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**STANDING COMMITTEE
ON FINANCE
(2005-2006)**

FOURTEENTH LOK SABHA

MINISTRY OF PLANNING

**DEMANDS FOR GRANTS
(2005-2006)**

*[Action taken by the Government on the recommendations contained
in the Eighteenth report of the Standing Committee on Finance on
Demands for Grants (2005-2006) of the Ministry of Planning]*

THIRTIETH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2005 / Pausa, 1927 (Saka)

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(2005-2006)

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Presented to Lok Sabha on 22.12.2005

Laid in Rajya Sabha on 22.12.2005



LOK SABHA SECRETARIAT
NEW DELHI

December, 2005/Pausa, 1927 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON
FINANCE—2005-2006

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

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Gurudas Dasgupta
4. Shri Bhartruhari Mahtab
5. Shri Shyama Charan Gupta
6. Shri Gurudas Kamat
7. Shri A. Krishnaswamy
8. Shri Bir Singh Mahato
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12. Shri Danve Raosaheb Patil
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19. Shri M.A. Kharabela Swain
20. Shri Vijoy Krishna
21. Shri Magunta Sreenivasulu Reddy

Rajya Sabha

22. Shri Murli Deora
23. Shri R.P. Goenka
24. Shri Jairam Ramesh
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26. Shri Yashwant Sinha

27. Shri Chittabrata Majumdar
28. Shri S.P.M. Syed Khan
29. Shri Amar Singh
30. Shri C. Ramachandraiah
31. Shri Mangani Lal Mandal

SECRETARIAT

- | | | |
|----------------------------|---|-----------------------------|
| 1. Shri John Joseph | — | <i>Secretary</i> |
| 2. Dr. (Smt.) P.K. Sandhu | — | <i>Additional Secretary</i> |
| 3. Shri A. Mukhopadhyay | — | <i>Joint Secretary</i> |
| 4. Shri S.B. Arora | — | <i>Deputy Secretary</i> |
| 5. Shri T.G. Chandrasekhar | — | <i>Under Secretary</i> |

INTRODUCTION

I, Chairman of the Standing Committee on Finance having been authorized by the Committee to submit the Report on their behalf present this Thirtieth Report on action taken by Government on the recommendations contained in the Eighteenth Report of the Committee (Fourteenth Lok Sabha) on Demands for Grants (2005-2006) of the Ministry of Planning.

2. The Eighteenth Report was presented to Lok Sabha/laid in Rajya Sabha on 20 April, 2005. The Government furnished the written replies indicating action taken on all the recommendations on 19 July, 2005. The draft action taken report was considered and adopted by the Committee at their sitting held on 19 December, 2005.

3. An analysis of the action taken by Government on the recommendations contained in the Eighteenth Report (Fourteenth Lok Sabha) of the Committee is given in the Appendix.

4. For facility of reference observations/recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
19 December, 2005
28 Agrahayana, 1927 (Saka)

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

CHAPTER I

REPORT

This Report of the Standing Committee on Finance deals with Action Taken by Government on the recommendations/observations contained in their Eighteenth Report (14th Lok Sabha) on Demands for Grants (2005-2006) of the Ministry of Planning which was presented to Lok Sabha and laid in Rajya Sabha on 20 April, 2005.

2. The Report contained eleven recommendations. Action taken notes have been received from the Government in respect of all the recommendations contained in the Report. These have been analysed and categorised as follows:

- (i) Recommendations/Observations which have been accepted by the Government:

Sl.Nos. 1, 2, 4, 5, 6 & 11

(Total 6) (Chapter II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:

Sl.Nos. 3 & 8

(Total 2) (Chapter III)

- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:

Sl.Nos. 7, 9 & 10

(Total 3) (Chapter IV)

- (iv) Recommendations/Observations in respect of which final replies of Government are still awaited:

(Nil) (Chapter V)

3. The Committee desire that replies in respect of the recommendations contained in Chapter I should be furnished to the Committee expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their Recommendations.

