G-6D	3191200	———	1595600	-do-
19.	Providing rectified vitrified tile pavement	3577300	———-	357730	Tender received, works being awarded
20.	Replacement of 11 PTAC units	2598750	———-	1500000	Tender accepted works started
21.	Ren. of Electrical works in different Toilets	628425	———-	168425	-do-

11. The Committee regret to note that there have been significant variations in the Budgeted estimates and Actual expenditure under the head, "Modernisation of Office System", which is intended for renovation of rooms and divisions, including regional and project offices and major electrical/civil works undertaken by the CPWD. For the year, 2003-04, an amount of Rs. 1.50 crore was provided at the stage of Budget Estimates, which was reduced to Rs. 1.13 crore at the stage of Revised Estimates and the actual expenditure incurred during the year was about Rs. 1.07 crore. Again, for the year, 2004-05, the amount allocated at the stage of Budget Estimates was at a much higher level of Rs. 7.00 crore, which was revised to

Rs. 5.16 crore at the stage of RE and the actual expenditure confined to about Rs. 3.93 crore. The Ministry have adduced that the estimates were revised to a much lesser amount of Rs. 5.16 crore from the initially envisaged amount of Rs. 7 crore and the actual expenditure confined to Rs. 3.93 crore, which totals to a little over 60% of the originally envisaged allocation to the reason that the projected estimates of the Ministry were far in excess of the CPWD estimates for undertaking the major civil works.

12. The Committee desire that the endeavour of the Government should be to project realistic budget estimates and ensure proper and effective utilisation of the budgeted amounts.

Demand No. 72
Ministry of Planning
Object Head Code : 28

2. Payment for Professional and Special Services

13. The Head, "Payment for Professional and Special Services" is meant for utilizing the services of Experts including the retired Government Officials on full time or part-time basis for undertaking specific studies of current interest and/or complex nature which are of current interest to the Commission and which cannot otherwise be carried out by the Planning Commission with the help of its regular staff. Not only the individuals but a few Institutes are also identified and assigned the job of carrying out some specific studies. In view of the nature of working of Planning Commission and its Socio-economic role, the need for the Planning Commission to engage such type of personnel designated as "Consultants" was felt way back in 1965 and it has been continuing since then. The expenses incurred towards the fee/remuneration, TA/DA etc. on these Consultants are met from this head. The guidelines issued by the Department of Personnel and Training are invariably followed with regard to determining the quantum of monthly fees, tenure etc. A special provision has been made by the Government for the Planning Commission to appoint 25 Consultants (maximum limit) at any given point of time. Persons of high repute who want to work for free for the Commission and wish to contribute for the development of the country in an honorary capacity, without drawing any remuneration are also appointed. The expenditure on their travel, per diem etc. is booked under this scheme. In the case of selected institutions, a consolidated amount is fixed in advance (not exceeding Rs. 2.00 lakh in each case) depending upon the task involved, which includes expenses on all components such as salaries, travel, stationery, secretarial assistance etc.

14. Payments towards preparation of State Development Reports to the partner agencies identified by the Core Committees are also made under this head. Planning Commission proposes to prepare Development Reports for each State/UT, at least, once in five years to be presented to the concerned State Govt., highlighting the development status, achievements and prospects of that State. These reports would be prepared in collaboration with outside Experts and Research Institutions with a view to help formulate Development Agenda for each State/UT.

15. Under this Budget head, UNDP makes payments to Consultants and Experts appointed under the project to help the concerned State Governments to prepare their State Human Development Reports.

16. Provision under this head was also meant for expenditure on engagement of Consultants for professional and special services such as demographic issues and media support to the NCP and also for conducting research studies on population stabilization related issues.

17. Details of the Budget Estimates, Revised Estimates and Actuals under this Head are as under :—

(Rs. in thousands)

(Plan)

Year	Budget Estimates	Revised Estimates	Actuals
2002-2003	6,59,00	4,50,00	3,39,59
2003-2004	5,99,00	4,55,86	4,28,82
2004-2005	15,15,00	12,99,00	6,37,00*
2005-2006	13,50,00	-	-

*Upto 16.03.2005 (provisional)

18. When asked to furnish the reasons for the wide gap witnessed between BE, RE and the actuals each year since 2002-03, the Ministry, in their written reply, submitted as under :—

> "The number of Consultants or the selected Institutions engaged by the Planning Commission in a particular year are not fixed and they vary depending upon the actual requirements.
>
> The proposals received from the various research institutions and other outside experts for preparation of SDRs are examined in great detail and these proposals have to conform to the guidelines of the scheme. Final Terms of Reference are prepared on the basis of the decision of the Standing Committee. As such, proposals for preparation of SDRs have to be processed on the recommendation of the Core Committees concerned and payments are released in instalments depending upon the progress of the work. Sometimes, proposals are not in accordance with the guidelines and have,

therefore, to be either dropped or reframed after incorporating the corrections or the views of the Standing Committee, which takes time. Hence the variation."

19. Questioned about the reasons for making a higher allocation of Rs. 15.15 crore at the stage of BE for 2004-05, in view of the fact that the actual utilisation of funds earmarked under the Head for 2003-04 was only to the extent of about Rs. 4.28 crore, the Ministry informed as under:—

"For 2004-2005, a higher allocation was initially proposed at BE stage keeping in view the possibility of engaging more Consultants or Institutes particularly for the work of Mid-Term Appraisal of Tenth Five Year Plan. However, at the RE Stage, the position was reviewed and the allocation was brought to a more realistic figure.

This year being the last year of the SHDRs project, the balance funds of the project have to be spent by the end of June, 2005. With the approval of both the Planning Commission and the Department of Economic Affairs, UNDP has enhanced the total assistance for the project to the tune of US $800,000. In addition, Planning Commission has signed additional components of the Project with the UNDP which is essentially a follow-up to the State HDR Project."

20. The Ministry also informed the Committee that as against the BE of Rs. 15.15 crore allocated under the Head for 2004-05, which was subsequently revised to Rs. 12.99 crore at the stage of RE, the provisionally calculated utilisation of funds for the year upto 16.3.05, totalled to Rs. 6.37 crore.

21. The Committee had, in their 3rd Report on the Demands for Grants of the Planning Commission for the previous year, 2004-05 *inter-alia* observed that the budgeting under the Head was not communicated with the actual requirements.

22. The Committee feel constrained to note that year after year, there has been gross under-utilisation of the provisions made under the Head, 'Payment for Professional and Special Services', which is *inter-alia* intended for engaging Experts on full time or part-time basis for undertaking studies of topical interest or of complex nature. From the figures made available to the Committee, it is observed that while an amount of Rs. 6.59 crore was allocated at the BE stage for 2002-03, the amount was lowered significantly to Rs. 4.50 crore

at the RE stage and the actual utilisation of funds has only been to the extent of about Rs. 3.39 crore during the year. More significantly, the allocation under the Head for 2004-05 at the stage of BE registered a quantum leap, with the provisioning being to the tune of Rs. 15.15 crore. As informed by the Planning Commission, the significantly higher allocation proposed at the BE stage for 2004-05 was for the purpose of 'engaging more consultants or Institutes', particularly for undertaking the work of mid-term Appraisal of the Tenth Five Year Plan. The fact, the Committee, however, wish to bring to the fore here is that the actual utilisation of the budgetary provisioning for 2004-05 has provisionally been calculated to be to the tune of Rs. 6.37 crore only, which is much less than even 50% of the originally budgeted estimate of Rs. 15.15 crore. In view of the huge variations being witnessed under this Head of account, the Committee reiterate that every care should be taken to ensure that the actual requirements are assessed with objectivity at each stage of the Budgetary exercise so that the outcomes are in tune with the objectives envisaged.

Demand No. 72
Ministry of Planning
Object Code 31

3. Grants-in-Aid

23. The allocations under this head of account are intended for providing for the establishment of Institute of Applied Manpower Research (IAMR) and to the Planning Commission Employees Welfare Fund Society, Planning Commission Club etc.

