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STANDING COMMITTEE ON FINANCE

(2007-08)

FOURTEENTH LOK SABHA

MINISTRY OF PLANNING

Demands for Grants

(2007-08)

[Action taken by the Government on the Recommendations contained in the Fifty-third Report of the Standing Committee on Finance on Demand for Grants (2007-08) of Ministry of Planning]

SIXTY-FIRST REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2007/Agrahayana, 1929 (Saka)

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(2007-2008)**

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Presented to Lok Sabha on 4 December, 2007
Laid in Rajya Sabha on 4 December, 2007



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2007/ Agrahayana ,1929 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE (2007-2008)

Shri Ananth Kumar — Chairman

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3. Shri Gurudas Dasgupta
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| 3. Shri S.B. Arora | — | Director |
| 4. Shri T.G. Chandrasekhar | — | Deputy Secretary |
| 5. Shri Ram Lal Yadav | — | Committee Officer |

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INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorized by the Committee to present the Report on their behalf, present this Sixty-first Report on action taken by Government on the recommendations contained in the Fifty-third Report of the Committee (Fourteenth Lok Sabha) on Demand for Grants (2007-2008) of the Ministry of Planning.

2. The Fifty-third Report was presented to Lok Sabha on 28th April, 2007 and laid in Rajya Sabha on 3rd May, 2007. Replies indicating action taken on all the recommendations contained in the Report were furnished by the Government on 9th August, 2007.

3. The Committee considered and adopted this Report at their sitting held on 28 November, 2007.

4. An analysis of action taken by Government on the recommendations contained in the Fifty-third Report of the Committee is given in the Appendix.

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

NEW DELHI;
28 November, 2007
7 Agrahayana, 1929 (Saka)

ANANTH KUMAR,
Chairman,
Standing Committee on Finance.

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CHAPTER I

REPORT

This Report of the Standing Committee on Finance deals with action taken by the Government on the recommendations contained in their Fifty-third Report (Fourteenth Lok Sabha) on Demands for Grants (2007-08) of Ministry of Planning which was presented to Lok Sabha on 28 April, 2007.

2. Action Taken Notes have been received from the Government in respect of all the six recommendations contained in the Report. These have been categorized as follows:-

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

Sl. Nos: 1, 2, 3, 4, 5 & 6 (Chapter II, Total 6)

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

Nil (Chapter III, Total Nil)

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

Nil (Chapter IV, Total Nil)

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

Nil (Chapter V, Nil)

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.

A. Effectiveness of implementation of policies

Recommendation (Sl. No. 1, para No. 29)

5. The Committee had expressed the need for having a relook at the effectiveness of the implementation of socio-economic development oriented policies which have a bearing on the living conditions of the people at large and take immediate corrective measures.

6. The Planning Commission have stated in their action taken reply as follows:-

“During 11th Plan every effort would be taken for augmenting allocations and ensuring mechanism for proper supervision, monitoring, evaluation and mid term corrections of strategies which are needed to improve the health and nutritional status of the population.”

7. The Government have merely stated that efforts would be made to augment allocations and ensure proper supervision of programmes during the 11th Plan and has not addressed the issue raised by the Committee on the need for having a re-look at the socio-economic development oriented policies, which have a bearing on the living conditions of the people at large. The Committee hope that the Government have taken note of this suggestion for appropriate action.

B. Irrigation Projects

Recommendations (Sl. No. 2, para No. 44)

8. The Committee found that though there was a significant increase in the investment in the sectors related to water/irrigation from Rs. 11938 crore (actual expenditure) in 2002-03 to Rs. 32599 crore in 2006-07 (approved outlay), the targets set for the irrigation sector could not be achieved. While, as per the target envisaged under the Tenth Plan, a total of 16.743 mha of irrigation potential was to be added (9.936 mha from major and medium irrigation projects and 6.807 mha from minor irrigation schemes), the likely achievement to this

end was expected to be only 8.818 mha, which amounted to 53 percent of the originally envisaged target for the Plan period. This meant that the percentage of achievement of ultimate irrigation potential (93.883 m.ha) would just increase from 67% at the end of Ninth Plan to 73% by the end of Tenth Plan. Considering these aspects, the Committee were of the view that focused attention needed to be given for ensuring effective formulation and progress of irrigation projects, which would contribute to the improvement of agricultural growth.

9. The reply of the Planning Commission is as under:

“The Planning Commission has suggested fixed price turn key no cost overrun contracts with incentives/disincentive for timely/delayed completion of irrigation projects to be funded under Accelerated irrigation Benefit Programme. Ministry of Water Resources has circulated a Cabinet Note for Accelerated Irrigation Benefit Programme funding which also includes similar suggestion. States need to take similar action for their ongoing/proposed non AIBP assisted projects for completing them at the earliest.”

10. There is nothing in the reply of the Government to indicate how the Planning Commission/Ministry of Water Resources propose to ensure effective formulation and implementation of irrigation projects. The Committee hope that suitable mechanism would be evolved to ensure that.