Standardising the Criteria for Assessing BPL Households

Recommendation (Sl.No. 7, Para No. 41)

5. The Committee were disturbed to note that the existing system of estimating the population of people living Below the Poverty Line (BPL) was 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 was often noted that there was lot of variation in the figures of BPL families which were made available by different States and the estimated figures of the Planning Commission. It was mainly due to the fact that each State adopted its own criteria and there was no uniform standard criteria. Besides, even in collecting the data very often school teachers were engaged who did not have any technical expertise. The Committee, therefore, desired that the expert Committee which was 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.

6. In their written submission, the Ministry of Planning have stated as under:

"The Planning Commission appreciates the recommendations of the Committee regarding the proposal of setting up of an Expert Committee making objective and realistic estimation of BPL households through standardization of criteria. As per the allocation of business rules this function lies with the Ministry of Rural Development, which sets up an Expert Committee for this purpose. The recommendation of the Committee has been forwarded to the Ministry of Rural Development so that appropriate action in consultation with Planning Commission may be taken up."

7. The Ministry of Planning were asked to state whether the proposed Expert Committee has been constituted by now. However, the information is still awaited.

8. The Committee find that the reply of the Ministry is evasive with regard to the need for standardizing the criteria for listing identified number of BPL households. The Committee had emphasised on this aspect mainly because of the wide variations often noticed in the listing of identified BPL households as made by the States and estimation by the Planning Commission. Though the matter, as intimated by the Ministry of Planning, falls under the administrative purview of the Ministry of Rural Development, it can be addressed and resolved only in consultation with and the active involvement of the Planning Commission. The Committee had also desired to know the current status of the proposal for setting up an Expert Committee to look into issues relating to identifying and assessing the numbers of the BPL households, which has not been furnished. The Committee express their unhappiness in this regard. The Committee reiterate their recommendation for making an indepth analysis of the criteria for identifying the BPL households so as to enable a realistic enumeration. This would contribute towards better formulation and implementation of developmental and poverty alleviation programmes.

Twelfth Finance Commission

Recommendation (Sl. Nos. 9 & 10, Para Nos. 51 & 52)

9. An issue of even more serious concern to the Committee was the perilous position of State finances. The Committee understood that the award of the Twelfth Finance Commission (TFC) for the period 2005-10, *inter-alia*, proposed 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. A special debt write off scheme for the States linked to undertaking fiscal reforms by way of enacting Fiscal Responsibility Legislation by the States was also proposed. The Committee learnt that five States had already enacted the Fiscal Responsibility Legislation. The Committee expected 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.

10. In their written submission, the Ministry have stated as follows:

“The Committee would like States which have not enacted fiscal responsibility legislation to be also persuaded to undertake fiscal reforms to enable them to avail of TFC awards and help them in fiscal consolidation. Action is being taken on these lines by the

Finance Ministry and Planning Commission is supportive of these efforts. The recommendation of the Committee is being forwarded to the Ministry of Finance.”

11. The Committee understood that as per the TFC award the States were to raise loans without the inter-mediation of the Central Government. The Committee had 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 proposed to help the States, particularly the weaker ones in raising loans at standard rates, and the likelihood of adverse effects on the Plan expenditure of the States in case they were unable to raise the funds required. Yet another issue that the Committee wished to focus upon was the net effect, the TFC’s recommendations would have on the fiscal position of the Centre, particularly on the matter of adhering to the fiscal correction targets. They wanted the Government to provide necessary inputs on these matters from time to time.

12. The Ministry of Planning in their action taken reply have submitted as follows:

“The Committee has expressed its concern at the means by which the Central Government proposes to help States (particularly weaker ones) in raising loans at standard rates and the likelihood of adverse effects on Plan expenditure of States if they are unable to raise the required funds. On these issues, Deputy Chairman has already written to States. Some States have responded indicating their problems. A meeting was also convened in Reserve Bank of India for interaction between the Finance Ministry, the Planning Commission and Finance Secretaries of States. Secretary, (Planning Commission) has also written to Finance Ministry. Subsequently, in the meeting of the National Development Council held on 27-28 June, 2005, the Prime Minister has announced that a Committee will be formed under the Chairmanship of the Finance Minister to go into some of these issues.

