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STANDING COMMITTEE ON FINANCE

FOURTEENTH LOK SABHA

MINISTRY OF PLANNING

DEMANDS FOR GRANTS
(2004-2005)

*[Action taken by the Government on the recommendations contained
in the Third Report of the Standing Committee on Finance on Demands for
Grants (2004-2005) of Ministry of Planning]*

SEVENTH REPORT



LOK SABHA SECRETARIAT
NEW DELHI

December, 2004/Pausa, 1926 (Saka)

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***[Action taken by the Government on the recommendations contained
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**Presented to Lok Sabha on 22 December, 2004
Laid in Rajya Sabha on 22 December, 2004**



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2004/Pausa, 1926 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2004-2005

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 Gupt
6. Shri Gurudas Kamat
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30. Shri C. Ramachandraiah
31. Shri Mangani Lal Mandal

SECRETARIAT

1. Sh. P.D.T. Achary - Additional Secretary
2. Dr. (Smt.) P.K. Sandhu - Joint Secretary
3. Sh. R.K. Jain - Deputy Secretary
4. Sh. R.C. Kakkar - Under Secretary

INTRODUCTION

I, the Chairman, Standing Committee on Finance, having been authorised by the Committee to submit the Report on their behalf present this Seventh Report on action taken by Government on the recommendations contained in the Third Report of the Committee (Fourteenth Lok Sabha) on Demands for Grants (2004-2005) of the Ministry of Planning.

2. The Third Report was presented to Lok Sabha/ laid in Rajya Sabha on 20 August, 2004. The government furnished the replies indicating action taken on all the recommendations on 22 November, 2004. The Draft Action Taken Report was considered and adopted by the Standing Committee on Finance at their sitting held on 20 December, 2004.

3. An analysis of action taken by Government on recommendations contained in the Third 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;
20 December, 2004
29 Agrahayana 1926 (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 the Government on the recommendations contained in their Third Report (Fourteenth Lok Sabha) on Demands for Grants (2004-2005) of Ministry of Planning which was presented to Lok Sabha on 20 August, 2004.

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

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

Sl. Nos. 2, 3 (Para Nos. 33 to 35), 4 & 6

(Chapter II- Total 3)

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

Sl. No. 5

(Chapter III-Total 1)

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

Sl. Nos. 1 & 3 (Para No. 36)

(Chapter IV-Total 2)

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

Sl. No. Nil

(Chapter V-Total 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.

GDP – Indicator of Growth Performance of the Economy

Recommendations (Sl. No. 1, Para Nos. 15 & 16)

5. The Committee had found that the overall performance of the economy had seriously suffered during the first year (2002-03) of the Tenth Plan and the Gross Domestic Product (GDP) grown at a rate of around 4.0 percent as compared to 5.8 percent in 2001-02 as against the projected rate of 8 percent as envisaged in the Tenth Plan. The Committee were given to understand that the main reason for slow growth during the first year of the Tenth Plan was due to poor monsoon that resulted in negative growth rate for the agriculture sector resulting in decline in the overall growth rate. However, growth performance of the economy in the second year of the Tenth Plan (2003-04) as released by Central Statistical Organisation (CSO) was 8.3 percent. The Committee had expressed their apprehension that since during the first year of the Tenth Plan there had been a slippage in average growth rate, it might not be possible to achieve the target of 8 percent during the remaining three years unless the growth rate was accelerated to more than 8 percent.

6. The Committee had therefore desired the Ministry to apprise the actual growth rate (sector-wise) achieved during the first two years of the Tenth Plan and the corrective measures taken/proposed to be taken to accelerate the growth rate during the remaining three years of the Plan. They had expressed the view that unless policy measures and institutional changes as envisaged in the 10th Plan were implemented expeditiously, the targeted growth rate of 8 percent could not be achieved. They were given to understand that in order to achieve this ambitious target, the domestic savings must have been at the level of about 26 % but the Ministry (Planning Commission) were lagging behind in this regard. They, therefore, recommended that the Planning Commission should have come out with a policy which might have suggested the ways to boost the

domestic savings. If the target in respect of savings was achieved there was no reason why the investment rate would not pick up which in turn would help in achieving the growth rate target. They also desired that Planning Commission might carry out periodical monitoring and keep a close look at the situation. The Committee, also, recommended that Planning Commission should have taken initiatives to encourage public investments in rural infrastructure and social sectors and given directions to Ministries/Departments to make effective and efficient use of the available resources in each sector of the economy and also take action towards improving governance and enhancing the efficiency of the delivery system in order to achieve steady acceleration in growth performance.