C. Identification of BPL Households

Recommendations (Sl. No. 3, para No. 54)

11. The Committee had, in their report on the Demands for Grants (2005-06) of the Ministry of Planning, inter alia, emphasized on standardizing the criteria for estimation of BPL households. The emphasis laid by the Committee on standardizing the criteria was on account of the fact that there was a dichotomy in the estimates of BPL household as made by the Planning Commission and the estimates made by the States on the basis of the surveys carried out by them. The BPL household surveys carried out by the State Governments were based on the format prescribed by the Ministry of Rural Development. The Committee took note of the fact that an Expert Committee was looking into issues relating to

'poverty rate measurement'. As per the insurance given to the Committee by the Member Secretary while tendering evidence, the issue of harmonizing the criteria for estimation of BPL households, which would inter alia enable in overcoming the dichotomy/variation in the population estimates of BPL households as brought out by different Government Departments/bodies, was to be referred to the Expert Committee. The Committee expected that the Expert Committee engaged in addressing issues relating to poverty measurement would look into this aspect and evolve a standardised criteria, which would facilitate an objective and realistic assessment of the BPL households in the country.

12. The Planning Commission has replied as under:-

"The Planning Commission in December, 2005 constituted an Expert Group to review the Methodology for Estimation of Poverty under the Chairmanship of Prof. Suresh D. Tendulkar with the terms of reference as:

- (a) To examine the issues relating to the comparability of the 50th, 55th and 61st round, and to suggest methodologies for deriving such comparability with past and future surveys.
- (b) To review alternative conceptualizations of poverty and the associated technical aspects of procedures of measurement and data base for empirical estimation including procedures for updating over time and across states.
- (c) In the light of (b), to recommend any changes in the existing procedures of official estimates of poverty.

The Expert Group was to submit an interim report by February, 2006 and its final report to the Planning Commission within a year. The Expert Group has met twice, in January, 2006 and June, 2006. It has not yet submitted its report to the Planning Commission".

13. It is not clear from the reply of the Government whether the issue of harmonizing the criteria for estimation of BPL households has been referred to the Expert Group which is looking into issues relating to "Poverty rate measurement". The Committee hope that the matter has been referred to the Expert Group, as recommended by the Committee. The Committee desire that the Expert Group should be impressed upon to finalise its report at the earliest.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS, WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Growth Performance in Tenth Plan – An overview

Recommendation Serial No. 1

Paragraph No. 26

An over-view of the GDP growth progress in the Tenth Plan (2002-03 to 2006-07) inter alia reveals that while the growth rate of agricultural sector is estimated to be 2.1% per annum as against the annual target of 4%; the growth of manufacturing sector is likely to be 8.7% per annum as against the target of 8.9%; and the services sector is likely to register a growth of 9.3% per annum, which equals the plan target of growth rate for the sector. The actual growth rate of aggregate Gross Domestic Product (GDP), which is estimated at 7.8% per annum for the Tenth Five year plan is short of the plan target of 8.1%. The shortfall in achieving the targeted growth rate, the Committee note, is mainly on account of the shortfall in the growth witnessed in the agriculture sector.

Reply of the Government

No action is required.

Recommendation Serial No. 1

Paragraph No. 27

The factors attributable to the shortfall in agricultural growth during the Tenth Plan period include, inter alia, erratic monsoon (whose effect was very significantly pronounced in the first year of the plan (2002-03), when the agricultural sector registered a negative growth of -6.9%); decline in the investment in the agriculture sector-which fell from 8% of total investment in 1999-2000 to 6% of total investment in 2005-2006; inadequate power and rural infrastructure; and poor maintenance of existing irrigation

and traditional water harvesting structures. From the information and data furnished as well as the oral submissions made by the representatives of Ministry of Planning, the Committee gather the impression that the slow pace of agricultural growth witnessed during the plan period, apart from contributing to the ‘distress’ of a significant section of the population dependent on agriculture; would also have the negative impact of increasing the income disparities between agricultural and non-agricultural households. As admitted by the Member Secretary while tendering evidence, the policy intervention of the Government to promote agricultural growth ‘has not produced the desired results’. However, the approach to the agriculture sector in the Eleventh Plan, as per the Member Secretary’s submission, would be ‘substantially better’. The Committee would like to be informed of the special measures which the Government propose to take during the Eleventh Plan to achieve the intended growth rate in agriculture of around 4%.

Reply of the Government

In view of the fact that agriculture plays a very vital role in the country’s economy, around 4% per annum growth rate has been targeted in agriculture in 11th Five Year Plan which is double of that likely to be achieved in 10th Five Year Plan. The 11th Plan strategy to raise agricultural output, as reflected in the Approach Paper, emphasizes on the following elements:-

- Double the rate of growth of irrigated area;
- Improve water management, rain water harvesting and watershed development;
- Reclaim degraded land and focus on soil quality;
- Bridge the knowledge gap through effective extension;
- Diversify into high value outputs, fruits, vegetables, flowers, herbs and spices, medicinal plants, bamboo, bio-diesel etc., but with adequate measures to ensure food security.
- Promote animal husbandry and fishery;
- Provide easy access to credit at affordable rates;

- Improve the incentive structure and functioning of markets;
- Refocus on land reforms issues.
- Energize the National Agricultural Research System and improve its capacity to develop and deliver innovative and effective technologies relevant to the current contexts and needs.