The Committee also wishes that Government should provide inputs regarding the net effect of the TFC recommendations on the fiscal position of the Centre and particularly on adherence to fiscal correction targets. This action is carried out by the Ministry of Finance and is reflected in the statement laid before Parliament as required under the Fiscal Responsibility and Budget Management Act, 2003. The Recommendation of the Committee is being forwarded to the Ministry of Finance.”

13. The Committee have since been informed that in accordance with the decision taken in the 51st meeting of the National Development Council held under the Chairmanship of the Prime Minister on June 27-28, 2005, a Committee has been constituted under the Chairmanship of the Union Finance Minister, the terms of which are as under:

- (i) Examination of the implementation issues relating to the recommendations of the Twelfth Finance Commission on the debt burden of the States;
- (ii) Examination of issues relating to restructuring of securities issued by State Governments to the National Small Savings Fund (NSSF) keeping in view, *inter alia*, the sustainability of NSSF; and
- (iii) To give suitable recommendations in regard to the above within a period of three months.

14. The Committee had desired to be apprised of the specific details of the problems that were likely to be faced by the States, particularly the weaker ones, in raising loans at standard rates following the Twelfth Finance Commissions Award; the likely adverse impact on the Plan expenditure of the States on account of inability to raise the required funds; and the measures by way of which the Government proposes to address these issues. Detailed information, covering these matters has not been furnished by the Ministry. Instead, the Ministry have merely chosen to state that some States had indicated their problems in this regard. The Committee understand that in pursuance of the announcement made by the Prime Minister at the meeting of the NDC, an Expert Committee has been constituted under the Chairmanship of the Finance Minister to *inter alia* examine the 'implementation issues relating to the recommendations of the Twelfth Finance Commission on debt burden of the States'. The Committee expect the Government to keep them apprised of the recommendations of the Expert Committee, and the measures, by way of which, the Government proposes to address the problems faced by the States.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para Nos. 11 & 12)

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 room 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.

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

Reply of the Government

Noted for future compliance.

[Planning Commission OM No. 38/16/2005-OM & C
dated the 19th July, 2005]

Recommendation (Sl. No. 2, Para No. 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 utilization 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 utilization 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.

Reply of the Government

The recommendations of the Committee have been noted for compliance.

[Planning Commission OM No. 38/16/2005-OM & C
dated the 19th July, 2005]

Recommendation (Sl. No. 4, Para Nos. 37 & 38)

The Committee are well aware of the fact that the growth and poverty reduction approach for the Tenth Plan centers 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 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 factor 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.

Reply of the Government

The Planning Commission appreciates the recommendations of the Committee.

For every Financial Year of the Tenth Five Year Plan (2002-07), Planning Commission projects the requirement of Gross Budgetary Support (GBS) as per the Approach Paper of the Tenth Five Year Plan. However, Ministry of Finance provides the Gross Budgetary Support (GBS) keeping in view the availability of resources and other equally competing demands and in turn Planning Commission allocates the GBS to various Central Ministries/Departments and to the Central Assistance to State Plans as per the goal and the priorities of the Government.

[Planning Commission OM No. 38/16/2005-OM & C
dated the 19th July, 2005]

Recommendation (Sl. No. 5, Para No. 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 apprise of the yearly targets envisaged as well as the achievements of the major rural poverty alleviation programmes being undertaken.