24. The Grant-in-aid to IAMR is intended for taking up studies on topics of current interest to the Planning Commission and infrastructure development of the new campus of IAMR at Narela, New Delhi as also to provide Grant-in-aid to Universities and Research Institutions for Training, Research and Institutional Development etc. to encourage the planning and development activities.

25. Under the UNDP assisted State Human Development Report project, Grant-in-aid is provided to the State Governments on reimbursement basis after the State Governments organise workshops on Human Development Research (HDR). Aid is also intended to State Population Commissions/Councils, Research/Voluntary organizations for projects/programmes for implementing the National Population Policy.

Budget allocations under this Head are as follows:—

(Rs. in thousands)
(Plan)

Year	Budget Estimates		Revised Estimates		Actuals	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
2002-2003	9,42,00	3,61,00	12,09,00	4,21,00	7,78,03	4,20,15
2003-2004	10,90,00	3,61,00	8,12,14	3,50,00	4,76,15	3,49,35
2004-2005	14,50,00	3,51,00	10,85,25	3,51,00	2,48,00*	3,50,15*
2005-2006	4,67,00	3,51,00	-	-	-	-

*Upto 16.03.2005 (provisional)

26. On the reasons for the huge drop in the plan allocation at the stage of BE for the year 2005-06, which stood at Rs. 4.67 crore as compared to the amount of Rs. 14.50 crore allocated in the BE for 2004-05, the Ministry informed:—

"The reasons for gap between BE (Plan) for 2004-05 and 2005-06 is due to completion of the new campus of IAMR and actuals for the previous years."

27. Accounting for the difference/gap between BE (Plan) of the years 2003-04 and 2004-05, the Ministry stated as under:—

"The difference between BE (Plan) of the year 2003-04 and 2004-05 is because the amount involved on the ongoing research studies approved in the year 2003-04 was spilled over to the financial year 2004-05 and substantial cost of the scheme for infrastructure development of IAMR which was approved at a cost of Rs. 410.57 lakhs in 2003-04 had to be provided in 2004-05."

28. Asked to furnish the reasons for the actual plan expenditure in 2003-04 being only Rs. 4,76,15000, as compared to the amount of Rs. 8,12,14,000 allocated at the stage of Revised Estimates, the Ministry informed:—

"The State Governments have not held workshops during the year due to ending of the SHDRs project since grants are given as a reimbursement of the actual expenditure only after the workshop has been held."

29. The Committee regret to note that the utilisation of funds earmarked under the head, 'Grants-in-Aid' intended for establishing the Institute of Applied Manpower Research (IAMR) and aiding the Planning Commission club etc. have never been in conformity with the objectives with which the allocations seem to have been made. The huge differential in initial estimates made at the stage of BE for the year 2003-04, revision undertaken at the RE stage and the actual expenditure incurred during the year has been *inter-alia* attributed to the inability of the State Governments to hold workshops under the UNDP assisted State Human Development Report Project. Given the extent of the differential in the allocations and the actual expenditure being witnessed each year, the Committee feel that there has been a strong element of over-objectivity in preparing the budget estimates under the head, which needs to be avoided.

4. Tenth Plan

30. The Indian Economy has completed three years of the Tenth Five Year Plan (2002-07), which is not only ambitious in its target fixing but also optimistic about exploiting the development potential of the economy to its fullest with all the eagerness to place India amongst one of the fastest growing economy in the world. Enhancement of human well being in terms of all socio-economic indicators has been central to the objectives of the Tenth Plan.

31. When asked to furnish details of the measures taken for enhancement of human well being in terms of all socio-economic indicators, fulfillment of which was dependent on achieving the NDC mandated target growth rate of 8% on an average per annum, the Committee were informed:—

Plan of action to eliminate poverty

"The growth and poverty reduction approach for the Tenth Plan integrates four main components. First, agricultural development is viewed as a core element of the Plan since growth in this sector is likely to lead to the widest spread of benefits especially to the rural poor. In this context, it is recognized that policies facilitating agricultural growth including land reforms and watershed development are crucial. Second, it is emphasized that quality and the pattern of growth are also important. The Plan aims at attaining rapid growth in sectors, which have a large employment potential. These include sectors such as construction, tourism, transport, small-scale industry, modern retailing, IT-enabled services and a range of other new services, which need to be promoted through supportive policies. Third, in order to supplement the impact of growth, specific programmes aimed at special target groups and building safety nets which have long been part of Indian development strategy are being strengthened to ensure that they are effective in achieving their objectives. Fourth, efforts are being made to reduce inter-regional disparities through greater focus on growth in backward States and regions in order to promote balanced regional development."

The Major Rural Poverty Alleviation Programmes

The Swaranjayanti Gram Swarozgar Yojana (SGSY) which has the objective bringing assisted poor families (Swarozgaris) above the poverty line by organizing them into Self Help Groups (SHGs) through the process of social mobilization, their training and capacity building and provision of income generating assets through a mix of Bank credit and Government subsidy. The SGSY programme is conceived as a process oriented programme for the poor with emphasis on social mobilization and formation of SHGs.

The Sampoorna Grameen Rozgar Yojana (SGRY) aims to provide additional wage employment in all rural areas and thereby provide food security and improve nutritional levels. The secondary objective is the creation of durable community, social and economic assets and infrastructural development in rural areas. The SGRY is open to all rural poor who are in need of wage employment and desire to do manual and unskilled work in and around the village/ habitat.

The National Food for Work Programme is being implemented in 150 most backward districts of the country from 14 November, 2004. The objective of the programme is to provide additional resources to 150 most backward districts of the country so that generation of supplementary wage employment and provision of food security through creation of need based economic, social and community assets in these districts is further intensified. Food grains are provided to the States free of cost. Works are taken up under the programme in accordance with the Five Year Perspective Plan. The Collector is responsible for preparation of the Perspective Plan and programme implementation.

The National Rural Employment Guarantee Bill has been tabled in Parliament on 21.12.2004. The Bill provides that the State Governments shall, in the rural areas, provide to every poor household whose adult members volunteer to do unskilled manual work for 100 days in a financial year. It has been proposed that in order to make the programme result oriented the scheme should be implemented in phases and accordingly in the first phase, the proposed Legislation would be implemented in 150 most backward districts of the country where the National Food for Work Programme is already under implementation. Based on the experience of the first phase, the proposed Legislation would be implemented in other districts.

As far as urban poverty is concerned, the Swarna Jayanti Shahari Rojgar Yojana (SJSRY) aims to provide gainful employment through setting up of self-employment ventures or provision of wage employment. This is a demand-driven scheme, however, an annual target of 80,000 under self employment (subsidy sub-component) and 1 lakh persons under training sub-component has been fixed by the Ministry.

(ii) Making available safe drinking water to all

The provision of drinking water supply to the 14.22 lakh habitations in the country is being ensured through the Centrally Sponsored Accelerated Rural Water Supply Programme (ARWSP). The outlay for this programme is being continuously stepped up. For 2004-05, against the budget provision of Rs. 2900 crore, Rs. 4050 crore has been proposed. The Government proposes to provide drinking water to the remaining 74,000 habitations that are uncovered by 2009. The focus of the programme is also being gradually shifted to community participation in construction and maintenance.

(iii) Providing houses to all slum dwellers and those who are economically backward

The Valmiki Ambedkar Awas Yojana (VAMBAY) was introduced in 2001-02 to meet the long-standing gap in programmes for slum-dwellers, *viz*. provision of a shelter or upgrading the existing shelter of people living below the poverty line in urban slums. Under VAMBAY, Govt. of India provides 50% central subsidy while the States have the option to mobilise its matching portion of 50% from other sources, such as their own budget provision, resources of local bodies, loans from other agencies, contributions from beneficiaries or NGOs etc. Under this scheme, 20% of the total allocation is provided for sanitation and community toilets to be built for the urban poor and slum dwellers.

In addition, the National Slum Development Programme is meant for providing shelter and environmental upgradation for the urban slum dwellers. In order to give further thrust, it is proposed to implement slum development in mission-mode under the National Urban Renewal Mission.