7. The Government in their action taken reply have stated as under:

“Planning Commission agrees with view of the Committee that due to slippage in the average rate of growth in the first two years, it might not be possible to achieve the target of 8 percent for the Tenth Plan. The Mid-Term Appraisal of the Tenth Plan, expected to be completed this year, will address the issue relating to growth rate in the remaining three years of the Tenth Plan.”

“The Planning Commission, at the time of Annual Plans, carries out periodical monitoring of the savings and investment rates of the economy. The recommendations regarding the encouragement to public investment in different sectors of the economy and improving governance and enhancing efficiency of the delivery system will be made in the Mid-term Appraisal to the Tenth Five Year Plan. The Appraisal is expected to be completed this year.”

8. The Committee take note that Government have conceded the fact that due to slippage in the average growth rate in the first two years of Tenth Plan, the target of 8% for the Tenth Plan might not be possible to achieve. The Committee, however, have been informed that mid-term appraisal of Tenth Plan will address all the issues relating to growth rate in the remaining three years of Tenth Plan including steps for encouragement of public investment in different sectors of the economy and improving governance and enhancing efficiency of the delivery system which is expected to be completed this year. They, therefore, desire that the Government should earnestly take positive steps so that the mid-term appraisal is completed this year (2004). The Committee be intimated completion-report by 31 January, 2005.

**National Commission on Population (NCP)
Recommendation (Sl. No. 3, Para Nos. 33, 34, 35 & 36)**

9. The Committee noted that the National Commission on Population (NCP), was set up on 11th May, 2000 under the Chairmanship of Prime Minister and Deputy Chairman, Planning Commission as Vice-Chairman along-with 125 members and permanent invitees primarily to review , monitor and give directions for the implementation of the policies and programmes relating to population stabilization set out in the National Population Policy. They considered that the National Commission had a major role to play in respect of stabilization of population in the country.

10. In their action taken reply the Government have stated as under:

“The National Commission on Population fully agree with the observation of the Standing Finance Committee that it has a major role to play in respect of stabilization of population in the country.”

11. They noted with serious concern that eight States namely, UP, Bihar, MP, Rajasthan, Orissa, Uttaranchal, Jharkhand and Chattisgarh contributed 45% of the population in the country and thus were reckoned as high fertility States, the Government had set up a Empowering Action Group (EAG) to deal with the population problem in these States. They were given to understand that EAG mechanism was to work as single window clearance system for approving schemes to address the demographic problems in these States. They also noted that National Population Policy 2000 had set out an ambitious target of reducing fertility rate and attaining the level of 2.1 percent by 2010. This target could be achieved only if the special concerted efforts were put in place by these States.

12. The Government in their reply have stated as under :

“ The Empowered Action Group is already functioning within the Department of Family Welfare to focus on population control programme in the eight EAG States and the most ambitious target of the National Population Policy is to achieve the Total Fertility Rate (TFR) of 2.1 by 2010. The Commission, in accordance with its terms of reference is taking special efforts to oversee and review the policies and programmes of the Department of Family Welfare. With a view to involve the high fertility and other states, the Commission has also given grants-in-aid to them to formulate state specific population stabilization programme in consultation with the Commission. This is being followed up vigorously. “

13. They also desired that States performance with regard to Population Stabilisation Programme (PSP) might be included as one of the criteria to draw central aid by them and such assistance might be denied to non performing States. In their view, this would inspire the States to participate in the population stabilization programme.

14. The Government have stated as under:

“The National Commission on Population fully agree with the observation of the Standing Finance Committee that State's performance with regard to Population Stabilization Programme may be included as one of the criteria to draw central aid by them and such assistance may be denied to non performing States as it will inspire the States to participate in the population stabilization. This has been noted for compliance.”