Reply of the Government

Financial and physical progress under major Rural Poverty Alleviation Programmes during the last three years is as under:

| Sl.No. | Name of the Scheme/ Year | Financial progress (Rs. in lakhs) | | | Physical progress (Rs. in lakhs) | | | | |
|------------------|-----------------------------|-----------------------------------|-----------------------|---------------------|----------------------------------|----------------------------|-------------|---------|--|
| | | Total allocation | Total available funds | Total expenditure % | Expenditure to available funds | Unit | Achievement | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| 2002-2003 | | | | | | | | | |
| 1. | SGRY | 47351 0.04 | 62461 9.89 | 499089.00 | 79.90 | Crore mandays | | 74.83 | |
| 2. | SGSY | 75636.64 | 107705.17 | 92115.73 | 85.53 | Total Swarozgaris assisted | | 826597 | |
| 3. | IAY | 220743.01 | 299420.87 | 276792.25 | 92.44 | Dwelling Units | 1314435 | 1536634 | |
| 2003-2004 | | | | | | | | | |
| 1. | SGRY | 549130.47 | 696615.00 | 595774.00 | 85.52 | Crore mandays | | 85.60 | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|------------------|-------|-----------|-----------|-----------|-------|----------------------------------|---------|---------|
| 2. | SGSY | 106583.74 | 112110.57 | 101267.16 | 90.33 | Total Swarozgaris assisted | | 896000 |
| 3. | IAY | 249275.03 | 292686.01 | 242947.44 | 83.01 | Dwelling Units | 1484554 | 1355000 |
| 2004-2005 | | | | | | | | |
| 1. | SGRY+ | 599109.57 | 649418.93 | 443101.48 | 68.23 | Crore mandays | | 62.97 |
| 2. | SGSY+ | 133266.71 | 135991.04 | 96876.98 | 71.24 | Total Swarozgaris assisted | | 856188 |
| 3. | IAY+ | 327924.92 | 429912.02 | 254389.48 | 59.17 | Dwelling Units | 1561356 | 1095440 |

+upto February 2005.
(Source: Ministry of Rural Development (MORD).

[Planning Commission OM No. 38/16/2005-OM & C dated the 19th July, 2005]

Recommendation (Sl. No. 6, Para No. 40)

The Committee note that there has been a decline in the budgetary allocation for the Sampoorna Grameen Rozgar 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.

Reply of the Government

A total Central allocation of Rs. 10000 cr. has been provided for Sampoorna Grameen Rozgar Yojana (SGRY) and National Food for Work Programme (NFFWP) in 2005-06 for the cash component of the programmes. The Central outlay (cash component) for 2004-05 for both the programmes was Rs. 6520 cr. (Rs. 4500 cr. SGRY+Rs. 2020 cr. NFFWP), Thus there has been a step up in the allocation for the programmes during 2005-06. In addition under the programmes free foodgrains are provided by the Centre to the States.

[Planning Commission OM No. 38/16/2005-OM & C
dated the 19th July, 2005]

Recommendation (Sl. No. 11, Para Nos. 62 & 63)

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.

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 meagre 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 as so to enable them to analyze the efficacy of the exercise of zero based budgeting.

Reply of the Government

As it was decided that all Departments may undertake review of all their Schemes, on a Zero Based Budget Methodology with a view to ascertaining whether they require continuation in 10th Plan and if so, if they also require any modifications or changes, Planning Commission had undertaken a major ZBB exercise on the eve of 10th Plan with a view to continue only demonstrably efficient and essential schemes. It has been decided that the ZBB exercise will be a regular feature of Planning Commission. It is quite useful to undertake major ZBB exercise at the end of each Plan period. However, rationalization/review of the Schemes are undertaken on an ongoing basis on the basis of the feedback received by the Subject Divisions through the system of Quarterly Performance Reviews, annual plan discussions and interactions with Ministries/Departments. During 2004-05, keeping in view the NCMP objectives as also the announcement made by the Finance Minister in his Budget Speech 2004-05, a rationalization/review exercise for all ongoing CSS was undertaken. The rationalization/review exercise was carried out on the basis of the inputs of various Subject Divisions in Planning Commission. The Internal Planning Commission approved the recategorisation of 207 ongoing CSSs for retention/transfer/merger/reclassification as Central Scheme/discontinuance. Thereafter, the decision of Planning Commission was communicated to the Ministries/Departments concerned. It may be noted that some Ministries/Departments had a different viewpoint on the rationalization/recategorisation of CSSs. The matter was taken up and resolved in some cases whereas the issue of rationalization relating to some other Ministries/Departments are being resolved. This exercise will continue over the next few months. Once this is completed, the schemes identified for transfer to States would be submitted to the NDC Committee on transfer of CSSs. The Committee views/observations/recommendations would then be submitted to the NDC for a final decision.

