

TWENTY-THIRD REPORT  
STANDING COMMITTEE ON FINANCE  
(2001)

(THIRTEENTH LOK SABHA)

MINISTRY OF DISINVESTMENT

DEMANDS FOR GRANTS  
(2001-2002)

*[Action taken by the Government on the recommendations contained  
in the Seventeenth Report of the Standing Committee on Finance on  
Demands for Grants (2001-2002) of Department of Disinvestment]*

*Presented to Hon'ble Speaker on 28.12.2001*



LOK SABHA SECRETARIAT  
NEW DELHI

*December, 2001/Pausa, 1923 (Saka)*

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COMPOSITION OF THE STANDING COMMITTEE  
ON FINANCE (2001)

Shri Shivraj V. Patil — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Raashid Alvi
3. Shri Sudip Bandyopadhyay
- \*4. Shri Prabodh Panda
5. Smt. Renuka Chowdhury
6. Shri G. Putta Swamy Gowda
7. Shri Rattan Lal Kataria
8. Shri Brahmanand Mandal
9. Shri M.V.V.S. Murthy
10. Shri Kamal Nath
11. Shri Rupchand Pal
12. Shri M. Padmanabham
13. Shri Prakash Paranjpe
14. Shri Raj Narain Passi
15. Dr. Sanjay Paswan
16. Shri Varkala Radhakrishnan
17. Shri Pravin Rashtrapal
18. Shri Ram Singh Rathwa
19. Shri S. Jaipal Reddy
20. Shri T.M. Selvaganapathi
21. Mohammad Shahabuddin
22. Shri C.N. Singh
23. Shri Kirit Somaiya
24. Shri Kodikunnil Suresh
25. Shri Kharabela Swain
26. Shri Narayan Dutt Tiwari
27. Vacant
28. Vacant
29. Vacant
30. Vacant

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\*Nominated *vice* Shri Ajoy Chakraborty to the Committee *w.e.f.* 23 July, 2001.

*Rajya Sabha*

31. Shri S.S. Ahluwalia
32. Shri Krishna Kumar Birla
33. Shri Vijay Darda
34. Dr. Biplab Dasgupta
35. Shri K. Rahman Khan
36. Shri Suresh A. Keshwani
37. Shri Narendra Mohan
38. Shri Praful Patel
39. Shri P. Prabhakar Reddy
40. Shri N.K.P. Salve
41. Prof. M. Sankaralingam
42. Shri Amar Singh
43. Shri Ranjan Prasad Yadav
- \*44. Shri Solipeta Ramachandra Reddy
- \*\*45. Dr. Manmohan Singh

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Dr. (Smt.) P.K. Sandhu — *Joint Secretary*
3. Shri R.K. Jain — *Deputy Secretary*
4. Shri S.B. Arora — *Under Secretary*
5. Shri D.R. Shekhar — *Committee Officer*

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\*Nominated to the Committee *w.e.f.* 9 April, 2001.

\*\*Nominated to the Committee *w.e.f.* 29 Nov. 2001.

## INTRODUCTION

1. I, the Chairman of the Standing Committee on Finance having been authorised by the Committee to submit the Report on their behalf present this Twenty-Third Report on action taken by Government on the recommendations contained in the Seventeenth Report of the Committee (Thirteenth Lok Sabha) on Demands for Grants (2001-2002) of the Deptt. of Disinvestment.

2. The Seventeenth Report was presented to Lok Sabha/laid in Rajya Sabha on 24 April, 2001. The Government furnished the written replies indicating action taken on all the recommendations on 17 July and 5 December 2001. The draft action taken report was considered and adopted by the Committee at their sitting held on 27th December, 2001.

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

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

NEW DELHI;  
27 December, 2001  
6 Pausa, 1923 (Saka)

SHIVRAJ V. PATIL,  
Chairman,  
Standing Committee on Finance.

## CHAPTER I

### REPORT

1.1 This Report of the Standing Committee on Finance deals with action taken by Government on the recommendations/observations contained in their Seventeenth Report (13th Lok Sabha) on Demands for Grants (2001-2002) of the Department of Disinvestment which was presented to Lok Sabha/laid in Rajya Sabha on 24 April, 2001.

1.2 The Report contained five recommendations. Action taken replies have been received from the Government in respect of all the recommendations contained in the Report. These have been analysed and categorized as follows:

- (i) Recommendations/observations that have been accepted by the Government:  
Sl. Nos. 2, 4 & 5  
(Total 3) (Chapter II)
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies:  
Sl. Nos. 3  
(Total 1) (Chapter III)
- (iii) Recommendations/observations in respect of which replies of Government have not been accepted by the Committee:  
Sl. Nos. 1  
(Total 1) (Chapter IV)
- (iv) Recommendations/observations in respect of which final reply of the Government is still awaited:  
Nil (Chapter V)

1.3 The Committee desire that replies in respect of the recommendations contained in Chapter I of the Report may be furnished to them expeditiously.