15. From the figures made available to them, the Committee were given to understand that the funds allocated for the National Commission on Population remained under utilized. The non availability of required number of officers and staff had been cited as the main reason for the under utilization of funds during 2001-02 and 2002-03. The under utilization of funds during 2003-04 was owing to postponement of the main conference of National Commission on Population, foreign and domestic travels owing to other important work and non release of instalments for research studies etc. The Committee recommended that the budgetary allocations as far as possible should have been made realistic and adequate staff must might have been put in place so that NCP becomes fully functional in true sense. The Committee also desired that more efforts should have been taken to review demographic scenario at national and state level making population stabilization a peoples' programme. While human resources needed to be developed fully, the Standing Committee underscored the need to control population in our country.

16. In their action taken reply the Government have stated as under :

“It is true that the Commission has not been able to utilize its budget allocations fully during the previous years mainly owing to shortage of officers and staff, postponement of the main conference and domestic and foreign travels and non-release of installments to research institutions. The budgetary projections are now being made with utmost care and the vacant posts are under the process of filling up. The observations of the Committee have been noted for compliance and required steps are being taken to minimize the incidence of underutilization of funds. The Committee's suggestion for putting more efforts to review demographic scenario at national and state level has also been noted for compliance and necessary steps are being initiated in this direction including the development of human resources.”

17. The Committee take note that the Government have accepted the recommendations of the Committee that States performance with regard to Population Stabilisation Programme be included as one of the criteria to draw central aid by them and

such aid would be denied to non-performing States. They are of the view that Government should have furnished the modalities and time-frame to implement the Population Stabilisation Programme. Hence, they want that Government should draw a road-map indicating the modalities and time-frame as early as possible and inform them from time to time.

The Committee further note that Government have admitted that there was under utilisation of budgetary allocations during the previous years due to various reasons pointed out by them in their recommendation. They are not satisfied by the Government reply with regard to filling up of vacant posts, review of demographic scenario at national and state level including the development of human resources. They expected that the Government would come out with concrete proposals on these vital issues but it has given only casual and stereotyped reply. Hence, they reiterate their earlier recommendation and want the Government to indicate specific measures taken in respect of their recommendation at the earliest.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 2, Para No. 26)

The Committee note with serious concern that a high level of fiscal deficit continues to be an area of concern for the policy planners which is mostly due to decline in tax to GDP ratio and significant increase in the revenue expenditure of the Government both at Centre and States levels. They note that fiscal position of States is somewhat alarming and unless drastic measures are taken to arrest the mismatch between the cash flows, the position would become worse. Many State Governments resort to massive borrowings to meet their expenditure which push them in a debt trap. They are given to understand that in order to reduce burden of States with regard to interest payment, the Central Government has introduced a Debt Swap scheme for the States which enables the State Governments to retire their high interest bearing loans and swap with low interest bearing loans. They note with satisfaction that this scheme has given much relief to the State Governments but at the same time are of the view that it is not sufficient and more has to be done.

Reply of the Government

The Planning Commission shares the serious concern expressed by the Committee regarding high level of fiscal deficit and decline in tax-GDP ratio and this has got adequately reflected in the Tenth Plan document. However, this issue is in the domain of Ministry of Finance.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (Sl. No. 2, Para No. 27)

The Committee view the situation very seriously and desire that the Planning Commission should give directions to the State Governments to keep the non plan revenue expenditure and their borrowings under tight control to enable greater flow of finances for strengthening the process of fiscal consolidation. States should also be persuaded to maintain strict fiscal discipline by improving their own resources through appropriate fiscal reforms enlisted in the Medium Term Fiscal Reforms (MTRF). The Committee would also like to

know the monitorable fiscal reforms drawn by the State Governments for improving their financial position in the medium term.