There exists no constraint in identifying and implementing proposals for discontinuation of merger of the schemes. Wherever there is a difference in viewpoint between Planning Commission and respective Ministry/Department, the matter is resolved through a process of consultation with the Ministry/Department concerned.

The details of schemes (CSS) identified for discontinuance and merger as a result of the rationalization exercise recently undertaken by Planning Commission are at Annexure alongwith amount involved. (BE 2004-05). As the rationalization exercise of schemes/programmes is a continuous process, the categorisation as also the numbers of CSS identified for retention/transfer/merger/reclassification may undergo change based on usefulness of a scheme and the need for transferring on merging the same.

[Planning Commission, OM No. 38/16/2005-OM & C,
dated the 19th July, 2005]

ANNEXURE

Planning Commission
(Plan Coordination Division)

| CSS to be merged | BE in Rs. Crore 2004-05 |
|---|-------------------------------|
| 1 | 2 |
| DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING DAHD | |
| 1. Conservation of Threatened Livestock Breed | 6.00 |
| 2. Strengthening Infra. for quality & Clean Milk | 38.42 |
| 3. Fisheries Training & Extension including HRD | 2.50 |
| ELEMENTARY EDUCATION | |
| 4. Restructuring & Reorganisation of Teacher Education | 207.00 |
| MNES | |
| 5. Integrated Rural Energy Programme (IREP) | 22.00 |
| DWCD | |
| 6. Rural Women's Development and Empowerment Project (Swashakti) | 25.00 |
| SECONDARY & HIGHER EDUCATION | |
| 7. Education in Human Values | 3.00 |
| 8. National Scholarship Programme | 4.00 |

| | 1 | 2 |
|---|--|---------|
| SOCIAL JUSTICE AND EMPOWERMENT | | |
| 9. | Up-gradation of Merit of SC Students | 25.00 |
| TOURISM | | |
| 10. | Computerization and Information Technology | 17 |
| 11. | Integrated Development of Tourism Circuits | 85.00 |
| FAMILY WELFARE | | |
| 12. | Contractual Services/Consultancies | 58.21 |
| 13. | Adolescent Health | 5.00 |
| 14. | MTP Services (Manual Vac. Aspirator for safe abortion) | 0.00 |
| 15. | Child Health | 0.50 |
| 15. | USAID Assisted Area Project | 60 |
| 17. | EC Assisted SIP Project | 300 |
| 18. | Maintenance & Strengthening of HFWTCS | 15.7 |
| 19. | Basic Training for MPWs Worker (Male) | 9.4 |
| 20. | Strengthening of Basic Training schools | 2.8 |
| 21. | Role of Men in Planned Parenthood | 3.20 |
| 22. | Routine Immunization Strengthening | 3.00 |
| 23. | Other RCH Interventions and services | 76.00 |
| 24. | Logistics Improvement | 2 |
| 25. | RTI/STI prevention and management | 3.25 |
| 26. | Urban Slums Projects | 25.00 |
| 27. | Maternity Benefit Scheme | 112.00 |
| 28. | Empowered Action Group | 185 |
| CSS to be merged into one of the Schemes being reclassified as Central Sector Scheme | | |
| 29. | Jan Shikshan Sansthan (Elementary Education) | 28.00 |
| 30. | Policy Advocacy/Seminars/Melas (DFW) | 3.00 |
| Total | | 1326.98 |