A composite multi pronged strategy for rural housing has been operationalised w.e.f. 1999-2000. The Indira Awas Yojana (IAY) is the major scheme for construction of houses to be given to the poor, free of cost. It has an additional component, namely, conversion of unserviceable kutcha houses to semi pucca houses.

Further, a Credit-cum-Subsidy Scheme for rural housing was launched from 1.4.1999 targeting rural families having annual income up to Rs. 32,000/.

(iv) Implementing fully the educational programme initiated by the Government

The prime focus of the Government is on elementary education and on taking earnest steps to achieve the goal of Universalisation of Elementary Education (UEE).

The Government is committed to universalizing access to basic quality education with greater emphasis to cover all the unreached segment and social groups of child population including minorities. This is reflected in substantially raising the allocation of funds for elementary education in subsequent years of the current Five Year Plan. A 2% Education Cess has been levied which is expected to yield about Rs. 5000 crores per annum, a concrete step towards raising educational expenditure to 6% of the GDP.

Sarva Siksha Abhiyan (SSA), an all-comprehensive programme launched in 2001-02, is the main vehicle for achieving the goals of UEE. The SSA covers the entire country, addressing the needs of 192 million children in 11 lakh habitations, 8.84 lakh existing primary and upper primary schools and Non-formal Education Centres including Education Guarantee Scheme (EGS) and Alternative Innovative Education (AIE) Centers. Currently, 95% of the total rural population is served by primary schools. Concerted efforts towards UEE have resulted in manifold increase in the number of institutions, teachers and students enrolment.

The specific objectives of SSA are (i) all children to be in schools by 2003; (ii) all children to complete five years of primary schooling by 2007; (iii) all children to complete eight years of schooling by 2010; (iv) focus on elementary education of satisfactory quality with emphasis on education for life; and (v) bridge all gender and social disparities at the primary stage by 2007 and at the elementary level by 2010; and universal retention by 2010. The scheme has a special focus on educational needs of girls, economically and socially deprived segments and other children in difficult circumstances.

The Mid Day Meal Scheme (MDMS) has been revised and universalised at primary level from 1st September 2004. In addition to providing free foodgrains to the States, the Central Government also provides cost of conversion at the rate of Re. 1/- per day, per child for converting foodgrains into cooked meals for 200 days in a year. The transportation subsidy has been enhanced from Rs. 50/- per quintal to Rs. 75/- per quintal for all States and in respect of Special Category States this has been enhanced to Rs. 100/- per quintal. Mid-day meals are now being supplied to children in drought affected areas during summer vacation also. MDMS is expected to significantly improve school attendance and bring down the drop out rates by about 5 percentage point per annum resulting in increase in retention by 15 lakh children every year.

(v) Providing employment to all citizens of the country

The Tenth Plan aims at creating 50 million employment opportunities against a total addition to the Labour force of 35 million persons. The Tenth Plan has identified sector, sub-sectors which are labour intensive like Agriculture and Allied Activities, Food Processing, Rural Non-farm Sector including Khadi and Village Industries, Small and Medium Enterprises and Services sectors including Health, Education, Information Technology & Communication where employment generating growth can be rejuvenated if right kind of sectoral policies can be put in place.

In this connection the National Common Minimum programme mentions that:

> "The UPA Government will immediately enact a National Employment Guarantee Act. This will provide a legal guarantee for at least 100 days of employment to begin with on asset-creating public works programmes every year at minimum wages for at least one able-bodied person in every rural, urban poor and lower middle-class household. In the interim, a massive food-for-work programme will be started."

The National Rural Employment Guarantee Bill is already tabled in the Parliament.

The Government has launched the National Food for Work Programme (NFWP) on 14.11.2004 in 150 districts identified as most backward. In these areas, there is not only a high demand for wage employment but these regions also need creation of minimum infrastructure for livelihood of the poor. Such an assurance would

(a) ensure a minimum level of employment and incomes to the poor, (b) give the poor an opportunity to develop their collective strength, improve their economic position, and reduce their vulnerability, (c) discourage migration, (d) provide access to health, education and welfare services in the village itself, (e) expedite construction of environment friendly infrastructural work which enhances productivity levels (both farm & off farm). Wages under the programme are paid partly in cash and partly in foodgrains.

(vi) Checking the population growth

The National Population Policy, 2000 aims at achieving net replacement levels of total fertility rate by 2010 through vigorous implementation of inter-sectoral operational strategies. The long-term objective is to achieve population stabilization by 2045, at a level consistent with the requirements of sustainable economic growth, social development and environment protection.

The Government is implementing Reproductive and Child Health Programme for achieving Population Stabilisation, by addressing the issues of contraception. Maternal and Child Health Programme with stress on sustained behavioural change, communication and improved access on quality and family planning services, especially in the high fertility States. The National Rural Health Mission aims to create a comprehensive Budget Head by integrating all vertical health programmes of the Departments of Health and Family Welfare, namely, RCH-II, Malaria, National Leprosy Eradication, National Kala–Azar, National Iodine Deficiency Disorder and the National Blindness Control Programme.

(vii) Providing health centres in all villages and making available life-saving drugs to all

A great deal has been achieved over the past 54 years in terms of expanding the reach of the health infrastructure across the country. The public sector has been organised largely to finance and deliver curative care, and to implement a number of population stabilisation and disease control programmes. These programmes are almost exclusively delivered through public institutions, an approach that has produced an enormous, but under-funded public delivery health infrastructure and staff that in 2004 included 1,42,655 health sub-centres (HSCs), 23109 primary health centres (PHCs), 3,222 community health centres (CHCs), 3,500 urban family welfare facilities, and an additional 23,596 dispensaries (Indian Systems of

Medicine), besides 15,393 secondary and tertiary hospitals. Across rural areas, public sector manpower includes 29,848 doctors, 27,336 nurse mid-wives, 1,37,407 auxiliary nurse midwives (ANMs), 71,053 male multi-purpose workers, 21,118 pharmacists and another 58,752 paramedical staff, in addition to non-technical staff. It is proposed to integrate this vast institutional network in order to provide quality health care to all through the National Rural Health Mission. The Government has set up Task Group for examining the issue relating to providing the essential medicines at reasonable prices.

32. Speaking on the provisioning of plan estimates in each year of the Tenth Plan, the Secretary, Planning Commission stated during evidence :—

"I would like to mention here that except for the first year, the Tenth Plan estimates have not fully provided for in the second, the third year and the fourth year in succession. For the first year, about Rs. 1,13,500 crore was provided as stipulated in the Tenth Plan itself. In the second year, we had provided for Rs. 1,20,974 crore. This was against the Tenth Plan estimate of Rs. 1,34,064 crore. Then in the third year, that is the last year, against the Tenth Plan target of Rs. 1,59,201 crore, what was provided for was actually Rs. 1,47,000 crore. This year, against the Tenth Plan estimate of Rs. 1,91,041 crore, what has been provided for is Rs. 1,72,500 crore plus SPV which is Rs. 10,000 crore. It is off budgetary SPV. It would be seen that on the resource allocation side, the plan has been ………………..''

33. On the growth rate witnessed in each year of the Tenth Plan, the Secretary stated during evidence :—

"In the first year of the Plan, the growth rate achieved was 4.1 per cent. In the second year of the Plan, it was 8.6 per cent. In the third, we are expecting the growth rate to touch 6.9 per cent, may be 7 per cent. In the fourth and the fifth years, the outlook is that, it will hover around 7.5 per cent to 8 per cent. So, one of the major reasons for short performance on the growth side would be short provisioning on the Plan side. This is a factor which we would like to place before you."

