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STANDING COMMITTEE ON FINANCE
(2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE, FINANCIAL SERVICES AND DISINVESTMENT)

SECOND REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2014 / Agrahayana, 1936 (Saka)

SECOND REPORT

STANDING COMMITTEE ON FINANCE
(2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE, FINANCIAL SERVICES AND DISINVESTMENT)

DEMANDS FOR GRANTS

(2014-15)

Presented to Lok Sabha on 16 December, 2014

Laid in Rajya Sabha on 16 December, 2014

LOK SABHA SECRETARIAT
NEW DELHI

December, 2014/ Agrahayana, 1936 (Saka)

CONTENTS

COMPOSITION OF *COMMITTEE* ON FINANCE – 2014-15

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Sudip Bandyopadhyay
5. Shri Nishikant Dubey
6. Shri P.C. Gaddigoudar
7. Dr. Gopalakrishnan C.
8. Shri Shyama Charan Gupta
9. Shri Prataprao Jadhav
10. Shri Rattan Lal Kataria
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Jyotiraditya M. Scindia
16. Shri Gajendra Singh Sekhawat
17. Shri Gopal Shetty
18. Shri Anil Shirole
19. Vacant*
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Naresh Gujral
24. Shri A. Navaneethakrishnan
25. Vacant**
26. Dr. Mahendra Prasad
27. Shri P. Rajeeve
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

1.	Shri R.K. Jain	-	Joint Secretary
2.	Shri P.C. Koul	-	Director
3.	Shri M.L.K. Raja	-	Additional Director
4.	Shri T. Mathivanan	-	Committee Officer

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* Shri Jayant Sinha, MP ceased to be Member of the Committee w.e.f. 09.11.2014 consequent upon his induction to the Union Council of Ministers

** Shri Brajesh Pathak, MP ceased to be the Member of the Committee w.e.f. 25.11.2014 consequent upon his retirement from Rajya Sabha

INTRODUCTION

I, the Chairperson of the Committee on Finance, having been authorised by the Committee, present this Second Report (Sixteenth Lok Sabha) on 'Demands for Grants (2014-15)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

2. Due to impending elections to the Sixteenth Lok Sabha, Parliament had passed Vote on Accounts for the first four months of the Fiscal 2014-15 (April to July, 2014). The Demands for Grants (2014-15) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) were laid on the Table of the Lok Sabha on 18 July, 2014. The consolidated Demands for Grants were passed by the Lok Sabha on 21 July, 2014 after suspension of Rule 331 G of the Rules of Procedure and Conduct of Business in Lok Sabha. After the Demands were passed, Hon'ble Speaker observed that although the Demands have been passed by the House, they stand referred to the Standing Committees after they are constituted for examination and Report so that their Recommendations are utilized in the preparation of Demands for Grants for the next Fiscal. The Committee took oral evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) on 16 October, 2014. The Committee wish to express their thanks to the representatives of the Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2014-15).

3. The Committee considered and adopted this Report at their Sitting held on 11 December, 2014.

4. For facility of reference, the Observations / Recommendations of the Committee have been printed in bold at the end of the Report.

New Delhi;
12 December, 2014
21 Agrahayana, 1936 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Committee on Finance

CHAPTER I

IMPLEMENTATION OF COMMITTEE'S RECOMMENDATIONS

1.1 The Sixty-seventh Report of Committee on Finance on Demands for Grants (2013-14) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) was presented to Lok Sabha on 22 April, 2013. The Report was laid on the Table of Rajya Sabha on the same day.

1.2 In terms of Direction 73 A of Directions by the Speaker, Lok Sabha the Minister of Finance made a Statement in the Lok Sabha on 18 December, 2013 giving the status of implementation of various Recommendations made by the Committee in their Sixty seventh Report.

1.3 On the basis of Action Taken Notes received from the Ministry in respect of the above Report on 25 July, 2013, the Committee presented their Seventy-fifth Report to Lok Sabha and laid on the Table of Rajya Sabha on 9 December, 2013. Out of the 14 Recommendations of the Committee, 13 have been accepted by the Government. The Committee commented upon the Action Taken Notes furnished by the Government in respect of 9 Recommendations in the Original Report.