To be Discontinued (TD)

| Name of the Scheme | BE in Rs. Crore 2004-05 |
|---|----------------------------|
| DEPARTMENT OF ANIMAL HUSBANDRY AND DAIRYING | |
| 1. Feed and fodder (old) | 15.50 |
| 2. Assistance to States for Establishment & Improvement of abattoirs carcass by products utilization center | 0.00 |
| DEPTT. OF INDUSTRIAL POLICY & PROMOTION | |
| 3. Capital Investment Subsidy Scheme (Old) | 0.25 |
| MINISTRY OF WATER RESOURCES | |
| 4. Flood Proofing Program in North Bihar | 1.00 |
| DEPARTMENT OF FAMILY WELFARE | |
| 5. Other Research Projects | 0 |
| Total | 16.75 |

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Sl. No. 3, Para No. 29)

The Committee regret to note that the utilization 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.

Reply of the Government

Noted for compliance.

As per requirements proposed by IAMR, the Budget Estimates for 2003-04 were kept at Rs. 350 lakhs. However, as the proposal could not be considered by the departmental Standing Finance Committee (SFC) till January 2004, the Revised Estimates for 2003-04 were restricted to Rs. 140 lakhs on the basis of the amount which was likely to be available and utilized during the last quarter of that year. On the basis of the progress of ongoing work on construction of the new Campus at Narela, an amount of Rs. 105 lakh was released to IAMR during 2003-04 to meet the requirement for procurement of air conditioners, and computers with accessories/software.

As far as, the UNDP assisted State Human Development Report Project is concerned, very few workshops were held by State Governments in 2002-03 and 2003-04 and, therefore, the RE figures were considerably lower as compared to BE figures in 2002-03 and

2003-04, under this head. During 2004-05, no workshop was held by State Governments and hence actual expenditure was Nil.

[Planning Commission, OM No. 38/16/2005-OM & C,
dated the 19th July, 2005]

Recommendation (Sl. No. 8, Para No. 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 computerization, 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.

Reply of the Government

The Committee has indicated that corrective measures suggested by the Planning Commission should improve positively the fiscal health of the country. Introduction of the measures mentioned during the meeting of the Committee involve a number of Ministries/Departments, including the Ministry of Finance and the Planning Commission which also monitor their effects.

[Planning Commission, OM No. 38/16/2005-OM & C,
dated the 19th July, 2005]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 7, Para No. 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 standardization of criteria.

Reply of the Government

The Planning Commission appreciates the recommendations of the Committee regarding the proposal of setting up of an Expert Committee making objective and realistic estimation of BPL households through standardization of criteria. As per the allocation of business rules this function lies with the Ministry of Rural Development, which sets up an Expert Committee for this purpose. The recommendation of the Committee has been forwarded to the Ministry of Rural Development so that appropriate action in consultation with Planning Commission may be taken up.

[Planning Commission, OM No. 38/16/2005-OM & C,
dated the 19th July, 2005]

Recommendation (Sl. No. 9, Para No. 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 31-03-2005, amounting to Rs. 12,875 crore for a fresh period of twenty years on the interest rate of 7.5 per cent, 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.

Reply of the Government

The Committee would like States which have not enacted fiscal responsibility legislation to be also persuaded to undertake fiscal reforms to enable them to avail of TFC awards and help them in fiscal consolidation. Action is being taken on these lines by the Finance Ministry and Planning Commission is supportive of these efforts. The recommendation of the Committee is being forwarded to the Ministry of Finance.

[Planning Commission, OM No. 38/16/2005-OM & C,
dated the 19th July, 2005]

Recommendation (Sl. No. 10, Para No. 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.

Reply of the Government

The Committee has expressed its concern at the means by which the Central Government proposes to help States (particularly weaker ones) in raising loans at standard rates and the likelihood of adverse effects on Plan expenditure of States if they are unable to raise the required funds. On these issues, Deputy Chairman has already written to States. Some States have responded indicating their problems. A meeting was also convened in Reserve Bank of India for interaction between the Finance Ministry, the Planning Commission and Finance Secretaries of States. Secretary, (Planning Commission) has also written to Finance Ministry. Subsequently, in the meeting of the National Development Council held on 27-28 June, 2005, the Prime Minister has announced that a Committee will be formed under the Chairmanship of the Finance Minister to go into some of these issues.