The share of investment in agriculture (in terms of gross capital formation in agriculture sector as percentage of total gross capital formation in the economy) is presented for the period of 1999-2000 to 2005-06 in the table below. In the recent years i.e. since 2003-04, public investment in agriculture sector has increased which is reflected in higher share of public sector gross capital formation. It has increased from 20% to 24% as may be seen from the figures given in the following table:

Gross Capital Formation in Agriculture Sector (At 1999-00 prices)

Year	Gross Fixed Capital Formation in the Economy	Annual Increase in Column 2	GCF in Agriculture proper			
			Public Sector	Total	Annual Increase in Col 5	Public Sector as % of Total
1	2	3	4	5	6	7
1999-2000	456416		7716	43473		17.7
2000-01	478317	4.80	7155	38735	-10.90	18.5
2001-02	525452	9.85	8746	47043	21.45	18.6
2002-03	584366	11.21	7962	46823	-0.47	17.0
2003-04	687150	17.59	9376	45132	-3.61	20.8
2004-05	822786	19.74	10267	48576	7.63	21.1
2005-06	1000760	21.63	13219	54539	12.28	24.2

The approach paper for the 11th Five Year Plan projects a total new potential of about 11 million hectares in the 11th plan consisting of 5.5 million hectares in major and medium, 3.5 million hectares through minor irrigation and about 2 million hectares through ground water development. This is in addition to another 3-4 million hectares of

land to be restored through modernization of major, medium, and minor projects and restoration of tanks.

The 53rd Meeting of the National Development Council has reaffirmed its commitment to achieve 4% annual growth in agriculture sector during the 11th Plan and towards this end resolved to launch a Food Security Mission covering wheat, rice and pulses as well as to introduce a new additional central assistance to incentivise States to draw up plans for agriculture sector more comprehensively. The resolution lays out the actions to be taken by the Central Government and the State Governments. A copy of the resolution is enclosed at appendix.

53rd NDC Resolution

The National Development Council resolves that agricultural development strategies must be reoriented to meet the needs of the farmers and calls upon the Central and the State governments to evolve a strategy to rejuvenate agriculture. The NDC reaffirms its commitment to achieve 4 per cent annual growth in the agricultural sector during the 11th plan and, towards this end, resolves that the following steps will be taken by the Central and State Governments:

Actions to be taken by the Central Government

- (1) Launch a Food Security Mission covering wheat, rice and pulses as a central scheme aimed at producing over the next four years an additional 8 million tonnes of wheat, 10 million tonnes of rice and 2 million tonnes of pulses over the base year (triennium ending 2006-07).
- (2) Introduce a new Additional Central Assistance scheme to incentivise States to draw up plans for their agriculture sector more comprehensively, taking agro-climatic conditions, natural resource issues and technology into account, and integrating livestock, poultry and fisheries more fully. This will involve a new scheme for Additional Central Assistance (ACA) to State Plans, administered by the Union Ministry of Agriculture over and above its existing Centrally Sponsored Schemes, to supplement the State-specific strategies including special schemes for beneficiaries of land reforms. The newly created National Rainfed Area Authority will on request assist States in planning for rainfed areas.
- (3) Provide additional resources for irrigation via AIBP, including a component on modernization, linked to adoption of improved participatory irrigation

management and command area development. Schemes involving linkages of rivers within a state could also be considered for AIBP.

- (4) Give the national agriculture research effort a strategic focus by providing additional resources for the National Strategic Research Fund under the Ministry of Agriculture with a governance and implementation structure appropriate to fund Universities, CSIR laboratories and private institutions besides ICAR. Additional funding will also be provided to support regionally focused research projects in State Agricultural Universities.
- (5) Restructure the pattern of RIDF funding by NABARD and replace the present pattern of year by year fund allocation by State-wise indicative allocations for the entire 11th Plan period, which will keep in mind the needs of States with low rural credit-deposit ratios. Activities eligible for funding will be reviewed in the light of the needs identified in State agriculture plans for potential growth areas like horticulture, livestock, poultry and fishery including infrastructure for these areas.
- (6) Initiate steps to restructure the fertilizer subsidy programme and its delivery to the farmer, and move to a system that provides balanced plant nutrition without adverse effects on soils. The use of bio-fertilizers, organic manure and micro-nutrients to enhance soil health will be promoted.
- (7) Take new initiatives to improve skill development in the farming community, including training of farmers in modern methods of agriculture as well as imparting skills relevant for non-agricultural activity.