1.4 The Committee will now deal with action taken by Government on one of their recommendations/observations:

**Demand No. 20****Department of Disinvestment****Recommendation (Sl. Nos. 1, Para Nos. 17 & 18)**

1.5 The Committee took a serious note of the fact that no comprehensive policy of Government on disinvestments had been formulated till the report was presented to Parliament. Only approval of Cabinet in specific cases was being obtained on different occasions. The Committee were of the opinion that there was a need to have an informed discussion on the subject in order to enable the Government to take a holistic view.

1.6 The Committee also regretted to note that the policy of the Government in regard to disinvestments lacked consistency. As admitted by the Ministry, even the prescribed procedure was being revised from time to time. The Committee, therefore, desired that the Government should dispel all doubts raised in different quarters with regard to transparency, maturity and fitness of procedures adopted for disinvestment. In the opinion of the Committee the 'strategic sale' route needed to be reviewed in particular. They also desired that widest possible consultations must be held with the workers at an appropriate stage invariably, with a view to fully safeguard their interests in all the cases of disinvestment. The Committee would also like to be apprised of the amount utilized for meeting expenditure in social sectors, restructuring PSEs and retiring public debt out of the amount so far realized from disinvestment as per the declared policy of the Government.

1.7 In their action taken reply, the Department of Disinvestment have stated as under:—

"The Government's policy towards the public sector and disinvestment is clear and unambiguous. It has been stated unambiguously on several occasions. Its main elements are:—

- Restructure and revive potentially viable PSUs;
- Close down PSUs which cannot be revived;
- Bring down Government equity in all non-strategic PSUs to 26% or lower, if necessary; and
- Fully protect the interests of workers.

2. This policy has been announced in the Parliament in the Budget Speech of the Finance Minister for the year 2000-2001. The disinvestment policy has been discussed in both the Houses of the Parliament on several occasions, during the Budget discussions as well as in response to notices for 'Calling Attention' or during 'Short Duration Discussions' etc. The policies and procedures being followed in respect of disinvestment in public sector undertakings have been documented in the manual entitled "DISINVESTMENT: POLICY & PROCEDURES" brought out by the Department of Disinvestment.

3. Before disinvestment in any public sector undertaking, consultations are held with the workers of the concerned PSUs. The Minister of State for Disinvestment had taken a meeting with the employees of seven public sector undertakings on 1st and 2nd December, 2000. In this meeting, the concerns and apprehensions of the employees of public sector undertakings proposed for disinvestment were heard and Government's policy on this matter, was explained to the employees so as to create an atmosphere conducive to disinvestment while protecting the legitimate and reasonable interests of the employees. Suitable provisions related to employees' interests are included in the Shareholders Agreement signed at the time of disinvestment in PSUs. The provisions related to employees' interests included in the Shareholders Agreement signed at the time of disinvestment in BALCO.

4. All the proceeds from disinvestment in public sector undertakings are deposited in the Consolidated Fund of India, from which all Government expenditure on social sector, restructuring of PSEs and retiring of debts etc. are met. An amount of Rs. 20,506 crores has been raised through disinvestment during the years of 1991-92 to 2000-2001.

The total expenditure of the Government on social sector, restructuring of PSUs and retiring of public debt is several times more than the amount raised through disinvestment during this period."

1.8 With regard to laying of 'Disinvestment Policy and Procedures', the Ministry have stated as under:—

- “(i) The booklet “Disinvestment Policy & Procedures” is a compilation of the policy announced from time to time in the Budget speeches of the Minister of Finance and in other policy announcements of the Government.



- (ii) The procedure part of the booklet is also a compilation of the process followed for disinvestments cases.
- (iii) The details and information given in the booklet are factual and compiled from the various reports and surveys etc.
- (iv) The booklet was not placed on the Tables of both Houses of the Parliament.
- (v) No Motion was moved by the Government for discussion.
- (vi) The policy announced in the Budget speeches of the Minister of Finance had been subject of detailed discussions in the Parliament at the relevant point of time.
- (vii) The copies of the booklet had been circulated to the Members of Parliament and other dignitaries for their convenience and information."