CHAPTER II

BUDGETARY ANALYSIS

(i) Introductory

2.1 The Ministry of Finance is responsible for the administration of the finances of the Central Government. It is concerned with economic and financial matters affecting the country as a whole. It mobilizes resources for development, regulates the expenditure of the Central Government and deals with transfer of resources to States/Union Territory(UT)s Governments. It works with other Ministries / Departments, States/UTs, Reserve Bank of India, Public Financial Institutions and other stake holders for evolving policies for economic development, setting priorities for expenditure, seeking Parliamentary approval to the Budget and ensuring propriety in utilization of funds.

2.2 The Ministry comprises of five Departments namely: (i) Department of Economic Affairs; (ii) Department of Expenditure; (iii) Department of Financial Services; (iv) Department of Disinvestment; and (v) Department of Revenue. The Ministry administers the thirteen Demands for Grants, namely:- (i) Demand No.33-Department of Economic Affairs; (ii) Demand No.34-Department of Financial Services; (iii) Demand No.35-Appropriation-Interest Payments; (iv) Demand No.36-Transfers to State and Union Territory Governments; (v) Demand No.37-Loans to Government Servants, etc; (vi) Demand No.38-Appropriation-Repayment of Debt; (vii) Demand No.39-Department of Expenditure; (viii) Demand No.40-Pensions; (ix) Demand No.41-Indian Audit and Accounts Department; (x) Demand No.42- Department of Revenue; (xi) Demand No. 43-Direct Taxes; (xii) Demand No. 44-Indirect Taxes; and (xiii) Demand No.45-Department of Disinvestment

(ii) <u>Demand No. 33 - Department of Economic Affairs</u>

2.3 The Demand No.33 pertaining to the Department of Economic Affairs mainly provides, among other things, for transfer of funds to National Clean Energy Fund; National Social Security Fund for unorganized sector workers; contribution for National Skill Development Corporation (NSDC); purchase of coins from Security Printing and Minting Corporation of India Ltd (SPMCIL); assistance for infrastructure development; and subscription to international financial institutions.

2.4 The details of Plan and Non-Plan allocation and actual in Fiscal 2013-14 and Budget Estimate (BE) 2014-15 are given below:-

(Rs. in crore)

Description	BE 2013-14	RE 2013-14	Actual (provisional)	BE 2014-15	Estimated cumulative total expenditure during first quarter	Actual during first quarter
Plan	5142.45	6732.90	6504.90	11427.00	179.97	590.34
Non-Plan	70131.56	10244.64	9602.04	10563.42	2043.84	1583.41
Total	75274.01	16977.54	16106.94	21990.42	2223.81	2173.75

2.5 Statement showing key variations in Revised Estimate (RE) 2013-14 as against BE 2013-14 and between actual 2013-14 and BE 2014-15 are given below:-

(Rs. in crore)

Major Head	BE 2013-14	RE 2013-14	Actual 2013-14	BE 2014-15	% Increase (+) / Decrease (-)
Non-Plan					
3075	3406.00	4170.00	4046.06	4699.30	37.97
4046	1645.00	2000.00	1934.17	2000.00	21.58
4075	6.00	0.00	0.00	0.00	-100.00
5465	500.00	250.00	250.00	0.06	-99.99
5466	56574.58	922.21	844.06	1123.53	-98.01
5475	7005.30	082	0.02	583.56	-91.67
Plan					
2235	609.55	1200.00	1200.00	1607.00	163.64
2810	1650.00	1650.00	1650.00	4700.00	184.00
3054	2204.90	2204.90	2204.90	2992.00	35.70
3465	0.00	0.00	0.00	435.00	100.00
5475	678.00	678.00	450.00	1643.00	142.33

"Non-Plan:

Major Head-3075: Other transport services

Subsidy to Railways for dividend relief and other concession is based on the dividend paid by the Ministry of Railways, to the General Revenues, on the entire capital (excluding dividend free capital) invested on Railways from the General Revenues……. also dependent on capital work in progress. Similarly the reimbursement of losses on operating 'strategic' lines is dependent on the working expenses of the Railways on operating such lines. As such, there are variations in the actual expenditure of Rs.4170 crore in 2013-14 *vis-à-vis* the provisions made in BE 2014-15 of Rs.4699.30 crore.