Actions to be taken by State Governments:

- (1) Formulate District plan for each District that fully utilizes resources available from all existing schemes, State or Central, including resources at the district level from schemes such as BRGF and NREG. The District agricultural plan will include livestock and fishing and be integrated with

- minor irrigation projects, rural development works and with other schemes for water harvesting and conservation. Each State Government will set up appropriate unit(s) at District level for this purpose.
- (2) Prepare a State agricultural plan based on district plans aimed at achieving the State's agricultural growth objective, keeping in view the sustainable management of natural resources and technological possibilities in each agro-climatic region. Each State will ensure that the baseline share of agriculture in its total State Plan expenditure is at least maintained, and upon its doing so, it will be able to access the new ACA to meet the Central contribution to the expenditure on the agricultural plan beyond the base line.
 - (3) Make special efforts to complete all projects taken up under AIBP without time and cost overrun and prioritize irrigation projects in consonance with their agriculture production targets. States will make special efforts to ensure better water management and enhance water use efficiency.
 - (4) Accord the highest priority to seed production so that adequate supply of quality seeds of relevant major crops and fodder is available at reasonable prices and at the right time. This is necessary to improve seed replacement rates, which help reduce yield gaps. There should be close liaison between State Governments and State agricultural universities or ICAR institutions for ensuring production of seeds of varieties suitable for each agro climatic region. Public Private partnership between SAUs, State departments concerned and public sector for varietal development can be considered.
 - (5) Undertake a major expansion and revamping of State agricultural extension systems. This will involve the State Agricultural Universities and Krishi Vigyan Kendras; and include support animal resources development, expansion of soil testing capacity in each district and facilities to test input quality. The public-private partnership (PPP) mode should be used wherever possible.

- (6) Expedite signing of the MOU (if not done so far) for early implementation of the Vaidyanathan Committee recommendations and set monitorable deadlines for meeting the commitments so that the co-operative credit structure can be revamped.
- (7) Encourage development of modern markets by completing the process of amending the APMC Act and notify the rules thereunder, and also encourage development of linkages to markets through a variety of instruments including co-operatives of farmers, contract farming and other means preferred by the States. The process of notifying rules under the amended APMC legislation should be completed during 2007-08.

Concrete proposals to implement these steps will be spelt out in detail as quickly as possible both by the Central Government and by the State Governments.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

Recommendation Serial No. 1

Paragraph No. 28

The Committee are well aware that the agriculture sector does not lend itself to double digit growth, as would be possible in the case of other sectors such as manufacturing and services. At the same time one can not lose sight of the fact that there is a huge population even now dependent on agriculture. Given the ground reality relating to the distress being faced in the agricultural sector, the Committee are of the view that the policy initiatives of the Government have to be necessarily focused on attaining a substantial improvement in the agriculture growth rate, apart from creating avenues for non-agricultural rural employment inter-alia in labour intensive manufacturing sectors such as food processing and service sectors like tourism, construction etc.

Reply of the Government

As mentioned in reply to Point No. 27 it is proposed to increase agricultural growth rate to 4% per annum during the 11th Five Year Plan from its present level of around 2% per annum. The Government is also aware of the need to increase non-agricultural rural employment. The Approach Paper of the Eleventh Plan (2007-12) titled 'Towards Faster and More Inclusive Growth' emphasizes the need to enhance the quality of employment in the agriculture sector. It has noticed that it is vital to increase agricultural incomes as this sector still employs nearly 60% of our labour force. Further, the Approach Paper at para1.6.5 on page 6 makes the following observations:-

“Doubling the growth of agricultural GDP to 4% per annum will improve rural employment conditions by raising real wages and reducing underemployment. However, even if this is attained, and overall growth of 9% will further increase income disparity between agricultural and non-agricultural households unless around 10 million workers currently in agriculture find remunerative non-agricultural employment. To make this possible, and absorb all new entrants into the labour force, non-agricultural employment would need to

increase at over 6% per annum during 11th Plan. This poses a major challenge not only in terms of generating non-agricultural employment but also in matching its required location and type. Care has to be taken to manage the resulting livelihood changes and to ensure that employment is generated at all levels of skill in non-agricultural sector..... all avenues for increasing employment opportunities, including those that can be provided by micro and small enterprises need to be explored”.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

Recommendation Serial No. 1

Paragraph No. 29

Enabling human well being in terms of all socio-economic indicators has been central to the Tenth Plan. The Committee, however, feel constrained to note that in 2004-05, the percentage of poor in the country's population (poverty ratio) was as much as 27.5%. Further, as per the figures furnished by the Planning Commission, the Infant Mortality Rate (IMR) was as much as 58 per 1000 births in 2005; and the Maternal Morality Rate (MMR), as much as 3 per 1000 births in 2001-03. At this rate it appears very unlikely to the Committee that the targets of 45 in respect of IMR and 2 in respect of MMR by 2007 would be achieved. The Committee, therefore, express the need for having a relook at the effectiveness of the implementation of socio-economic development oriented policies which have a bearing on the living conditions of the people at large and take immediate corrective measures.

Reply of the Government

During 11th Plan every effort would be taken for augmenting allocations and ensuring mechanisms for proper supervision, monitoring, evaluation and mid term corrections of strategies which are needed to improve the health and nutritional status of the population.

Planning Commission O.M. No.38/10/2007-OM&C dated the 8th August, 2007.

Irrigation and Agriculture Growth

Recommendation Serial No. 2

Paragraph No. 43

The Committee are well aware of the fact that the deficiency in rainfall during the monsoon in the years 2002, 2004 and 2006 of the 10th Plan period contributed significantly to the poor agricultural growth, reduction in the share of agriculture in GDP, creation of inflationary pressure in some primary products and reduction in the potential growth of other sectors by dampening demand. Had the dependency on monsoon for agricultural production been lessened over the years *inter alia* by way of proper and effective implementation of irrigation projects/schemes and policies relating to water management, the agricultural sector would not possibly have suffered and faced the distress being witnessed in the current times.