1.9 It is clear from the reply furnished by the Ministry that so far the Government have not been able to formulate a detailed and consistent policy on disinvestment and whatever decisions on disinvestment have been taken in the past, have rather been based on case to case basis. Even the booklet on 'Disinvestment: Policy and Procedures', according to their own admission, is only a compilation of policies as contained in the Budget speeches of the Minister of Finance as well as other policies announced by the Government from time to time. Moreover, in view of the fact that this booklet was never laid in the Parliament, it can hardly be termed as policy document. The Committee are also pained to note that even the specific recommendations of the Committee to review the 'Strategic Sale' route has not been replied. The Ministry has also not mentioned the exact amount spent by the Government on the social sector, restructuring of the public sector undertakings and for retiring of public debt separately, out of the proceeds of disinvestment collected so far.

1.10 In view of the foregoing the Committee conclude that the Government have not cared to take the recommendations of the Committee seriously. They therefore, reiterate their earlier recommendation and emphasise that they Government should come out with a detailed policy document on disinvestment, after having taken the Parliament into full confidence before embarking on a programme of disinvestment in a big way.

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### **Recommendation (Sl. Nos. 2, 4 & 5)**

The Committee perturbed to note that during 2000-2001, out of total outlay of Rs. 3.11 crore, Rs. 1 crore *i.e.* nearly one-third was provided for domestic and foreign travel. Similarly, during 2001-2002, out of a total outlay of Rs. 3.17 crore, Rs. 80 lakhs *i.e.* about 25% has been provided under these heads. The Committee do not feel that such huge amounts should be needed just for travelling allowance of officers on transfer, for attending various meetings within and outside the country and for training purposes. They are of the firm view that there is ample scope for containing the allocations on this account particularly when services of advisors and consultants from outside the Department are utilized for disinvestments.

No wonder then that the budget estimates and revised estimates in respect of domestic and foreign travel expenses have totally proved unrealistic during 2000-2001. The committee strongly urge the Govt. to make earnest efforts to project the estimates under these heads realistically.

#### **Reply of the Government**

During the year 2000-2001, a provision of Rs. 1 crore was made for domestic and foreign travel. Based on the experience of 2000-2001, this amount has been reduced to Rs. 80 lakhs during the year 2001-2002.

It is relevant to mention that the Department was created in December 1999 and the Department is in the process of setting the various processes and procedures in place. Based on the experience of years 2000-2001 and 2001-2002, the budget provision for the year 2002-2003 can be projected in a manner which will be closer to actuals. Even for the year 2001-2002, at the RE stage, the amount will be suitably modified.

#### **Department of Disinvestment**

[File No. 45011/3/2000-DoD(Vol.II) Dated 16th July, 2001]

## **Recommendation of the Committee**

**(Sl. No. 4, Para Nos. 32 & 33)**

The Committee have noted that Department of disinvestment as a separate entity came into being in December 1999 and actual expenditure during 1999-2000 was only Rs. 25.74 lakhs. They are surprised to note that the BE of 2000-2001 was fixed at Rs. 311 lakhs which was reduced considerably to Rs. 184 lakhs and at the end of the year the actual expenditure incurred was merely 91.31 lakhs. Moreover, the BE of 2001-2002 has again been fixed at Rs. 317 lakhs which is more than three times the actuals of 2000-2001.

The Committee are not convinced with the argument that this was due to the fact that the officers and staff joined quite late during 2000-2001. In fact it is not clear from the reply of the Govt. whether the full strength of staff has actually been deployed or it would be completed during 2001-2002. The Committee, therefore, are led to the conclusion that the Budget Estimates of the Department are being prepared in a totally unrealistic manner. There is a tendency in the Department to make higher budgetary estimates, year after year and reducing these at the Revised Estimates stage and ultimately ending up by spending only a small amount. This does not speak well of a Department which is supposed to be monitoring proper implementation of various disinvestment programmes of public sector undertakings and is itself failing to make its own budgetary allocations realistically. The Committee desire that the entire budgetary exercise should be taken up with due seriousness so that at least at the time of Revised Estimates, the ground realities are reflected in the allotted funds.

### **Reply of Government**

It is right that the BE of Rs. 311 lakhs was reduced to Rs. 184 lakhs at the RE stage. The RE was decided by the IF Wing of the Department against the RE request of Rs. 263.60 lakhs. The actual expenditure during the year was Rs. 8.97 crores approximately. Additional funds were obtained by way of Supplementary Demands for Grants. In view of this, it is not correct that the Department had the tendency to make higher budgetary estimates year after year. The Department has only one year experience and in future the Department will be able to project the demand for funds in more objective manner.