34. On the issue of decline in the allocations for the Sampoorna Gramin Rozgar Yojana and the National Food for Work Programme,

the representative of the Planning Commission submitted as under during evidence :—

"Allocation for the Sampoorna Gramin Rozgar Yojana and the National Food for Work Programme, I agree that there is a decline this year in the Budget for SGRY allocation compared to the previous year. That is because we have taken out money that was for 150 backward districts from the SGRY into the National Food for Work Programme so that 150 backward districts will get a total sum of Rs. 6,000 crore. Out of this Rs. 10,000 crore, Rs. 4,000 crore is for SGRY and Rs. 6,000 crore is for the National Food for Work Programme. It is only the cash component of the programme and it does not include food grains which always are paid at the RE stage depending on the stock received from the FCI. We do not provide upfront facility. We have to pay for the two programmes together. If you include better allocation, we hope to tide over the problem. Actually, in the two programmes together, the allocation will be something like Rs. 16,000 crore and not Rs. 10,000 crore. While it has been announced that the National Food for Work Programme will cost about Rs. 40,000 crore, I think, at the moment, the Government is going to see how this programme works in 150 backward districts before extending it to other areas."

35. On the matter of minimum wages, the representative of the Planning Commission stated as follows during evidence :—

"When the Employment Guarantee Act comes, there is a question that we should have some notional national minimum wage because we do not want the scheme to be taken up in Punjab, Haryana, Kerala where the minimum wages are very high, and where the poverty ratios are on a very small scale. So, we will have to see, when the Employment Guarantee Act comes, what is the kind of wage rate up to which the Central Government will pay. The States can pay their differentials if they want to give higher wages. That will be seen later. But at the moment, the minimum rational wage rate given by the Ministry of Labour, for each States, is the prescribed minimum wage under our programme.

Now, some evaluations do show that somewhere Rs. 5 or Rs. 10 less are also paid. There are some evaluation studies which we get from time to time, and they suggest that it is not always that the minimum wages are paid in reality. It is something, we are not contradicting. But as far as the legislation goes, we try to enforce it. The implementation of this is done by the Ministry of Rural

Development. We only do the policy and the allocation for the schemes. But we do get our own evaluations done from time to time, which is to see how the programme is progressing.

The feedback on the Food for Work Programme, so far, is very good. In Orissa and Chattisgarh, people are very happy. They say that even if they get a little less than Rs. 50, they would be happy, but they should get continuous employment for a certain number of days. Normally, they are getting 10 days or 15 days employment. So, I think, we have to give it a good trial. We hope that this will help us to bridge this gap. In addition, we have, backward districts. A lot of money would be flowing. The whole problem will be the delivery and planning. You have to first plan, and then make sure that the money reaches where it is supposed to go. Then, implementation would be with the State Governments, it would be with the district collectors/administration/Panchayats and it would be with the Ministries to implement these schemes."

36. On the modalities followed in enumerating the people living Below the Poverty Line (BPL limits), the Committee were informed as under during evidence :—

"On the BPL, in the Planning Commission, actually Dr. Sen prepares the BPL estimates of poverty and not the BPL list. As you said, BPL list is prepared by the State Governments, the Ministry of Rural Development draws the format. All the State Governments have to draw it from the BPL List. Now, the instructions given to them are that the BPL list should not exceed more than 10 per cent of the Planning Commission estimates. As you said earlier, we used to get 80 per cent for Below Poverty Line. So, money to the States is on the basis of the Planning Commission's estimates, which is based on the consumer expenditure data which they get from NSS. Then, they work out, based on the poverty line, as to how many people live below poverty line in different States. The Plan is to set up a new Expert Committee in coming July, when the new data would be available from the next round of the NSS. The basket that we use is still 1973-74. A lot of change in eating patterns and consumption has taken place since then. So, I think, we will set up a new Committee. Till then, we are still using 1993-94 poverty estimates, and not the 1999-2000 estimates, because that suggested a considerable decline in many States in poverty. I do not think, States would have accepted those numbers which, as low as 10 per cent in some States and as high as 40 per cent in Bihar and Orissa. So, we have stuck to the 1993-94 estimates, till another expert group looks at the whole thing."

37. The Committee are well aware of the fact that the growth and poverty reduction approach for the Tenth Plan centres on agricultural development, placing emphasis on quality and the pattern of growth, strengthening specific programmes aimed at special target groups and building safety nets and reducing inter-regional disparities through greater focus on growth in backward States and regions. Enhancement of human well-being in terms of all socio-economic indicators is central to the objectives of the Tenth Plan and the fulfillment of this objective is dependent on achieving the mandated target growth rate of 8% on an average per annum.

38. The Committee, however, note that except for the first year of the Tenth Plan, the plan estimates have not been fully provided for in successive years. While about Rs. 1,13,500 crore was provided for as stipulated in the first year of the Tenth Plan, the provisioning for the second year of the Plan was Rs. 1,20,974 crore as against the estimate of Rs. 1,34,064 crore and Rs. 1,47,000 crore in the third year as compared to the target of Rs. 1,59,201 crore. For the current year, 2005-06, as against the estimated amount of Rs. 1,91,041 crore, an amount of Rs. 1,72,500 crore plus an additional amount of Rs. 10,000 crore by way of 'SPV' has been provided for. As also admitted by the Secretary, Planning Commission during evidence, the Committee feel that short provisioning of the targeted plan expenditure in successive years has been one of the contributory factors for not being able to achieve the targeted growth rate of 8% per annum. While the growth rate achieved during the first year of the Tenth Plan was 4.1%, it was 8.6% in the second year and is expected to be around 6.9 to 7% in the third year of the Plan period. The Committee, therefore, strongly emphasise on the need for ensuring that the targeted plan estimates are fully provided for and corrective measures, as needed, taken, so as to ensure that the targeted growth rate of 8% per annum is achieved and maintained.

39. The Committee feel constrained to note that they have not been furnished with concrete information or data on the ground level achievements in regard to enhancement of human well-being in terms of all socio-economic indicators, which is central to the objectives of the Tenth Plan. The Committee wish to be apprised of the yearly targets envisaged as well as the achievements of the major rural poverty alleviation programmes being undertaken.

40. The Committee note that there has been a decline in the budgetary allocation for the Sampoorna Gramin Rojgar Yojana during the current year, which, as per the Planning Commission is due to re-location of the amount earmarked for the benefit of 150 backward districts to the National Food for Work Programme. The Committee recommend for better allocations for these programmes, which have been conceived for the betterment of the poor of the country.

41. The Committee are also disturbed to note that the existing system of estimating the population of people living Below the Poverty Line (BPL) is mired with inconsistencies and problems. As per the system currently in force, while the State Governments prepare the BPL lists on the basis of the format drawn by the Ministry of Rural Development, the Planning Commission's stipulations provide that the BPL population of each State should not be in excess of 10% of their estimations. It is often noted that there is lot of variation in the figures of BPL families which are made available by different States and the estimated figures of the Planning Commission. It is mainly due to the fact that each State adopts their own criteria and there is no uniform standard criteria. Besides, even in collecting the data very often school teachers are engaged who do not have any technical expertise. The Committee, therefore, desire that the expert Committee which is proposed to be set-up in July should also go in depth with regard to this aspect, and ways and means for making an objective and realistic estimation of BPL households should be evolved, through standardisation of criteria.

5. Fiscal Performance in the Tenth Plan

42. The Finance Minister in the Budget Speech stated, "in the Budget Estimates for 2005-06, the total expenditure is estimated at Rs. 514,344 crore. I estimate total revenue receipt of the Central Government at Rs. 351,200 crore and the revenue expenditure at Rs. 446,512 crore, consequently the revenue deficit is estimated at Rs. 95,312 crore which is equal to 2.7 percent of the estimated GDP. The fiscal deficit is estimated at Rs. 151,144 crore, which is 4.3 percent of the estimated GDP."

43. Asked to furnish details of the corrective measures being taken to overcome the deficits, the Planning Commission in a written reply informed:

> "The fiscal policy strategy statement notes that the current phase of high growth provides an opportunity to improve the fiscal health of the country without hurting the momentum of growth. The Finance Minister while presenting the Union Budget for 2005-06 reiterated government's intention to undertake major tax reforms to expand the tax base, increase tax compliance and make tax administration more efficient. Major planks of the administrative dimension of tax reforms are computerization, encouragement of voluntary tax compliance through better taxpayer service and reduction in compliance cost to taxpayers through improved e-governance. Along with measures to improve tax revenues, the fiscal strategy policy strategy statement also envisages re-orienting public expenditure to extract better value for money. The foregoing statement also states that the Ministry of Finance will focus on budgetary/exchequer control, formulation and modification of schemes, review of norms and tariffs governing user charges and manpower ceilings. The statement also envisages review of user charges to increase non-tax revenue and reduce the operational losses of commercial undertakings."