Reply of the Government

The above recommendation is accepted for compliance. During Annual Plan discussions, through various rounds of persuasive reasoning, States are being told to keep Non-Plan Revenue Expenditure and borrowings under a tight reign. Medium Term Fiscal Reform (MTFR) programme drawn up by State Governments for improving their financial position in the medium term are implemented under the overall coordination of the Ministry of Finance (MOF). MOF is also directly monitoring progress in implementation of monitorable fiscal reforms drawn up by State Governments.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (Sl. No. 3, Para No. 33)

The Committee note that the National Commission on Population (NCP), was set up on 11th May, 2000 under the Chairmanship of Prime Minister and Deputy Chairman, Planning Commission as Vice-Chairman alongwith 125 members and permanent invitees primarily to review , monitor and give directions for the implementation of the policies and programmes relating to population stabilization set out in the National Population Policy. They consider that the National Commission has a major role to play in respect of stabilization of population in the country.

Reply of the Government

The National Commission on Population fully agree with the observation of the Standing Finance Committee that it has a major role to play in respect of stabilization of population in the country.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (Sl. No. 3, Para No. 34)

They note with serious concern that eight States namely, UP, Bihar, MP, Rajasthan, Orissa, Uttaranchal, Jharkhand and Chattisgarh contribute 45% of the population in the country and thus are reckoned as high fertility states, the Government has set up a Empowering Action Group (EAG) to deal with the

population problem in these States. They are given to understand that EAG mechanism is to work as single window clearance system for approving schemes to address the demographic problems in these States. They also note that National Population Policy 2000 has set out an ambitious target of reducing fertility rate and attaining the level of 2.1 percent by 2010. This target can be achieved only if the special concerted efforts are put in place by these States.

Reply of the Government

The Empowered Action Group is already functioning within the Department of Family Welfare to focus on population control programme in the eight EAG States and the most ambitious target of the National Population Policy is to achieve the Total Fertility Rate (TFR) of 2.1 by 2010. The Commission, in accordance with its terms of reference is taking special efforts to oversee and review the policies and programmes of the Department of Family Welfare. With a view to involve the high fertility and other states, the Commission has also given grants-in-aid to them to formulate state specific population stabilization programme in consultation with the Commission. This is being followed up vigorously.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (Sl. No. 3, Para No. 35)

They also desire that States performance with regard to Population Stabilisation Programme (PSP) may be included as one of the criteria to draw central aid by them and such assistance may be denied to non performing States. In their view, this will inspire the States to participate in the population stabilization programme.

Reply of the Government

The National Commission on Population fully agree with the observation of the Standing Finance Committee that State's performance with regard to Population Stabilization Programme may be included as one of the criteria to draw central aid by them and such assistance may be denied to non performing States as it will inspire the States to participate in the population stabilization. This has been noted for compliance.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (Sl. No. 4, Para No. 46)

The Committee note that the “Modernisation of Office System” is divided into parts viz. (i) Renovation and alteration (ii) Information Technology. They are of the view that these parts create lot of confusion as both the parts as stated do not co-relate with each other at the time of implementation of the programme. They find that the government has explained their intent for raising these demands but they feel that better classification could have been made by the Government. At the same time they also want the Government to ensure that expenditure on IT is fully utilized and does not remain unspent. They feel that IT spendings may be closely monitored by the government as this is an area which can provide essential impetus to the technology upgradation programme.

Reply of the Government

It is stated that the Plan Scheme “Modernisation of Office Systems” aims at making the planning process, namely, plan formulation, implementation, follow up and evaluation more efficient and effective through improvement in information technology and provision of modern offices and equipment facilities. Thus, both the “renovation and alteration” and “information technology” are the two integral parts of the Scheme. Prior to introduction by the Ministry of Finance of a new head “Information Technology” at the detailed head level, i.e., the fifth level of classification in the Detailed Demands for Grants, expenditure on purchase of “IT” related equipments like latest model of computers, printers, scanners, projectors, laptop computers, useful softwares was booked under this Scheme. The purpose for introducing this new budgetary and accounting head was to facilitate the monitoring of expenditure incurred by various Ministries on “Information Technology”. However, as the new head is at the fifth level of classification, it cannot stand alone and has to be clubbed with any of the sub heads denoting identical nature of the scheme. Nor can “IT” serve as the Object Head that is the sixth and the final unit level under which all expenditure projections must necessarily be shown in the Detailed Demands for Grants as per the Government of India’s Delegation of Financial Powers Rules. Further, there is no other Plan Scheme handled by the Planning Commission with which the head “Information Technology” can be clubbed. Thus, the Plan Scheme “MoOS” is the only appropriate Scheme to accommodate this head. The Office of Controller General of Accounts, on advice, has also opined that as ‘Information Technology’ is a subcomponent of the scheme ‘Modernisation of Office Systems’

the present classification of showing it at detailed head level below the scheme appears to be correct.