Major Head-4046: Capital Outlay of Currency, Coinage & Mint

The provision is for purchase of coins from SPMCIL………There is no cash outgo under this Head as the entire amount is deducted as recovery from the credit received from Reserve Bank of India(RBI) on circulation of coins. However, Budget provision of Rs.2000.00 crore has been made for the financial year 2014-15.

Major Head-4075: Capital Outlay on Miscellaneous General Services

Provision at BE 2013-14 has been enhanced to Rs.6.00 crore and is for purchase of the Binding Machine which could not be procured in 2012-13 and for a new four color Circular Plastic Connector Sheet fed Machine for Budget Press. No provision has been made under this Major Head during 2014-15 due to transfer of allocation from Major Head 4075 to Major Head 4058.

Major Head: 5465 - Investment in General Financial and Trading Institutions

An expenditure of Rs.250.00 crore has been booked against Budget provision of Rs.500.00 crore during 2013-14. Provision of Rs.6.00 lakh was made in BE 2014-15 for Training Assessment Scheme of National Skill Development Agency and investment towards National Institute of Economic Policy.

Major Head: 5466 - Investment in International Financial Institutions

The provision is for payment of subscription to International Bank for Reconstruction and Development(IBRD); International Development Association(IDA); Asian Development Bank(ADB); African Development Bank; African Development Fund; International Monetary Fund (IMF).

Major Head: 5475 - Capital Outlay on Other General Economic Services

The provision is for India Infrastructure Project Development Fund and activities for mainstreaming Public Private Partnership (PPP) projects.

Plan:

Major Head: 2235 - Social Security and Welfare

Under this Major Head, during 2013-14 BE of Rs.609.66 crore has been enhanced to Rs.1609.60 crore at RE level, and the actual expenditure is Rs.1200.00 crore, of which only Rs.200 crore has been transferred to the National Social Security Fund for Unorganized sector workers against budget provision of Rs.609.55 crore; and provision of Rs.1000 crore has been made through supplementary grants for transfer to Nirbhaya Fund, set up for empowerment, safety and security of women and girl children. In BE 2014-15, Rs.607 crore for National Social Security Fund for Unorganized sector workers, and Rs.1000 crore for Nirbhaya Fund has been provided.

Major Head: 2810 - New and Renewable Energy

A provision of Rs.1650.00 crore kept for 2013-14 has been transferred to the National Clean Energy Fund and BE 2014-15 of Rs.4700 crore provided for the fund for funding research and innovative projects in clean technologies.

Major Head: 3054 - Roads & Bridges

The provision is for Railway Safety Work. The cess being levied on petrol and diesel is allocated in terms of the Central Road Fund Act, 2000 for financing construction of Railway over/under bridges and other safety works. The provision is made strictly as per requirements from Railways and their share of cess collections. The BE 2013-14 provision is Rs.1102.45 crore and the provision has been fully utilized.

Major Head: 3465 - Investment in General Financial & Trading Institutions

The provision of Rs.1000.00 crore has been obtained through supplementary grants during 2013-14 for NSDC and the amount was fully utilized.

Major Head: 5475- Assistance for Infrastructure Development

The provision is for assistance for Infrastructure Development - Viability Gap Funding (VGF) for PPP. The actual expenditure incurred upto June, 2014 is Rs.40.30 crore against Budget Provision of Rs. 678.00 crore in 2013-14.