44. Questioned about the Twelfth Finance Commission's suggestions on re-scheduling all Central loans to States contracted till March, 2004 and outstanding on March 31, 2005 for a fresh tenure of twenty years, the Planning Commission informed:

> "The Twelfth Finance Commission has recommended that each State must enact fiscal responsibility legislation prescribing annual targets

to eliminate the revenue deficit by 2008-09 and reduce fiscal deficits based on a path for reduction of borrowings and guarantees. Enacting fiscal responsibility legislation is a precondition for availing of debt relief. Central loans to States contracted during 2003-04 and outstanding as on 31.3.2005 amounting to Rs. 128,795 crores may be consolidated and rescheduled for a fresh term of 20 years resulting in repayment in 20 equal instalments and an interest rate of 7.1/2% be charged on them. This will be subject to the State enacting fiscal responsibility legislation and will take effect prospectively from the year in which such legislation is enacted."

45. On the current status of Debt Swap Scheme, the Committee were *inter-alia* informed as under :—

"In the context of the debt of States, Government of India has recently taken initiatives to tackle the high level of interest payments. Taking advantage of the falling interest regime, the Central Government introduced the Debt Swap Scheme in September, 2002 to give relief to States on high cost debt owed by them to the Central Government. High-cost debt was defined as debt which carried an interest rate of 13% or above. Only State Plan loans and Small Savings loans given up to 31.03.1999 qualified for debt swap. As per information provided to the Twelfth Finance Commission, as on 31.03.2002, such high cost debt amounted to Rs. 114,325 crore. Two borrowing sources were identified for swapping high cost Central Government loans additional open market borrowings and State Government investment in small savings securities. It was expected that additional market borrowings could be raised at 7%. As States had over Rs. 65,000 crore of small savings debt, which carried interest in excess of 14.5%, this swap was expected to give State Governments clear interest savings of over 6 to 8% in respect of small savings loan swapped with additional market borrowings. State investments in NSSF securities carried an interest obligation of 9.5%. This stream was expected to result in interest savings of 3.5% to 5.5%. The scheme envisaged that during the year 2002-03, 20% of net small savings loans payable to States from September, 2002, would be used to pre-pay past debt. Use of 30% of net small savings in 2003-04 and 40% of net small savings in 2004-05 were envisaged for effecting debt swap. Small savings are supplemented with additional market borrowings by the State Governments depending upon the liquidity position."

46. On the issue of the Twelfth Finance Commission recommendation, the Secretary, Planning Commission stated during evidence:—

> "The Twelfth Finance Commission has taken a fairly laudable position in saying that the Government of India should get out of the business of inter-mediation in the process of States—we would be borrowing on behalf of the States. Today, it is quite possible for the States to borrow from the market. We are aware of the fact that some of the weaker States will have some difficulty. Therefore, in the transitional arrangement for this year's provision, we have discussed with the Ministry of Finance and we are very hopeful that these States will be able to access these funds at the SLR rates and these will be in the SLR based market. So, that itself gives a head start and the transition should be smooth. The RBI and the State Governments are going to work out their arrangements. I hope within the first week of April, RBI is calling the Finance Secretaries of State Governments and they are going to get into the details of this. But even if some States are not able to and I believe may be the Special Category States may not be able to and even some other Non-Special Category States. The Finance Commission's recommendations do provide for a mechanism where at least for a while the Central Government can borrow on behalf of the State Governments. But I think the advantages of going direct SLR based borrowing system should be so manifest that many of them may not even want to go through the Government of India once they see that the interest rates differential is substantial and they are getting the borrowing at a lower rate. From a long term point of view, I think, it is a very desirable system. When they go to the market borrowing a certain degree of discipline on the borrowing gets imposed on the State Governments and they have to do a whole lot of due diligence to qualify for the market borrowings. That I think is required for the long time health of the State finances. "

47. On the issue of efforts being made by the States towards fiscal consolidation, the Planning Commission informed as under:—

> "Five States have enacted fiscal responsibility legislation. These are Kerala, Karnataka, Tamil Nadu, Punjab and Uttar Pradesh. The 12th Finance Commission in its recommendations on debt relief has made debt relief contingent on enactment of fiscal responsibility legislation by States. This recommendation has been accepted by Government of India and will be implemented in the coming

financial year. This will provide an incentive to States to enact such legislation since they will get reduction of the interest rate on Central loans, rescheduling of Central loans and even an incentive for write-off of some of these loans if they enact fiscal responsibility legislation in lines with the recommendations of the Twelfth Finance Commission."

48. On the incentives likely to be extended to the States for enacting Fiscal Responsibility Legislation, the Planning Commission in their post evidence reply informed:—

"The Twelfth Finance Commission recommended that States which enact fiscal responsibility legislation prescribing specific annual targets with a view to elimination of the revenue deficit by 2008-09 and reducing fiscal deficit based on a path for reduction of borrowing and guarantees should be given the benefit of consolidation of Central loans contracted till 31.3.2004 and outstanding on 31.3.2005 and re-scheduling of such loans for a fresh term of 20 years (resulting in repayment in 20 equal instalments) and an interest rate of $7^1/_2\%$ should be charged on these loans. This benefit will accrue only prospectively from the year from which fiscal responsibility legislation is enacted. Similar prospective benefit will be available under a scheme of debt write-off, under which the quantum of write-off of repayment on instalments of the consolidated loans will be linked to the absolute amount by which the revenue deficit is reduced every year during the award period of the 12th Finance Commission. Government has decided to accept the report of the 12th Finance Commission."

49. To a query on the Planning Commission recommendation on the interest rates on Central loans to the States, it was informed as follows:—

"The Planning Commission is looking at the debt burden of States and will be making recommendations on this and other issues relating to State finances at the time of preparing the mid-term appraisal document of the Tenth Plan. At present, it has not made any specific recommendation regarding slashing the interest rate on Central loans to States to the Central Government, although it has supported this idea in interactions with the Twelfth Finance Commission."

50. The Committee feel constrained to note that the fiscal deficit has been estimated to Rs. 1,51,144 crore, which amounts to about 4.3% of the GDP. Measures underway towards the path of ensuring

fiscal health include undertaking major tax reforms for improving the tax to GDP ratio, expanding the tax payer base, increasing tax compliance and making tax administration more efficient through the planks of computerisation, and encouragement of voluntary tax compliance through better tax payer service. The Committee understand that, in addition, budgetary/exchequer control, modification of schemes and reducing the operating losses of commercial undertakings are to be focused on as a part of fiscal correction measures. The Committee trust and hope that these corrective measures would contribute positively in improving fiscal health.

51. An issue of even more serious concern to the Committee is the perilous position of State finances. The Committee understand that the award of the Twelfth Finance Commission (TFC) for the period 2005-10, *inter-alia*, proposes for re-scheduling of outstanding Central loans to States contracted during 2003-04 and outstanding as on 31.3.2005, amounting to Rs. 12,875 crore for a fresh period of twenty years on the interest rate of 7.5 percent, and also a special debt write-off scheme for the States linked to undertaking fiscal reforms by way of enacting Fiscal Responsibility Legislation by the States. The Committee learn that five States have already enacted the Fiscal Responsibility Legislation. The Committee expect that the other States too would be persuaded to undertake fiscal reforms, which would enable them to avail the TFC award and help in fiscal consolidation.