Besides General Administration, “Spatial Data Infrastructure for Multi-Layered Geographical Information System (GIS) for Planning” and “Computer Aided Digital Mapping Project for Metro Cities” are the two IT schemes envisaged to be implemented by NIC on behalf of the Planning Commission. An outlay of Rs.25.00 crore and Rs.14.00 crore has been approved for these two schemes respectively for the Annual Plan 2004-05, and Rs. 11.00 crore for the General Administration. Secretary, Planning Commission has taken a series of meetings with various organizations engaged in generating spatial data required for this purpose including the Registrar General of India, Survey of India, Geological Survey of India, Forest Survey of India, National Remote Sensing Agency etc. The recommendations of the Committee towards ensuring full utilization of funds have been noted. The progress of implementation of the schemes would be monitored closely and all steps necessary to ensure full utilization of funds allocated for the schemes would be taken by the Commission.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (SI. No. 6, Para No. 58)

The Committee observe that the Planning Commission is operating a Plan Scheme, namely, Expertise for Planning process – Payment for Professional and Special Services (PPSS). Under this Scheme, the services of experts including the retired Government officials are engaged by the Planning Commission on full time or part time basis for undertaking specific studies of complex nature which are of current interest to the Commission.

Reply of the Government

The observation is noted.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (SI. No. 6, Para No. 59)

From the figures made available to them, the Committee are constrained to find that there is a wide gap between actual utilization of funds meant for “Expertise for Planning Process” particularly during 2001-02 under plan. The

Committee are not inclined to accept the view point of the Ministry that it was difficult to assess the type or number of studies requiring the services of experts, which were going to be undertaken during a particular year. They are of the view that the Planning Commission should have learnt from the past experience and should have made realistic projections.

Reply of the Government

Due to discontinuance of “Agro Climatic Regional Planning Unit (ARPU)” w.e.f. 01.04.2002, the concerned agencies were not able to fully utilize the amounts earlier released to them in the previous years and hence, there was a short fall in their demands for release of additional funds during 2001-02. Besides, certain unutilized amount released to the implementing agencies for ARPU during the previous years was also received back from these agencies in the year 2001-2002 and the subsequent two years, which brought the net Actuals to less than BE/RE. But for these Receipts, the actual expenditure during the years 2002-2003 and 2003-2004 would have been as per the original Estimates. However, the observations of the Committee have been noted and efforts will be made to make the Budget Estimates as realistic as possible in order to reduce the gap between Budget Estimates, Revised Estimates and the Actuals

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (Sl. No. 6, Para No. 60)

As regards, the steep rise in the budgetary allocation for the year 2004-05, the Committee are given to understand that higher provisions have been made to meet a number of studies which are likely to be assigned to outside experts/institutes for preparation of mid-term appraisal of the Tenth Plan, compilation of State Development Reports (SDRs) for all the 35 States/UTs during 2004-05. In view of the very fact that the amount allocated has remained underutilized in the past several years, the Committee are of the opinion that there should be timely utilization of funds so as to complete preparations of Mid term appraisal and State SDRs in time.

Reply of the Government

The observation of the Standing Committee on Finance has been noted for compliance, and necessary efforts will be made in this regard.

The Mid Term Appraisal (MTA) of the Tenth Five Year Plan is only one time activity during the Five Year period. In order to induct alternative perspectives; new ideas and non-Governmental inputs into MTA of Tenth

Plan, it was decided to constitute Consultative Groups in various sectors. In view of the fact that the expenses of organizing meetings and TA/DA of non official members of these Groups were to be borne by the Planning Commission, a higher provision was kept for the purpose under sub head O A & E of the Scheme. In view of the recent development that these Consultative Groups have been dissolved, the provision under this sub head is accordingly, proposed to be reduced substantially at RE (2004-05) level.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (Sl. No. 6, Para No. 60)

The Committee, therefore, recommend that budgetary exercise should be undertaken keeping in view the actual requirement so that the gap between Budget Estimates, Revised Estimates and actuals get minimized and they desire that two separate heads may be given to differentiate the two, one for "Payment for Professionals" and other for "Special Services".