Budgetary Planning and Monitoring Expenditure

2.6 Regarding Budgetary Planning and monitoring the progress of expenditure, the Department of Economic Affairs in their written submission stated that the role of the Budget Division, Department of Economic Affairs in preparation of Annual plans of all Ministries/Departments is very crucial. The Annual Plans in respect of all the activities of all Ministries/departments are examined by the Budget Division in stages……After the finalization of BE, the necessary adjustments are also made during the year at the time of deciding the RE…..The Non-Plan requirements for the following fiscal is also decided at the RE stage on the basis of projected requirements and extant expenditure management guidelines. However, in the wake of the decision to abolish Planning Commission, the Plan requirements shall also be discussed and finalized by the Budget Division during the RE meetings…….In addition to the judicious allocation process, elaborate cash management techniques are also prescribed to monitor the progress of expenditure on monthly and quarterly basis through Monthly Expenditure Plans (MEPs) and Quarterly Expenditure Plans (QEPs). The objective is to even apportionment of the allocation, to the extent possible, and ensure quality of expenditure. The monitoring of compliance to MEPs and QEPs greatly help in realistic midyear review of the allocation and making necessary adjustments.

2.7 In response to a further query as to how effectively the Department of Economic Affairs, with its comparatively miniscule structure, can perform the task of approval of Plan expenditure, the Department in their post-evidence replies informed that in the absence of Planning Commission, the task of Planning and approval of Plan expenditure would be handled by not only the Department of Economic Affairs but also by the Department of Expenditure and the successor organization to Planning Commission, subject to the policy decisions of the Government in the matter.

2.8 The Second Administrative Reforms Commission (ARC) while going into the weaknesses in the Budgetary System and implementation had identified the following shortcomings: (a) unrealistic budget estimates; (b) delay in implementation of projects (c) skewed expenditure pattern; (d) inadequate adherence to the multi-year perspective and missing 'line of sight' between plan and budget; (f) no correlation between expenditure and actual implementation; (g) mis-stating of financial position; (h) A*d-hoc* project announcements; (i) emphasis on compliance with procedures rather than on outcomes; (j) irrational Plan/non-plan distinction leading to inefficiency in resource utilization.

2.9 Asked about the systemic improvements that have been put in place during the last five years to overcome these weaknesses and the results thereof, the Department of Economic Affairs, in their written submission stated that the shortcomings listed above are associated with larger exercise of budget formulation, introduction/drawing up of new schemes, their implementation, issue of guidelines, etc. These issues are addressed by line Ministries/Departments in accordance with various rules, guidelines and instructions laid down as part of General Financial Rules, Delegation of Power Rules, etc. Each Ministry/Department is expected to follow these rules, guidelines and instructions scrupulously and bring out their analysis/outcomes/performance in its Annual Report/Outcome/Performance Budget .

2.10 The Second ARC had *inter-alia* also recommended that a High Powered Committee may be constituted to examine and recommend on the need and ways for having medium-term expenditure limits for Ministries/Departments through the Five Year Plans and linking them to annual budgets with carry forward facility. Regarding the latest position on the action taken on the afore-cited Recommendation, the Department of Economic Affairs submitted that as per recommendations of the Second ARC, a High Powered Committee/Working Group on "Strengthening financial management system and inadequate adherence to the multi-year perspective and missing line of sight between plan and budget" has been constituted. The deliberations have been completed and draft report is under process for circulation among members.

2.11 As per the modified Budget and Cash Management (B&CM) Scheme, which was introduced on 1 April, 2006, to achieve, *inter alia*, the following objectives (i) obtain greater evenness in the budgeted expenditure within the financial year; (ii) reduce rush of expenditure during the last quarter of the financial year; (iii) reduce tendency of the parking of funds; (iv) effectively monitor the expenditure pattern; and better planning of Indicative Market Borrowing Calendar of the Central Government, the Ministries/Department have been required to formulate MEP and QEA.