### **Department of Disinvestment**

[File No. 45011/3/2000-DoD(Vol.II) Dated 16th July, 2001]

### **Recommendation of the Committee**

**(Sl. No. 5, Para No. 40)**

The Committee observe that the Disinvestment Commission ceased to exist from 30.11.1999 following demission of office by its former Chairman and it has not been reconstituted since then. They have also been informed that the reconstitution of the Commission has been delayed because the Govt. has not taken final decision on all the 58 undertakings on which the Commission had given its recommendations. Obviously, this process is likely to take some time. Besides as stated by the Govt. themselves, the non-existence of the Disinvestment Commission has not affected the disinvestments process. The Committee, therefore, do not agree with the Government's contention that the Commission is likely to be reconstituted very soon. In the circumstances, the Committee are at a loss to understand as to why substantial amounts should be allocated for the Disinvestment Commission year after year when its reconstitution is not very imminent, just to remain under-utilised at the end of the year. They recommend that the scarce resources should be utilized more prudently for some important development projects of the Govt.

### **Reply of Government**

Setting up of the Disinvestment Commission is under the consideration of the Government which may take place at any time. Pending the setting up of the Commission, the funds were provided to maintain the existing office as well as for fullfledged Commission as and when set up. However, only bare minimum funds have been spent for the Disinvestment Commission.

### **Department of Disinvestment**

REF. NO. 45011/2/2000 D&D(V&I) Dated 16th July 2001

## CHAPTER III

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

#### Recommendation (Sl. No. 3)

The Committee are considered to note that the budgetary allocations under the Head "Payment for Professionals and Special Services" show wide variations. The budgetary allocation of Rs. 50 lakhs during 2000-2001 were reduced to Rs. 20 lakhs at the RE stage against which the actual expenditure has been as high as Rs. 7.93 crores. For meeting this expenditure, the Govt. had to go in for supplementary grants. Although, the additional requirement is stated to have been due to the opinion of the Ministry of Law that the expenditure on advertisement, appointment of legal advisors, asset valuers etc. will now have to be met by the Department of Disinvestment, the Committee are of the opinion that such contingencies should have been anticipated at the time of RE at least. Not only that the Budget estimates for 2001-2002, inspite of this decision, were projected at Rs. 50 lakhs only an additional fund of Rs. 100 crores has already been sought for 2001-2002. The Committee deprecate the projection of budgetary allocations under this head by the department in a manner which can be termed anything but serious. The Committee desire that allocations should be made in a realistic way taking into account the anticipated changes in the policy or procedure under consideration of the Govt.

#### Reply of Government

In the process of disinvestment, the amount payable to professionals cannot be anticipated as the fee charged by them is the percentage of sale proceeds. There are no methods that the realization from the sale of equity of the Government in a CPSU can be projected. It depends upon the perception of the bidder and the competition among the bidders. It also depends upon the number of disinvestment proposals which finally fructified. The Department tried to project the expected expenditure to the best ability keeping in view the constraints mentioned above.

#### Department of Disinvestment

[File No. 45011/3/2000-DoD(Vol.II) Dated 16th July, 2001]

## CHAPTER IV

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

#### Recommendation (Sl. No. 1)

17. The Committee take a serious note of the fact that no comprehensive policy of Government on disinvestments has been formulated till date. Only approval of Cabinet in specific cases has been obtained on different occasions. The Committee are of the opinion that there is a need to have an informed discussion on the subject in order to enable a holistic view.

18. The Committee regret to note that the policy of the Government in regard to disinvestments lacks consistency. As admitted by the Ministry, even the prescribed procedure is revised from time to time. The Committee desire that the Government should dispel all doubts raised in different quarters with regard to transparency, maturity and fitness of procedure adopted for disinvestment. In the opinion of the Committee the 'strategic sale' route needs to be reviewed in particular. They also desire that widest possible consultations must be held with the workers at an appropriate stage invariably, with a view to fully safeguard their interests in all the cases of disinvestment. The Committee would also like to be apprised of the amount utilized for meeting expenditure in social sectors, restructuring PSEs and retiring public debt out of the amount so far realized from disinvestments as per the declared policy of the Government.

#### Reply of Government

The Government's policy towards the public sector and disinvestment is clear and unambiguous. It has been stated unambiguously on several occasions. Its main elements are:—

- Restructure and revive potentially viable PSUs;
- Close down PSUs which cannot be revived;
- Bring down Government equity in all non-strategic PSUs to 26% or lower, if necessary; and
- Fully protect the interest of workers.