Reply of the Government

Dependency on monsoon can be lessened through expediting the completion of the ongoing and proposed storages in the states, improved water use efficiency and modern agricultural practices. Regarding proper and effective implementation of irrigation projects, these projects are planned, funded, executed and maintained by the states based on their own priorities. The revised National Water Policy was adopted in April 2002 and was circulated to the states for formulation of State Water Policies within the overall ambit of National Water Policy. Water being a State subject, states have a major role to play in effective implementation of irrigation projects and water management policies. The Planning Commission during Annual Plan discussions impress upon the states for allocating higher outlays to the irrigation sector, so the irrigation potential could be developed. Allocations for irrigation projects by the states have been rising and so been the provision of resources under AIBP. There is progress in the speedier completion of ongoing projects.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

Recommendation Serial No. 2

Paragraph No. 44

From the information furnished, the Committee find that there has been a significant increase in the investment in the sectors related to water/irrigation from Rs.11938 crore (actual expenditure) in 2002-03 to Rs.32599 crore in 2006-07 (approved outlay). Nevertheless, the targets set for the irrigation sector could not be achieved. While, as per the target envisaged under the Tenth Plan, a total of 16.743 mha of irrigation potential was to be added (9.936 mha from major and medium irrigation projects and 6.807 mha from minor irrigation schemes), the likely achievement to this end is expected to be only 8.818 mha, which amounts to 53 percent of the originally envisaged target for the Plan period. This would mean that the percentage of achievement of ultimate irrigation potential (93.883 m. ha) would just increase from 67% at the end of Ninth Plan to 73% by the end of Tenth Plan. Considering these aspects, the Committee are of the view that focused attention needs to be given for ensuring effective formulation and progress of irrigation projects, which would contribute to the improvement of agricultural growth.

Reply of the Government

The Planning Commission has suggested fixed price turn key no cost overrun contracts with incentives/disincentive for timely/delayed completion of irrigation projects to be funded under Accelerated Irrigation Benefit Programme. Ministry of Water Resources has circulated a Cabinet Note for Accelerated Irrigation Benefit Programme funding which also includes similar suggestion. States need to take similar action for their ongoing/proposed non AIBP assisted projects for completing them at the earliest.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

Recommendation Serial No. 2

Paragraph No. 45

The Committee note that the National Water Resources Council headed by the Prime Minister, in which, the States and Central Ministries are represented guides the policy issues in water sector. The Committee also observe that the National Water Policy, 2002, emphasizes on management of water resources by incorporating a participatory approach by involving not only the government agencies but also the stakeholders in various aspects of planning, design and management. The Committee understand in this connection, that in recognition of the need for providing a legal framework for participatory irrigation management a Model Act was brought out by the Ministry of Water Resources, which has since been adopted by eleven States. A few of the remaining States are reported to be encouraging participation of farmers in irrigation management at the outlet level under the co-operative/societies Acts. In the opinion of the Committee much more is desired to be done in this direction. The Committee, in this regard, emphasize that, apart from encouraging the remaining States to adopt the legislation on participatory irrigation management, issues relating to changes required in cropping pattern, siltation of reservoirs, low water use/traditional irrigation methods should be adequately addressed and remedied for yielding better results.

Reply of the Government

The enactment of Participatory Irrigation Management Act would be made mandatory for states to receive assistance under the Command Area Development Programme during the XI Plan. Also the repair restoration and renovation of water bodies (traditional water bodies, lakes, tanks aiding irrigation) is proposed to be included under the AIBP for assistance by ring fencing the funds. External assistance also would be encouraged for this purpose. The major agriculture renovation programme decided in the 53rd NDC meeting would address the other issues raised appropriately for states to follow.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

Recommendation Serial No. 2

Paragraph No. 46

The Committee also understand that in addition to the ongoing schemes of the Central Ground Water Board, a central sector scheme for artificial recharge of groundwater is proposed to be implemented, which, as per the master plan formulated, involves an estimated cost of Rs.24500 crore. The Scheme is expected to enable in recharging 36 billion cubic meters of water. As per the related announcement, as made in the Budget-2007-08, 100% subsidy is to be provided to small and marginal farmers under the scheme, and 50% subsidy to the others. The Committee desire to be apprised of the progress of implementation of this scheme and its efficacy in enabling recharge of groundwater levels. The Committee also desire to be apprised of the progress of schemes relating to rehabilitation of existing systems, renovation and modernization projects, and the extent to which such schemes help the farmers in getting adequate water for irrigation, and improve agricultural yield and production within the next three months.