52. The Committee understand that as per the TFC award the States are to raise loans without the inter-mediation of the Central Government. The Committee have their concerns on this proposal, particularly on issues such as the extent to which the States would be allowed to borrow, the means by which the Central Government proposes to help the States, particularly the weaker ones in raising loans at standard rates, and the likelihood of adverse affects on the Plan expenditure of the States in case of inability to raise the funds required. Yet another issue that the Committee wish to focus upon is the net affect, the TFCs recommendations would have on the fiscal position of the Centre, particularly on the matter of adhering to the fiscal correction targets. They want the Government to provide necessary inputs on these matters from time to time.

6. Zero Based Budgeting

53. As per the information given by the Planning Commission, while preparing the Tenth Five Year Plan, it was felt that there was a need to take stock of Centrally Sponsored Schemes, Central Sector Schemes and State Sector Schemes. The situation was necessitated by the fact that large number of CSS / CS Schemes were being added up till the Ninth Plan by various Ministries. Many of these have similar objectives and target the same population. Certain generic components like information, education and communication (IEC) were repeated in a number of schemes. This also leads to multiplicity of implementing machinery and lack of synergy and coordination, resulting in inefficient implementation and overlapping of schemes. It was felt that there was a need to reduce the number of schemes being implemented so that the targets envisaged in the plan could be attained efficiently. It was proposed that Centrally Sponsored Schemes should be confined to schemes of an inter-state character; matters impinging on national security; selected national priorities where Central supervision is essential for effective implementation; and multi-state externally financed projects where Central coordination is necessary for operational reasons. Therefore, it was decided to undertake a review of the existing schemes, subjecting them to Zero Based Budgeting (ZBB) and retaining only those schemes in the Tenth Plan that are demonstrably efficient and essential.

54. In order to serve the above purpose, a Core Committee for Zero Based Budgeting was constituted to review the existing schemes at the end of Ninth Plan, coverage and weed out the schemes appropriately and recommend the schemes, which are to be retained in the Tenth Plan. The Core Committee carried out the ZBB exercise after receiving proposals / information from various Ministries / Departments. The results of this detailed and exhaustive exercise were conveyed to the concerned Ministries / Departments for incorporating them in the Tenth Plan. Its recommendations are being operationalised through the Annual Plans by the Ministries / Departments.

55. The merits and justification of schemes and their outlays are discussed afresh in the Annual Plan discussions of various Ministries/ Departments, and it has been decided to continue the ZBB exercise, so as to ensure that the schemes, which are successfully implemented could be continued in the Tenth Plan.

56. A Quarterly Performance Review (QPR) mechanism under the chairmanship of the concerned Member has also been initiated by the Planning Commission to review the implementation of the Annual Plan, which also includes ZBB. The feed back received from the QPR meetings are also utilized by the Core Committee for undertaking the ZBB exercise.

57. The main purpose of the exercise is to ensure efficient and cost-effective implementation of various schemes. In addition to the above, a check on proliferation of new schemes is also effected by requiring in-principle approval of Planning Commission for introduction of any new schemes in the Tenth Plan.

58. Questioned about the progress made in regard to Zero Based Budgeting (ZBB) of the Schemes, and the benefits that are likely to accrue as a result of the exercise, the Committee were *inter-alia* informed as under :—

> "In the terminal year of the Ninth Plan, the Planning Commission carried out a Zero Based Budgeting exercise for all the Central Ministries/Departments with the above purpose in mind. As a result of this exercise, out of 360 CSSs in operation in the Ninth Plan, it was suggested to carry forward of 188 CSSs to the Tenth Plan. It has also been decided to make it a regular feature for the Planning Commission and the States to undertake such review of the schemes. There are 207 Centrally Sponsored Schemes in operation in 2004-05 as per available information which involve central budgetary support of about Rs. 41,000 crore. Planning Commission has recently undertaken an exercise regarding rationalization/review of the ongoing Centrally Sponsored Schemes. A number of Schemes have been identified for merger/reclassification as Central Scheme/discontinuance/transfer to States, which has been communicated to the Ministries/Departments by Planning Commission."

59. During the course of oral evidence, the Committee desired to know details of the schemes that may have been shelved, merged with other schemes or discontinued as a result of the exercise of zero based budgeting, and the amounts that may have been made available as a result of the exercise.

60. In response to the questioning on zero based budgeting, the Secretary, Ministry of Planning, stated during evidence :—

> "On the zero based budgeting and the discontinuance of CSS, the exercise did take place in the Planning Commission; some of the

schemes were discontinued. For some of them which were discontinued the Ministry has got back to us as they want them to be restored. We will place them in the public domain once we reach the equilibrium point. We have not reached that point."

61. The Planning Commission, in their post-evidence reply merely reiterated the information already furnished to the Committee by stating that a review of the existing Centrally Sponsored Schemes is undertaken from time to time by subjecting them to Zero Based Budgeting and retaining only those schemes that are demonstrably essential.

62. The practice of assessing the utility value of schemes by subjecting them to zero based budgeting and thereafter justifying fresh outlays for the schemes was initiated prior to the commencement of the Tenth Plan. The Committee understand that the purpose of the exercise of zero based budgeting was to ensure efficient and cost effective implementation of various schemes and prevent overlap and inefficient implementation. As per the information made available to the Committee, of the 360 Centrally Sponsored Schemes (CSS), that were operational in the Ninth Plan period, 188 schemes were suggested for being carried forward to the Tenth Plan as a result of this exercise. And, presently, there were 207 schemes, which involve central budgetary support to the extent of Rs. 41,000 crore.

63. What the Committee, however, wanted to know from the Government were the details of the modalities by which the schemes were reviewed, the constraints, if any, faced in identifying and implementing proposals for discontinuation or merger of schemes, and the means by which such constraints are going to be resolved or overcome. The Committee also desired for detailed information on the schemes that may have been discontinued or merged as a result of the exercise of zero based budgeting and the net amount that may have been made available as a result of such measures, which has not been furnished to them. The Committee desire that detailed information sought for, be furnished so as to enable them to analyze the efficacy of the exercise of zero based budgeting.

NEW DELHI;
19 *April,* 2005
29 *Chaitra,* 1927 *(Saka)*

MAJ. GEN. (RETD.) B.C. KHANDURI,
Chairman,
Standing Committee on Finance.

STATEMENT OF CONCLUSIONS/RECOMMENDATIONS OF THE STANDING COMMITTEE ON FINANCE IN THE EIGHTEENTH REPORT (2005-06)

Sl.No.	Para No.	Ministry/Department Concerned	Conclusions/Recommendations
1	2	3	4
1.	11, 12	Ministry of Planning	The Committee regret to note that there have been significant variations in the Budgeted estimates and Actual expenditure under the head, "Modernisation of Office System", which is intended for renovation of rooms and divisions, including regional and project offices and major electrical/civil works undertaken by the CPWD. For the year, 2003-04, an amount of Rs. 1.50 crore was provided at the stage of Budget Estimates, which was reduced to Rs. 1.13 crore at the stage of Revised Estimates and the actual expenditure incurred during the year was about Rs. 1.07 crore. Again, for the year, 2004-05, the amount allocated at the stage of Budget Estimates was at a much higher level of Rs. 7.00 crore, which was revised to Rs. 5.16 crore at the stage of RE and the actual expenditure confined to about Rs. 3.93 crore. The Ministry have adduced that the

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			estimates were revised to a much lesser amount of Rs. 5.16 crore from the initially envisaged amount of Rs. 7 crore and the actual expenditure confined to Rs. 3.93 crore, which totals to a little over 60% of the originally envisaged allocation to the reason that the projected estimates of the Ministry were far in excess of the CPWD estimates for undertaking the major civil works. The Committee desire that the endeavour of the Government should be to project realistic budget estimates and ensure proper and effective utilisation of the budgeted amounts.
2.	22	Ministry of Planning	The Committee feel constrained to note that year after year, there has been gross under-utilisation of the provisions made under the Head, 'Payment for Professional and Special Services', which is *inter-alia* intended for engaging Experts on full time or part-time basis for undertaking studies of topical interest or of complex nature. From the figures made available to the Committee, it is observed that while an amount of Rs. 6.59 crore was allocated at the BE stage for