Reply of the Government

The observation of the Standing Committee on Finance has been noted for future guidance and compliance and efforts will be made in future (i.e. from 2005-2006 and onwards) to make the Budget Estimates as realistic as possible in order to reduce the gap between Budget Estimates, Revised Estimates and the Actuals.

It is stated that in terms of Government of India's Order (2) below Rule 8 of the Delegation of Financial Powers Rules, 1978, in the Detailed Demands for Grants, all detailed demands should end with object head. The Ministry of Finance prepares the list of object heads to be used in the Demands for Grant and also makes additions therein. As the object head "28 – Payments for professional and special services" is a single approved object head, it cannot be divided further into two parts, as desired by the Committee.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

CHAPTER III

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

Recommendation (Sl. No. 5, Para No. 50)

The Committee regret to observe that there had always been substantial under-utilization of budgetary provision under the head 'Grants-in-Aid' meant for Institute of Applied Manpower Research (IAMR). The Committee are also unable to understand why there was a delay in completion of construction of Office-cum-Residential Complex at Narela since 2001-02 and why the scheme for development of infrastructure at new campus could not be approved well in time in order to avoid the under utilization of funds. Huge allocations have been made at BE stage, revised at RE stage and surrendered at the end of the year since 2001. The Committee are of the view that no serious efforts are being made by the Planning Commission to project realistic demands. The Committee desire that Government should make endeavour to project realistic budgetary allocations and every effort should be made to ensure that amount allocated for a particular purpose is spent thereon and does not remain unspent. They want that IAMR may be directed accordingly.

Reply of the Government

a) The Construction work of Office-cum-Residential Complex of Narela was awarded to Central Public Works Department (CPWD) in November, 1999 with schedule of completion of the work in May, 2001 i.e. 18 months from the date of award of the contract. The construction was taken up by CPWD on deposit works basis and the work was completed through sub-contractor engaged by CPWD. Funds were reimbursed periodically depending upon the progress of work. However, the progress of work of sub-contractor was also slow and entire work could not be completed in time. Thus, the construction works got delayed. One block of the building was inaugurated by Deputy Chairman, Planning Commission in October, 2001.

The Infrastructure Development Project is dependant on completion of the construction of Office-cum-Residential Complex. As the construction of Office-cum-Residential Complex project got delayed, it became premature to approve the infrastructure Development Project and resulting in under-utilisation of funds.

(b) (i) The projection of Budget Estimate (BE) was made considering factors like completion of construction of Office-cum-Residential Complex at Narela and requirements of its additional infrastructure during 2001-02 for Rs.15.00 crore. The progress of construction of Office-cum-Residential Complex at Narela was slow than desired thereby Infrastructure Development Project at Narela could not be approved in 2001-02. The financial requirement for completion of construction work and barest minimum for infrastructure requirement for Narela campus was considered in RE 2001-02 at Rs.5.00 crore. Thus, the utilization of funds during 2001-02 was made for Rs.432.09 lakh.

(ii) The BE 2002-03 was projected for Rs.7.50 crore considering completion of construction of Office-cum-Residential Complex at Narela and requirement of its infrastructure. The construction work of the project had been completed by CPWD and balance amount for the project was released. The Infrastructure Development Project was thoroughly reviewed but the project could not be approved. Thus, the outlay had been reduced in RE 2002-03 and an amount of Rs.172.31 lakh was utilized.

(iii) The BE 2003-04 was projected considering requirement of infrastructure for Narela Campus. The Infrastructure Development Project initially proposed for Rs.14.57 crore which had been reviewed and realistic assessment made. The SFC had approved Rs.410.57 lakh for requirement of infrastructure at Narela. At the RE stage, outlay had been reduced to Rs.140.00 lakh and allocation was made for Rs.105.00 lakh. Hence, allocated outlay is utilized during 2003-04.