Reply of the Government

Regarding the artificial recharge of groundwater scheme announced in Budget 2007-08, Ministry of Water Resources has circulated a Cabinet Note for comments to various Ministries and the note includes provision for evaluation to understand the efficacy of recharge of groundwater through such schemes. Regarding progress of Extension Renovation and Modernisation projects, the Working Group Report on Water Resources constitute by the Planning Commission for the formulation of 11th Plan has reported that 86 such projects spilled over from IX to X Plan and 46 new projects were commenced in the X Plan. 39 projects are likely to be completed in the X Plan and four are deferred/merged/reclassified. 89 ERM projects would spillover to the XI Plan. In all 215 ERM projects were taken up during the Plan period and cumulatively 126 projects are likely to be completed by the end of X Plan.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

Identification of BPL Households

Recommendation Serial No. 3

Paragraph No. 54

The Committee had, in their report on the Demands for Grants (2005-06) of the Ministry of Planning inter alia emphasized on standardizing the criteria for estimation of BPL households. The emphasis laid by the Committee on standardizing the criteria was on account of the fact that there is a dichotomy in the estimates of BPL household as made by the Planning Commission and the estimates made by the States on the basis of the surveys carried out by them. The BPL household surveys carried out by the State Governments are based on the format prescribed by the Ministry of Rural Development. The Committee understand that an Expert Committee is presently looking into issues relating to 'poverty rate measurement'. As per the assurance given by the Member Secretary while tendering evidence, the issue of harmonizing the criteria for estimation of BPL households which would inter alia enable in overcoming the dichotomy/variation in the population estimates of BPL households as brought out by different Government Departments/bodies would be referred to the Expert Committee. The Committee expect that the Expert Committee currently engaged in addressing issues relating to poverty measurement would look into this aspect and evolve a standardised criteria, which would facilitate an objective and realistic assessment of the BPL household in the country.

Reply of the Government

The Planning Commission in December, 2005 constituted an Expert Group to review the Methodology for Estimation of Poverty under the Chairmanship of Prof. Suresh D. Tendulkar with the terms of reference as:

- (d) To examine the issues relating to the comparability of the 50th, 55th and 61st round, and to suggest methodologies for deriving such comparability with past and future surveys.

- (e) To review alternative conceptualizations of poverty and the associated technical aspects of procedures of measurement and data base for empirical estimation including procedures for updating over time and across states.
- (f) In the light of (b), to recommend any changes in the existing procedures of official estimates of poverty.

The Expert Group was to submit an interim report by February, 2006 and its final report to the Planning Commission within a year.

The Expert Group has met twice, in January, 2006 and June, 2006. It has not yet submitted its report to the Planning Commission.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

**Tsunami Rehabilitation Programme
Other Administrative Expenses**

Recommendation Serial No. 4

Paragraph No. 62

The Committee understand that the object head, 'Tsunami Rehabilitation Programme' was budgeted mainly for organizing National and International Seminars/Conferences on coastal protection in Tsunami affected States/UTs, in connection with which, IIT Madras and International Ocean Institute (India) also collaborated. As per the information furnished, the required allocation (B.E.) could not be proposed under the Head of the year 2005-06, as the related approval was given by the Empowered Group of Ministers at the fag end of the year, which left little time for taking up the activities relating to making allocation for the programme. The Committee, however, are not satisfied with the reason advanced by Government for the wide gap between the Revised Estimates and the Actuals of the year 2005-06 that there was very little time left to take up the activities. They are of the view that the time available should have been taken into account while formulating the estimates.

Reply of the Government

Soon after the Tsunami, a Core Group under the Planning Commission was constituted in January, 2005 to address the long term issues and to plan and coordinate measures relating to reconstruction, rehabilitation and re-development phase of the Disaster Management Cycle. The Core Group comprises representatives from Central Ministries/Departments, State Governments, Research Institutions and the Planning Commission. Based on a consultative process, the Core Group proposed component wise rehabilitation initiatives for Tsunami affected States/UTs. Considering the recommendations, draft Tsunami Rehabilitation Programme which included phasing of funds for the first two years of the four year Programme was prepared and circulated to all concerned Ministries in July 2005 for their comments. After receiving the comments, the proposal was placed before the Cabinet which was considered by the Cabinet in its meeting held on 17.11. 2005 and decided that the matter be considered by an Empowered Group of Ministers (EGOM). The EGOM considered the proposal on 8.12.2005 and

approved the programme including the amount for Planning Commission. The amount became available only through the last batch of Supplementary Demands for Grants. As programme size including the provision for Planning Commission was proposed at the draft stage and no review with regard to the provisions was undertaken before the proposal was actually placed before the Cabinet and the EGOM, wide gap between Revised Estimates and the Actuals in 2005-06 existed. However, Planning Commission has noted the recommendation of the Standing Committee on Finance and ensures its compliance while formulating estimates.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