The Committee also wishes that Government should provide inputs regarding the net effect of the TFC recommendations on the fiscal position of the Centre and particularly on adherence to fiscal correction targets. This action is carried out by the Ministry of Finance and is reflected in the statement laid before Parliament as required under the Fiscal Responsibility and Budget Management Act, 2003. The Recommendation of the Committee is being forwarded to the Ministry of Finance.

[Planning Commission, OM No. 38/16/2005-OM & C,
dated the 19th July, 2005]

CHAPTER V

RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH
FINAL REPLY OF GOVERNMENT IS STILL AWAITED

-Nil-

NEW DELHI;
21 December, 2005
30 Agrahayana, 1927 (Saka)

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

ANNEXURE

MINUTES OF THE TENTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Monday, 19 December, 2005 from 1500 hrs.
to 1615 hrs.

PRESENT

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

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Gurudas Dasgupta
4. Shri Bhartruhari Mahtab
5. Shri Madhusudan Mistry
6. Shri Rupchand Pal
7. Shri Shrinivas D. Patil
8. Shri Jyotiraditya Madhavrao Scindia
9. Shri M.A. Kharabela Swain
10. Shri Magunta Sreenivasulu Reddy

Rajya Sabha

11. Shri Yashwant Sinha
12. Shri Chittabrata Majumdar
13. Shri C. Ramachandraiah
14. Shri Mangani Lal Mandal

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu — *Additional Secretary*
2. Shri A. Mukhopadhyay — *Joint Secretary*
3. Shri S.B. Arora — *Deputy Secretary*
4. Shri T.G. Chandrasekhar — *Under Secretary*

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

3. The Committee, then considered the draft reports on (i) Action taken by the Government on the recommendations contained in the Sixteenth Report of the Committee on Demands for Grants (2005-06) of the Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment), (ii) Action taken by the Government on the recommendations contained in the Eighteenth Report of the Committee on Demands for Grants (2005-06) of the Ministry of Planning and (iii) Action taken by the Government on the recommendations contained in the Twentieth Report of the Committee on Demands for Grants (2005-06) of the Ministry of Company Affairs.

4. The Committee adopted the draft action taken reports mentioned above without any modification/amendment.

5. ** ** ** ** ** **

6. ** ** ** ** ** **

7. While deliberating on the draft action taken reports, the Committee also decided that separate notes may be called for from the Ministries/Departments concerned on the following issues:

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

(ii) ** ** ** ** ** **

(iii) Standardising the criteria for identifying and listing BPL households.

(iv) Issues relating to raising of loans by the State Governments following the implementation of the recommendations of the Twelfth Finance Commission.

(v) ** ** ** ** ** **

8. The Committee authorised the Chairman to finalise the Reports and to make verbal and other consequential changes and present the same to both the Houses of Parliament.

The Committee then adjourned.

APPENDIX

(Vide Para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE EIGHTEENTH REPORT OF THE STANDING COMMITTEE ON FINANCE (FOURTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2005-06) OF THE MINISTRY OF PLANNING

| | Total | %of Total |
|---|-------|--------------|
| (i) Total number of recommendations | 11 | |
| (ii) Recommendations/Observations which have been accepted by the Government: (Vide Recommendations at Sl.Nos. 1, 2, 4, 5, 6 & 11) | 6 | 54.55% |
| (iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies: (Vide Recommendations at Sl.Nos. 3 & 8) | 2 | 18.18% |
| (iv) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee: (Vide Recommendation at Sl. Nos. 7, 9 & 10) | 3 | 27.27% |
| (v) Recommendations/Observations in respect of which final replies of Government are still awaited: (Nil) | Nil | — |