(iv) For the requirement of infrastructure in Narela, an allocation of Rs.7.00 crore has been made. The surrender of excess, if any, will be considered in RE 2004-05.

c) Projection of BE under Plan Expenditure depends upon number of schemes likely to be implemented but the release of fund from Planning Commission purely depends upon the progress of work on different plan schemes. Similarly, IAMR is implementing the schemes through CPWD and progress of work achieved by CPWD is the prime factor for utilization of fund. IAMR has been advised to make realistic estimates at the time of preparing their BE and strictly adhere to the schedule of completion or schedule of achievement of utilize allocated fund within the financial year.

d) Taking into consideration of the observations of the 3rd Report of the Standing Committee on Finance, Director (IAMR) has been advised that with effect from the next financial year (2005-06), every requirement of Plan funds from Budget be supported by –

- Milestones whose achievement will determine utilization of funds.
- Dates for the milestones.

- Projection of time-phasing of funds used during the year linked with the milestone dates.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

CHAPTER IV

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

Recommendation (Sl. No. 1, Para No. 15)

The Committee find that the overall performance of the economy has seriously suffered during the first year (2002-03) of the Tenth Plan and the Gross Domestic Product (GDP) grew at a rate of around 4.0 percent as compared to 5.8 percent in 2001-02 as against the projected rate of 8 percent as envisaged in the Tenth Plan. The Committee are given to understand that the main reason for slow growth during the first year of the Tenth Plan was due to poor monsoon that resulted in negative growth rate for the agriculture sector resulting in decline in the overall growth rate. However, growth performance of the economy in the second year of the Tenth Plan (2003-04) as released by Central Statistical Organisation (CSO) is 8.3 percent. The Committee express their apprehension that since during the first year of the Tenth Plan there has been a slippage in average growth rate, it might not be possible to achieve the target of 8 percent during the remaining three years unless the growth rate is accelerated to more than 8 percent.

Reply of the Government

Planning Commission agrees with view of the Committee that due to slippage in the average rate of growth in the first two years, it might not be possible to achieve the target of 8 percent for the Tenth Plan. The Mid-Term Appraisal of the Tenth Plan, expected to be completed this year, will address the issue relating to growth rate in the remaining three years of the Tenth Plan.

Planning Commission O.M. No 25/15/2004-OM&C dated 18th November, 2004

Recommendation (Sl. No. 1, Para No. 16)

The Committee would like to be apprised of the actual growth rate (sector-wise) achieved during the first two years of the Tenth Plan and the corrective measures taken/proposed to be taken to accelerate the growth rate during the remaining three years of the Plan. They are of the view that unless policy measures and institutional changes as envisaged in the 10th Plan are

implemented expeditiously the targeted growth rate of 8 percent can not be achieved. They are given to understand that in order to achieve this ambitious target, the domestic savings must be at the level of about 26 % but we are lagging behind in this regard. They, therefore, recommend that the Planning Commission should come out with a policy which may suggest the ways to boost domestic savings. If the target in respect of savings is achieved there is no reason why the investment rate will not pick up which in turn will help in achieving the growth rate target. They also want that Planning Commission may carry out periodical monitoring and keep a close look at the situation. The Committee, therefore, recommend that Planning Commission should take initiatives to encourage public investments in rural infrastructure and social sectors and give directions to Ministries/Departments to make effective and efficient use of the available resources in each sector of the economy and also take action towards improving governance and enhancing the efficiency of the delivery system in order to achieve steady acceleration in growth performance.

Reply of the Government

The Planning Commission, at the time of Annual Plans, carries out periodical monitoring of the savings and investment rates of the economy. The recommendations regarding the encouragement to public investment in different sectors of the economy and improving governance and enhancing efficiency of the delivery system will be made in the Mid-term Appraisal to the Tenth Five Year Plan. The Appraisal is expected to be completed this year.