**Tsunami Rehabilitation Programme
Payment for Professional and Special Services**

Recommendation Serial No. 5

Paragraph No. 70

The Committee note that the provision under this head of account, is meant to incur expenditure on Professional Services for Tsunami Rehabilitation Programme and undertaking studies on environment assessment, interventions in fisheries sector, livelihoods, and other interventions including social assessment impact Studies. The funds for the head were made available through the 3rd and final batch of supplementary Demands for Grants of 2005-06 as the programme approval was given in the last month of 2005. The Committee regret to note that there have been significant variations in making the budget estimates, as the activities proposed, could not be taken up during the year 2005-06. This led to huge variations between the Revised Estimates (Rs.9.73 crores) and the Actuals (Rs.76.79 lakhs) for the year 2005-06. This is indicative of lack of seriousness towards this important issue of national importance. Again, the Committee are given to understand that the trend of expenditure could not be used as a guiding factor for making the budget estimates for the year, 2006-07 and a huge B.E. to the tune of Rs. 13.45 crore was proposed. Once again, as informed., though a large number of Impact Studies were expected to be conducted during the financial year 2006-07, very few proposals were received from the States/UTs for funding the Impact Studies which resulted in the revised estimates for the year being confined to Rs.75 lakhs only. Besides this, disengagement of programme management consultants for the Tsunami Rehabilitation Programme is also said to be a factor for under-utilisation of the fund. The Committee while emphasizing that utmost care should be taken for making the estimates judiciously to keep the programme in tune with the outcome of the objectives envisaged, cannot also help taking note of the sensitive nature of the Tsunami Rehabilitation Programme. The Committee, therefore, desire to be furnished with a status paper on the environment, social impact studies etc., envisaged and actually undertaken in regard to the Tsunami Rehabilitation Programme within one month.

Reply of the Government

During 2006-07, Planning Commission envisaged to get the following Impact Studies conducted:-

- (i) Benefit monitoring study for permanent shelters;
- (ii) Evaluation of rehabilitation of agriculture lands;
- (iii) Techno-economic feasibility study for setting up of Modern Fishing Harbors for deep sea fishing of world class standard, hiring international consultants/ advisors;
- (iv) Study for drinking water master plan for long term solution for drinking water in ANI;
- (v) An assessment on coastal fishery resources study for Tamil Nadu;
- (vi) An assessment on coastal fishery resources study for Kerala;
- (vii) Study on various Marine culture options to augment fish protein production in Tamil Nadu;
- (viii) Restoration/ Rehabilitation of Pulicat lake in Tamil Nadu;
- (ix) Study along the affected coastline for augmenting, upgrading and modernizing the infrastructure so that improved livelihoods can be assured for fishing;
- (x) Study for establishing marina / other facilities for increasing possibility of tourism in the erstwhile Tsunami affected areas;
- (xi) Study for additional facilities to be provided for affected ports & jetties in Tsunami Affected Areas to improve fisheries infrastructure;
- (xii) Study on energy management options including exploring options for non-conventional energy sources;
- (xiii) Study for long term solution for solid waste management, sanitation for ANI & comparative study with Lakshwadeep;
- (xiv) Study of possible restoration of cooptisation & trade routes for promotion of copra based industries and other environmentally sensitive livelihood measures ; and

- (xv) Study for backward and forward linkages for development of fisheries for Kerala and Tamil Nadu including Cold Storage/ Warehouses for the same.

To facilitate the Studies, Planning Commission provided draft Terms of Reference (TOR) to the concerned State Governments / UT Administrations / Central Ministries for seeking Expression of Interest (EOI) with an offer to provide necessary funds from the Technical Assistance Component of the Planning Commission under TRP. However, only the Government of Tamil Nadu responded positively and sent the following proposals for approval:-

- (i) Impact Assessment of Rehabilitation Programme for the Tsunami affected people in Nagapattinam District of Tamil Nadu.
- (ii) Preparation of case studies with special focus on vulnerable groups.
- (iii) Quality audit of 10 Tsunami Rehabilitation Housing Projects in Kanyakumari and Kanchipuram Districts.

Of the above three studies, the study on Impact Assessment of Rehabilitation Programme for the Tsunami affected people in Nagapattinam district was approved at a cost of Rs. 3,01,500/- and the funds were transferred to the Government of Tamil Nadu during 2006-07. The decision on the other two proposals was not taken in 2006-07.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

**Planning Commission/Planning Board
Office Expenses**

Recommendation Serial No. 6

Paragraph No. 78

The Committee feel constrained to note that year after year, there has been gross under-utilisation of the provisions made under the head 'Office Expenses of Modernisation of Office System' which are inter-alia, intended mainly for renovation of rooms/divisions/toilets etc. by CPWD at Yojana Bhawan and in Economic Advisory Council to the Prime Minister at Vigyan Bhawan. From the figures made available to them, they find that an outlay of Rs. 7 crore was provided for office expenses against the projected B.E. of Rs. 1.15 crore which was revised to Rs. 5.16 crore at R.E. stage during the year 2004-05. However, the amount could not be utilised and had to be surrendered due to non-undertaking of the entire work assigned to CPWD which was to be completed during that year itself. This also resulted in not entrusting/assigning of fresh additional work in the following year, owing to which, the Government had to reduce the provisioning to Rs. 2 crore in 2005-06. The Committee note in this regard that, had the Ministry pursued the matter vigorously with CPWD, the amount could have been fully utilised.