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			2002-03, the amount was lowered significantly to Rs. 4.50 crore at the RE stage and the actual utilisation of funds has only been to the extent of about Rs. 3.39 crore during the year. More significantly, the allocation under the Head for 2004-05 at the stage of BE registered a quantum leap, with the provisioning being to the tune of Rs. 15.15 crore. As informed by the Planning Commission, the significantly higher allocation proposed at the BE stage for 2004-05 was for the purpose of 'engaging more consultants or Institutes', particularly for undertaking the work of mid-term Appraisal of the Tenth Five Year Plan. The fact, the Committee, however, wish to bring to the fore here is that the actual utilisation of the budgetary provisioning for 2004-05 has provisionally been calculated to be to the tune of Rs. 6.37 crore only, which is much less than even 50% of the originally budgeted estimate of Rs. 15.15 crore. In view of the huge variations being witnessed under this Head of account, the Committee reiterate that every care should be taken to ensure that the actual requirements are assessed with objectivity at each stage of the Budgetary

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			exercise so that the outcomes are in tune with the objectives envisaged.
3.	29	Ministry of Planning	The Committee regret to note that the utilisation of funds earmarked under the Head, 'Grants-in-Aid' intended for establishing the Institute of Applied Manpower Research (IAMR) and aiding the Planning Commission club etc. have never been in conformity with the objectives with which the allocations seem to have been made. The huge differential in initial estimates made at the stage of BE for the year 2003-04, revision undertaken at the RE stage and the actual expenditure incurred during the year has been *inter-alia* attributed to the inability of the State Governments to hold workshops under the UNDP assisted State Human Development Report Project. Given the extent of the differential in the allocations and the actual expenditure being witnessed each year, the Committee feel that there has been a strong element of over-objectivity in preparing the budget estimates under the Head, which needs to be avoided.

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4.	37, 38, 39, 40, 41	Ministry of Planning	The Committee are well aware of the fact that the growth and poverty reduction approach for the Tenth Plan centres on agricultural development, placing emphasis on quality and the pattern of growth, strengthening specific programmes aimed at special target groups and building safety nets and reducing inter-regional disparities through greater focus on growth in backward States and regions. Enhancement of human well-being in terms of all socio-economic indicators is central to the objectives of the Tenth Plan and the fulfilment of this objective is dependent on achieving the mandated target growth rate of 8% on an average per annum. The Committee, however, note that except for the first year of the Tenth Plan, the plan estimates have not been fully provided for in successive years. While about Rs. 1,13,500 crore was provided for as stipulated in the first year of the Tenth Plan, the provisioning for the second year of the Plan was Rs. 1,20,974 crore as against the estimate of Rs. 1,34,064 crore and Rs. 1,47,000 crore in the third year as compared to the

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			target of Rs. 1,59,201 crore. For the current year, 2005-06, as against the estimated amount of Rs. 1,91,041 crore, an amount of Rs. 1,72,500 crore plus an additional amount of Rs. 10,000 crore by way of 'SPV' has been provided for. As also admitted by the Secretary, Planning Commission during evidence, the Committee feel that short provisioning of the targeted plan expenditure in successive years has been one of the contributory factors for not being able to achieve the targeted growth rate of 8% per annum. While the growth rate achieved during the first year of the Tenth Plan was 4.1%, it was 8.6% in the second year and is expected to be around 6.9 to 7% in the third year of the Plan period. The Committee, therefore, strongly emphasise on the need for ensuring that the targeted plan estimates are fully provided for and corrective measures, as needed, taken, so as to ensure that the targeted growth rate of 8% per annum is achieved and maintained.
			The Committee feel constrained to note that they have not been furnished with concrete information or data

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			on the ground level achievements in regard to enhancement of human well-being in terms of all socio-economic indicators, which is central to the objectives of the Tenth Plan. The Committee wish to be apprised of the yearly targets envisaged as well as the achievements of the major rural poverty alleviation programmes being undertaken. The Committee note that there has been a decline in the budgetary allocation for the Sampoorna Gramin Rojgar Yojana during the current year, which, as per the Planning Commission is due to re-location of the amount earmarked for the benefit of 150 backward districts to the National Food for Work Programme. The Committee recommend for better allocations for these programmes, which have been conceived for the betterment of the poor of the country. The Committee are also disturbed to note that the existing system of estimating the population of people living Below the Poverty Line (BPL) is mired with inconsistencies and problems. As per the system currently in

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			force, while the State Governments prepare the BPL lists on the basis of the format drawn by the Ministry of Rural Development, the Planning Commission's stipulations provide that the BPL population of each State should not be in excess of 10% of their estimations. It is often noted that there is lot of variation in the figures of BPL families which are made available by different States and the estimated figures of the Planning Commission. It is mainly due to the fact that each State adopts their own criteria and there is no uniform standard criteria. Besides, even in collecting the data very often school teachers are engaged who do not have any technical expertise. The Committee, therefore, desire that the expert Committee which is proposed to be set-up in July should also go in depth with regard to this aspect, and ways and means for making an objective and realistic estimation of BPL households should be evolved, through standardisation of criteria.
5.	50, 51, 52	Ministry of Planning	The Committee feel constrained to note that the fiscal deficit has been estimated to Rs. 1,51,144 crore,

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			which amounts to about 4.3% of the GDP. Measures underway towards the path of ensuring fiscal health include undertaking major tax reforms for improving the tax to GDP ratio, expanding the tax payer base, increasing tax compliance and making tax administration more efficient through the planks of computerisation, and encouragement of voluntary tax compliance through better tax payer service. The Committee understand that, in addition, budgetary/ exchequer control, modification of schemes and reducing the operating losses of commercial undertakings are to be focused on as a part of fiscal correction measures. The Committee trust and hope that these corrective measures would contribute positively in improving fiscal health. An issue of even more serious concern to the Committee is the perilous position of State finances. The Committee understand that the award of the Twelfth Finance Commission (TFC) for the period 2005-10, *inter-alia*, proposes for re-scheduling of outstanding central loans to States contracted during 2003-04 and outstanding as on

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			31.3.2005, amounting to Rs. 12,875 crore for a fresh period of twenty years on the interest rate of 7.5 percent, and also a special debt write-off scheme for the States linked to undertaking fiscal reforms by way of enacting Fiscal Responsibility Legislation by the States. The Committee learn that five States have already enacted the Fiscal Responsibility Legislation. The Committee expect that the other States too would be persuaded to undertake fiscal reforms, which would enable them to avail the TFC award and help in fiscal consolidation.
			The Committee understand that as per the TFC award the States are to raise loans without the inter-mediation of the Central Government. The Committee have their concerns on this proposal, particularly on issues such as the extent to which the States would be allowed to borrow, the means by which the Central Government proposes to help the States, particularly the weaker ones in raising loans at standard rates, and the likelihood of adverse affects on the Plan expenditure of the States in case of inability to raise the

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			funds required. Yet another issue that the Committee wish to focus upon is the net affect, the TFCs recommendations would have on the fiscal position of the Centre, particularly on the matter of adhering to the fiscal correction targets. They want the Government to provide necessary inputs on these matters from time to time.
6.	62, 63	Ministry of Planning	The practice of assessing the utility value of schemes by subjecting them to zero based budgeting and thereafter justifying fresh outlays for the schemes was initiated prior to the commencement of the Tenth Plan. The Committee understand that the purpose of the exercise of zero based budgeting was to ensure efficient and cost effective implementation of various schemes and prevent overlap and inefficient implementation. As per the information made available to the Committee, of the 360 Centrally Sponsored Schemes (CSS), that were operational in the Ninth Plan period, 188 schemes were suggested for being carried forward to the Tenth Plan as a result of this exercise. And, presently, there were 207 schemes, which involve Central budgetary

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			support to the extent of Rs. 41,000 crore. What the Committee, however, wanted to know from the Government were the details of the modalities by which the schemes were reviewed, the constraints, if any, faced in identifying and implementing proposals for discontinuation or merger of schemes, and the means by which such constraints are going to be resolved or overcome. The Committee also desired for detailed information on the schemes that may have been discontinued or merged as a result of the exercise of zero based budgeting and the net amount that may have been made available as a result of such measures, which has not been furnished to them. The Committee desire that detailed information sought for, be furnished so as to enable them to analyze the efficacy of the exercise of zero based budgeting.