2. This policy has been announced in the Parliament in the Budget Speech of the Finance Minister for the year 2000-2001. The disinvestment policy has been discussed in both the Houses of the Parliament on several occasions, during the Budget discussions as well as in response to notices for 'Calling Attention' or during 'Short Duration Discussion' etc. The policies and procedures being followed in respect of disinvestment in public sector have been documented in the manual entitled "DISINVESTMENT: POLICY & PROCEDURES" brought out by the Department of Disinvestment.

3. Before disinvestment in any public sector undertaking, consultations are held with the workers of the concerned PSUs. The Minister of State for Disinvestment had taken a meeting with the employees of seven public sector undertakings on 1st and 2nd December, 2000. In this meeting, the concerns and apprehensions of the employees of public sector undertakings proposed for disinvestment were heard and Government's policy on this matter was explained to the employees so as to create an atmosphere conducive to disinvestment while protecting the legitimate and reasonable interests of the employees. Suitable provisions related to employees' interests are included in the shareholders Agreement signed at the time of disinvestment in PSUs. The provisions related to employees' interests included in the Shareholders Agreement signed at the time of disinvestment in BALCO.

4. All the proceeds from disinvestment in public sector undertakings are deposited in the Consolidated Fund of India, from which all Government expenditure on social sector, restructuring of PSEs and retiring of debts etc. are met. An amount of Rs. 20.506 crores has been raised through disinvestment during the years 1991-92 to 2000-2001.

The total expenditure of the Government on social sector, restructuring of PSUs and retiring of public debt is several times more than the amount raised through disinvestment during this period.

**Department of Disinvestment**

[File No. 45011/3/2000-DoD(Vol.II) Dated 16th July, 2001]

**CHAPTER V**

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

**-NIL-**

NEW DELHI;  
27 December, 2001  
6 Pausa, 1923 (Saka)

SHIVRAJ V. PATIL,  
Chairman,  
Standing Committee on Finance.

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MINUTES OF THE THIRTIETH SITTING OF  
STANDING COMMITTEE ON FINANCE

The Committee sat on Thursday, 27 December, 2001 from 1500 hrs.  
to 1700 hrs.

PRESENT

Shri Shivraj V. Patil — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Raashid Alvi
3. Smt. Renuka Chowdhury
4. Shri Rattan Lal Kataria
5. Shri M.V.V.S. Murthy
6. Shri Raj Narain Passi
7. Shri Varkala Radhakrishnan
8. Shri S. Jaipal Reddy
9. Shri Kirit Somaiya
10. Shri Kharabela Swain
11. Shri Narayan Dutt Tiwari

*Rajya Sabha*

12. Shri S.S. Ahluwalia
13. Shri K. Rahman Khan
14. Shri Suresh A. Keshwani
15. Shri Narendra Mohan
16. Shri Vijay Darda
17. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Dr. (Smt.) P.K. Sandhu — *Joint Secretary*
3. Shri R.K. Jain — *Deputy Secretary*
4. Shri S.B. Arora — *Under Secretary*

2. At the outset Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the following draft Action Taken Reports and adopted the same without any amendments:—

- |       |   |    |    |
|-------|---|----|----|
| (i)   | **  | ** | ** |
| (ii)  | **  | ** | ** |
| (iii) | **  | ** | ** |
| (iv)  | Action Taken Report on recommendations contained in the Seventeenth Report of the Committee on Demands for Grants (2001-2002) of the Department of Disinvestment. |    |    |
| (v)   | **  | ** | ** |
| 3.    | **  | ** | ** |

4. Keeping in view the fact that the House was not in Session and there was no prospects of the Session being commenced before the end of the term of the Committee i.e. 31st December, 2001, the Committee authorised the Chairman to present the above mentioned Action Taken Reports to the Hon'ble Speaker under Direction 71A of the Directions by the Speaker, Lok Sabha. The Committee also desired that Hon'ble Speaker might be requested to order for the printing and publication/circulation of these reports under Rule 280 of the "Rules of Procedure and Conduct of Business in Lok Sabha".

*The Committee then adjourned.*

## APPENDIX

(Vide Para 3 of the Introduction)

### ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENTEENTH REPORT OF THE STANDING COMMITTEE ON FINANCE (THIRTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2001-2002) OF THE DEPARTMENT OF DISINVESTMENT

	Total	% of Total
(i) Total number of recommendations	5	
(ii) Recommendations/observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 2, 4 and 5)	3	60.00
(iii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies (Vide Recommendations at Sl. No. 3)	1	20.00
(iv) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. No. 1)	1	20.00
(v) Recommendations/observations in respect of which final reply of the Government is still awaited (Nil)	0	0.00