Reply of the Government

The recommendation/observation of the Committee for taking utmost care has been noted for future compliance.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

Recommendation Serial No. 6

Paragraph No. 79

Further in the year 2006-07, the amount allocated at the B.E. stage was again at a higher level of Rs. 2 crore which was revised to Rs. 1.30 crore at R.E. stage and the actual expenditure was confined to about Rs. 85.63 lakhs. The reason adduced for the surrendering of funds is that certain ongoing civil/electricals works undertaken by the

CPWD were not likely to be completed during the remaining period of 2006-07. In view of the huge variations being witnessed under this Head of Account, the Committee desire that Budgetary allocations, as far as possible should be done with utmost care and seriousness to make them more realistic.

Reply of the Government

The recommendation/observation of the Committee for taking utmost care has been noted for future compliance.

Planning Commission O.M. No. 38/10/2007-OM&C dated 8th August, 2007.

CHAPTER III

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

-Nil-

CHAPTER IV

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

-Nil-

CHAPTER V

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL
REPLIES OF THE GOVERNMENT ARE STILL AWAITED**

-Nil-

**NEW DELHI;
28 November, 2007
7 Agrahayana, 1929 (Saka)**

**ANANTH KUMAR,
Chairman,
Standing Committee on Finance.**

Minutes of the Ninth sitting of the Standing Committee on Finance

The Committee sat on Wednesday, the 28th November, 2007 from 1600 hrs. to 1700 hrs. in Committee Room No. 'E', Parliament House Annexe, New Delhi

PRESENT

Shri Ananth Kumar –Chairman

MEMBERS

LOK SABHA

2. Shri Gurudas Dasgupta
3. Shri Bhartruhari Mahtab
4. Shri Rupchand Pal
5. Shri K.S. Rao
6. Shri Magunta Sreenivasulu Reddy
7. Shri M.A. Kharabela Swain

RAJYA SABHA

8. Shri Santosh Bagrodia
9. Shri Mangani Lal Mandal
10. Shri S. Anbalagan
11. Shri Moinul Hassan

SECRETARIAT

- | | | |
|-----------------------------|---|----------------------|
| 1. Shri A. Louis Martin | - | Joint Secretary |
| 2. Shri T. G. Chandrasekhar | - | Deputy Secretary |
| 3. Shri G. Srinivasulu | - | Deputy Secretary -II |

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

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

- (i) Draft action Report on the recommendations/observations contained in the 51st Report on Demands for Grants (2007-08) of the Ministry of Finance (Departments of Economic Affairs, Expenditure and Disinvestment);

- (ii) Draft action taken Report on the recommendations/observations contained in the 54th Report on Demands for Grants (2007-08) of the Ministry of Statistics and Programme Implementation;
- (iii) Draft action taken Report on the recommendations/observations contained in the 41st Report on 'Introduction of New Income Tax Return Form';
- (iv) Draft action taken Report on the recommendations/observations contained in the 52nd Report on Demands for Grants (2007-08) of the Ministry of Finance (Department of Revenue);
- (v) Draft action taken Report on the recommendations/observations contained in the 53rd Report on Demands for Grants (2007-08) of the Ministry of Planning;
- (vi) Draft action taken Report on the recommendations/observations contained in the 55th Report on Demands for Grants (2007-08) of the Ministry of Corporate Affairs; and;
- (vii) Draft action taken Report on the recommendations/observations contained in the 43rd Report on 'Efficacy of Reform Process in Capital Market – Recent IPO Scam'.

4. The Committee adopted the reports at (i), (ii) and (iii) above without any amendment and the reports at (iv), (v), (vi) and (vii) above with modifications as shown in the annexure.

5. The Committee then authorized the Chairman to finalise the reports in the light of the modifications made and present the same to Parliament.

The Committee then adjourned.

Annexure

- (a) Modification made in Chapter-I of the draft action taken report on the 52nd Report on Demands for Grants (2007-08) of Ministry of Finance (Department of Revenue)

XX	XX	XX	XX
XX	XX	XX	XX

- (b) Modification made in Chapter-I of the draft action taken report on the 53rd Report on Demands for Grants (2007-08) of Ministry of Planning

Para	Line	Modification
13	6 & 7	<i>For the words</i> ‘...within a reasonable time’ Substitute the words ‘.....at the earliest.’

- (c) Modification made in Chapter-I of the draft action taken report on the 55th Report on Demands for Grants (2007-08) of Ministry of Corporate Affairs

XX	XX	XX	XX
XX	XX	XX	XX

- (d) Modification made in Chapter-I of the draft action taken report on the 43rd Report on ‘Efficacy of Reform Process in Capital Market – Recent IPO Scam’

XX	XX	XX	XX
XX	XX	XX	XX

APPENDIX

(Vide Para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE
RECOMMENDATIONS CONTAINED IN THE FIFTY-THIRD REPORT OF THE
STANDING COMMITTEE ON FINANCE (FOURTEENTH LOK SABHA) ON
DEMANDS FOR GRANTS (2007-2008) OF THE MINISTRY OF PLANNING

	Total	% of Total
(i) Total number of recommendations	6	
(ii) Recommendations/observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 1,2,3,4,5 & 6)	6	100%
(iii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies (Vide Recommendations at Sl. No. Nil)	NIL	00.00%
(iv) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. No. Nil)	Nil	00.00%
(v) (Recommendation/observation in respect of which final reply of the Government is still awaited (Vide Recommendations at Sl. No. Nil)	NIL	00.00%