Planning Commission OM No. 25/15/2004-OM&C dated 18th November, 2004

Recommendation (Sl. No. 3, Para No. 36)

From the figures made available to them, the Committee are given to understand that the funds allocated for the National Commission on Population remained under utilized. The non availability of required number of officers and staff has been cited as the main reason for the under utilization of funds during 2001-02 and 2002-03. The under utilization of funds during 2003-04 was owing to postponement of the main conference of National Commission on Population, foreign and domestic travels owing to other important work and non release of instalments for research studies etc. The Committee recommend that the budgetary allocations as far as possible should be made realistically and adequate staff must be put in place so that NCP becomes fully functional in true sense. The Committee also desire that more efforts should be taken to review demographic scenario at national and state level making population stabilization a peoples' programme. While human resources need to be developed fully, the Standing Committee underscore the need to control population in our country.

Reply of the Government

It is true that the Commission has not been able to utilize its budget allocations fully during the previous years mainly owing to shortage of officers and staff, postponement of the main conference and domestic and foreign travels and non-release of installments to research institutions. The budgetary projections are now being made with utmost care and the vacant posts are under the process of filling up. The observations of the Committee have been noted for compliance and required steps are being taken to minimize the incidence of underutilization of funds. The Committee's suggestion for putting more efforts to review demographic scenario at national and state level has also been noted for compliance and necessary steps are being initiated in this direction including the development of human resources.

Planning Commission OM No 25/15/2004-OM&C dated 18th November, 2004

CHAPTER V

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

Nil

NEW DELHI;
20 December, 2004
29 Agrahayana 1926 (SAKA)

MAJ. GEN. (RETD.) B. C. KHANDURI
CHAIRMAN,
STANDING COMMITTEE ON FINANCE

Minutes of the Tenth sitting of Standing Committee on Finance

The Committee sat on Monday, 20 December, 2004 from 1530 to 1600 hrs.

PRESENT

Maj. Gen (Retd.) B.C. Khanduri - Chairman

MEMBERS

LOK SABHA

2. Shri Gurudas Das Gupta
3. Shri Shyama Charan Gupt
4. Shri Madhusudan Mistry
5. Shri Shriniwas D. Patil
6. Shri K. S. Rao
7. Shri Jyotiraditya Madhavrao Scindia
8. Shri G.M. Siddeshwara
9. Shri M.A. Kharabela Swain

RAJYA SABHA

10. Shri Jairam Ramesh
11. Shri M. Venkaiah Naidu

SECRETARIAT

1. Shri. P.D.T. Achary - Additional Secretary
2. Shri R.K. Jain - Deputy Secretary
3. Shri R.C. Kakkar - Under Secretary

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

3. XX XX XX XX.

4. The Committee then took up for consideration the draft action taken report on the Demands for Grants (2004-2005) of the Ministry of Planning. The Committee then adopted the same with changes suggested by some of the Members as shown in Annexure.

5. XX XX XX XX.

6. XX XX XX XX.

7. XX XX XX XX.

8. The Committee then authorised the Chairman to finalise the Reports in the light of amendments suggested and also to make verbal and other consequential changes and present the same to both the Houses of Parliament.

The Committee then adjourned.

Amendments/modifications in the draft Action taken Report on Seventh Report

Para 17, in the beginning, before “The Committee note that Government” insert the following:

“The Committee take note that the Government have accepted the recommendations of the Committee that States performance with regard to Population Stabilisation Programme be included as one of the criteria to draw central aid by them and such aid would be denied to non-performing States. They are of the view that Government should have furnished the modalities and time-frame to implement the Population Stabilisation Programme. Hence, they want that Government should draw a road map indicating the modalities and time-frame as early as possible and inform them from time to time.”

APPENDIX

(Vide Para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRD REPORT OF THE STANDING COMMITTEE ON FINANCE (FOURTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2004-2005) 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. 2, 3 (para nos. 33 to 35), 4 & 6]	3	50%
(iii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies [Vide Recommendations at Sl. Nos. 5]	1	16.67%
(iv) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee [Vide Recommendations at Sl. Nos. 1 & 3 (para no. 36)]	2	33.33%
(v) Recommendation/observation in respect of which final reply of the Government is still awaited [Nil]	Nil	--