2.12 Based on the Recommendation of Fifty-first Report of the Committee of Finance (2012-2013), the Ministry of Finance on 30 July, 2012 instructed all Ministries / Departments that irrespective of whether they are covered under the Cash Management System or not, are required to prepare and send their Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEA) to the Cash Management Cell for better monitoring and compliance of the guidelines of the Ministry of Finance regarding the expenditure management.

2.13 The details of Quarter-wise expenditure as against projection made in the MEP in respect of the Departments of Economic Affairs and Expenditure during the years 2011-12 to 2014-15 are given below:-

Department of Economic Affairs:-

(Rs. in crore)

Description	1st Quarter (April to June)	2nd Quarter (July to September)	3rd Quarter (October to December)	4th Quarter (January to March)	Total
2011-12					
Plan	728.53	811.76	728.55	811.79	3080.63
Non-Plan	13776.54	1466.27	1840.56	1468.22	18551.59
Total	14505.07	2278.03	2569.11	2280.01	21632.22
Actual Expenditure					
Plan	550.15	564.31	2382.13	488.99	3985.58
Non-Plan	5609.69	3200.37	2974.87	5120.94	16905.87
Total	6159.84	3764.68	5357.00	5609.30	20891.45
2012-13					
Plan	661.22	3151.24	658.77	671.22	5142.45
Non-Plan	2180.19	56847.58	1993.40	1878.81	62899.98
Total	2841.41	59998.82	2652.17	2550.03	68042.43
Actual Expenditure					
Plan	620.61	574.57	1560.13	1527.14	4282.45
Non-Plan	81.56	5505.99	2319.93	2273.55	10181.03
Total	702.17	6080.56	3880.06	3800.69	14463.48
2013-14					
Plan	830.05	2940.79	701.90	669.71	5142.45
Non-Plan	59740.73	3408.52	3603.45	3378.86	70131.56
Total	60570.78	6349.31	4305.35	4048.57	75274.01
Actual Expenditure					
Plan	716.64	1032.69	1540.83	3214.74	6504.90
Non-Plan	549.72	1984.33	3107.10	3960.89	9602.04
Total	1266.36	3017.02	4647.93	7175.63	16106.94
2014-15					
Plan	179.97	3785.97	5094.60	2366.46	11427.00
Non-Plan	2043.84	2697.98	2604.92	3216.68	10563.42
Total	2223.81	6483.95	7699.52	5583.14	21990.42
Actual Expenditure					
Plan	590.34	1894.80			
Non-Plan	1583.41	751.14			
Total	2173.75	2645.94			

Year	BE	RE	Expenditure during March, 2012	%age of expenditure w.r.t BE	%age of expenditure w.r.t RE
2011-12	21632.22	20752.43	4247.52	19.63	20.46
2012-13	68042.43	24957.33	2040.70	3.00	8.18
2013-14	75274.01	16977.54	3872.25	5.14	22.80

A study of figures for the last quarter of all years reveal that the limit of 33% of expenditure of total funds – BE/RE was not exceeded in any of the years. Study of figures also reveals that the expenditure in the month of March of each year also did not exceed 15% of the funds except in the year 2011-12[March-2012]. To ensure that the expenditure does not exceed 33% in the last quarter & 15% in the last month, the instructions issued by the Department of Expenditure are again circulated to all concerned of this Department each year to avoid rush of expenditure in the last quarter. Expenditures are also reviewed by Secretary (Expenditure) in his meetings with Financial Advisors.

Department of Expenditure:-

(Rs.in crore)

Description	1st Quarter (April to June)	2nd Quarter (July to September)	3rd Quarter (October to December)	4th Quarter (January to March)	Total
2011-12					
Plan	1.25	1.25	1.25	1.25	5.00
Non Plan	30.87	25.74	25.73	41.15	123.49
Total	32.12	26.99	26.98	42.40	128.49
Actual Expenditure					
Plan	0.00	1.22	0.62	1.64	3.48
Non Plan	29.92	21.64	24.01	39.68	115.25
Total	29.92	22.86	24.63	41.32	118.73
2012-13					
Plan	1.00	1.00	1.00	1.00	4.00
Non Plan	32.81	27.40	27.41	43.63	131.25
Total	33.81	28.40	28.41	44.63	135.25
Actual Expenditure					
Plan	0.00	1.00	1.26	0.62	2.88
Non Plan	20.77	25.41	29.24	37.49	112.91
Total	20.77	26.41	30.50	38.11	115.79
2013-14					
Plan	1.00	1.00	1.00	1.00	4.00
Non Plan	34.03	28.42	28.43	45.24	136.12
Total	35.03	29.42	29.43	46.24	140.12