APPENDIX I

MINUTES OF THE NINETEENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 29 March, 2005 from 1500 to 1730 hours.

PRESENT

Maj. Gen. (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Bhartruhari Mahtab
4. Shri Bir Singh Mahato
5. Dr. Rajesh Kumar Mishra
6. Shri Madhusudan Mistry
7. Shri Rupchand Pal
8. Shri K.S. Rao
9. Shri Jyotiraditya Madhavrao Scindia
10. Shri Lakshman Seth
11. Shri M.A. Kharabela Swain

Rajya Sabha

12. Shri R.P. Goenka
13. Shri Jairam Ramesh
14. Shri Chittabrata Majumdar
15. Shri S.P.M. Syed Khan
16. Shri C. Ramachandraiah
17. Shri Mangani Lal Mandal

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu — *Joint Secretary*
2. Shri R.K. Jain — *Deputy Secretary*
3. Shri T.G. Chandrashekhar — *Under Secretary*

WITNESSES

MINISTRY OF PLANNING

1. Shri Rajeeva Ratna Shah, Secretary, Planning Commission
2. Smt. Suman Swarup, Pr. Adviser
3. Ms. Sushma Choudhary, Pr. Adviser
4. Smt. Meenakshi Datta Ghosh, Pr. Adviser
5. Dr. Pronab Sen, Pr. Adviser
6. Dr. (Smt.) Renuka Viswanathan, Adviser (SP-S/FR)
7. Dr. (Smt.) Rohini Nayyar, Sr. Consultant (RD)
8. Shri Shailendra Sharma, Adviser (LEM)
9. Shri G.B. Panda, Adviser (SJ & WE)
10. Dr. S.P. Pal, Adviser (Evaluation)
11. Shri Shrawan Nigam, Adviser (IE/DP/Commerce)
12. Shri A. Sekhar, Adviser (WR)
13. Shri B.N. Puri, Adviser (Tpt.)
14. Shri S.S. Batra, Adviser (HUD/DRF/MLP)
15. Shri S.K. Roy, Adviser (Agriculture)
16. Dr. R. Mandal, Adviser (E&F)
17. Shri Surya P. Sethi, Adviser (P&E/Coal)
18. Shri L.P. Sonkar, Adviser (Mineral & TRP)
19. Shri V.K. Bhatia, Adviser (PAMD)
20. Shri P.K. Biswas, Joint Adviser (S&T)
21. Shri P.P. Mathur, AS & FA
22. Dr. Rajan Katoch, JS (SP)
23. Ms. Gurjot Kaur, Adviser (PC/Tourism)
24. Dr. C. Muralikrishna Kumar, OSD (C&I)
25. Ms. L.N. Tochhawng, Director (Fin.)
26. Shri G.P. Grover, DS (Adm.)
27. Shri C.S. Mohapatra, Director (PC-M)
28. Shri J.K. Katyal, Dy. Advisor (PC)

2. At the outset, the Chairman welcomed the representatives of the Ministry of Planning to the sitting of the Committee and invited their attention to the provisions contained in direction 55 of the Directions by the Speaker.

3. The Committee then took oral evidence of representatives of the Ministry of Planning on Demands for Grants (2005-06) of the Ministry of Planning and other related matters.

4. Thereafter, the Chairman requested the representatives of Ministry of Planning to furnish notes on certain points raised by the Members to which replies were not readily available with them during the discussion.

5. The evidence was concluded.

6. A verbatim record of the proceedings has been kept.

The witnesses then withdrew.

(The Committee then adjourned to meet again on 30 March, 2005 at 1030 hours)

APPENDIX II

MINUTES OF THE TWENTY THIRD SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Thursday, 7th April, 2005 from 1100 hrs. to 1230 hours.

PRESENT

Maj. Gen. (Retd.) B.C. Khanduri—*Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Bhartruhari Mahtab
4. Shri Gurudas Kamat
5. Shri Bir Singh Mahato
6. Shri Madhusudan Mistry
7. Shri Rupchand Pal
8. Shri Shriniwas D. Patil
9. Shri Lakshman Seth
10. Shri M.A. Kharabela Swain
11. Shri Magunta Sreenivasulu Reddy

Rajya Sabha

12. Shri Jairam Ramesh
13. Shri M. Venkaiah Naidu
14. Shri Yashwant Sinha
15. Shri S.P.M. Syed Khan
16. Shri Mangani Lal Mandal

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu — *Joint Secretary*
2. Shri R.K. Jain — *Deputy Secretary*
3. Shri T.G. Chandrashekhar — *Under Secretary*

2. At the outset, the Chairman welcomed the members to the sitting of the Committee.

3. The Chairman then requested the Members to give their suggestions on the issues proposed to be taken up for inclusion in the draft reports of the Committee on Demands for Grants (2005-2006) of the Ministries/Departments under their purview.

4. Thereafter, Members expressed their views on the subjects/topics that could be covered in the Reports of the Committee on Demands for Grants (2005-2006) of the Ministries/Departments, which were to be taken up for consideration and adoption at the sittings to be held on 11 and 12 April, 2005.

5. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

APPENDIX III

MINUTES OF THE TWENTY FIFTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 12 April, 2005 from 1100 hours to 1310 hours.

PRESENT

Maj. Gen. (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Gurudas Dasgupta
4. Shri Madhusudan Mistry
5. Shri Rupchand Pal
6. Shri K.S. Rao
7. Shri Lakshman Seth
8. Shri Vijoy Krishna

Rajya Sabha

9. Shri R.P. Goenka
10. Shri Jairam Ramesh
11. Shri Yashwant Sinha
12. Shri Chittabrata Majumdar
13. Shri C. Ramachandraiah
14. Shri Mangani Lal Mandal

SECRETARIAT

1. Shri R.K. Jain — *Deputy Secretary*
2. Shri T.G. Chandrashekhar — *Under Secretary*

2. At the outset, the Chairman welcomed the Members to the sitting.

3. The Committee then took up for consideration the following draft reports:

(i) *** *** ***

(ii) Draft report on the Demands for Grants (2005-2006) of the Ministry of Planning;

(iii) *** *** ***

(iv) *** *** ***

4. The Committee adopted the report with the modifications/ amendments shown in ***Annexure.***

5. The Committee authorised the Chairman to finalise the Reports in the light of modifications as also to make verbal and other consequential changes arising out of the factual verification and present the same to both the Houses of Parliament.

The Committee then adjourned.

ANNEXURE

[MODIFICATIONS/AMENDMENTS MADE BY STANDING COMMITTEE ON FINANCE IN THEIR DRAFT REPORT ON THE DEMANDS FOR GRANTS (2005-2006) OF THE MINISTRY OF PLANNING AT THEIR SITTING HELD ON 12 APRIL, 2005]

Page No.	Para No.	Line No.	Modifications
1	2	3	4
22	38	12	*For:* a major contributory factor *Substitute:* one of the contributory factors
29	51	3 and 4	*Delete:* is fairly laudable and in a way radical. The award
30	52	1 to 7	*For:* The Committee, however, have their concerns on the effectiveness with which the proposal of the TFC to delink raising of loans by the States without the inter-mediation of the Central Government would be effected, particularly in the case of the States with weak financial health. The Committee wish to be informed of the details of the measures taken or proposed to be taken for enabling the States to raise funds from the market at standard rates without the mediatory role of the Centre. *Substitute:* The Committee understand that as per the TFC award the States are to raise loans without the inter-mediation of the Central

1	2	3	4
			Government. The Committee have their concerns on this proposal, particularly on issues such as the extent to which the States would be allowed to borrow, the means by which the Central Government proposes to help the States, particularly the weaker ones, in raising loans at standard rates, and the likelihood of adverse affect on the Plan expenditure of the States in case of inability to raise the funds required.