Actual Expenditure					
Plan	0.00	1.00	1.62	0.38	3.00
Non Plan	23.20	38.08	26.63	32.54	120.45
Total	23.20	39.08	28.25	32.92	123.45

2014-15	1st Quarter (April to June)	2nd Quarter (July to September)	3rd Quarter (October to December)	4th Quarter (January to March)	Total
Plan	1.00	1.00	1.00	1.00	4.00
Non Plan	37.97	31.74	31.74	50.45	151.90
Total	38.97	32.74	32.74	51.45	155.90
Actual Expenditure					
Plan	0.00	2.00			
Non Plan	27.69	37.15			
Total	27.69	39.15			

Year	BE	RE	Expenditure during March, 2012	%age of expenditure w.r.t BE	%age of expenditure w.r.t RE
2011-12	128.49	128.49	28.31	22.03	22.03
2012-13	135.25	124.85	13.89	10.27	11.13
2013-14	140.12	133.00	19.08	13.62	14.35

The actual expenditure is less than the MEP ceilings imposed on budget allocated to spending authorities and strict compliance of economy instructions issued from time to time. The Economy Instruction relating to 15% expenditure limit in the month of March and 33% expenditure in the fourth quarter have been complied with.

The Department of Disinvestment is not covered under the Modified B&CM Scheme.

Department of Financial Services

March spending control with a maximum ceiling of 15% of funds.

Expenditure (in crore)

Year	For the Month of March	BE(+Supp)	% of Total Provision
2009-10	2797.48	41812.54	6.69
2010-11	35845.89	59869.1	59.87
2011-12	15701.04	30703.4	51.14
2012-13	15751.5	24437.28	64.46
2013-14	4939.08	42369.39	11.66

Quantum of funds spent in each quarter

Expenditure (in crore)					
Year	Quarter1 (Mar-Jun)	Quarter2 (Jul-Sep)	Quarter3 (Oct-Dec)	Quarter4 (Jan-Mar)	Total for the year
2011-12	198.13 (0.95%)	200.52 (0.96%)	2579.06 (12.38%)	17845.33 (85.70%)	20823.04
2012-13	41.22 (0.19%)	4798.15 (21.09%)	1287.16 (5.87%)	15791.24 (72.06%)	21917.77
2013-14	1587.8 (5.75%)	5003.4 (18.12%)	14163.51 (51.30%)	6850.74 (24.81%)	27605.45
2014-15	2136.15	..	..	..	..

Percentage of expenditure of total funds is given in ( )

March expenditure with percentage of Total BE and RE

(in crore)

Year	Total BE	RE	Expenditure for the M/o March	% of Total BE	% of RE
2011-12	23705.94	23261.97	15701.04	66.23	67.50
2012-13	24437.24	22112.42	15751.5	64.46	71.23
2013-14	37369.39	28179.7	4939.08	13.22	17.53

(in crore)

Year	Quarter-4	% Total Provision	For the M/o March	% of Total Provision
2011-12	17845.33	58.12	15701.04	51.14
2012-13	15791.24	64.62	15751.5	64.46
2013-14	6850.74	-	4939.08	-

During the financial year 2011-12 & 2012-13, it was anticipated in advance that the expenditure under the Grant during the last quarter/ last month of the financial years would exceed the ceilings of 33% and 15%, respectively because certain releases are in the nature of reimbursement to different financial institutions and these claims are expected in the last quarter only and issue of recapitalization of banks was finalized in the last quarter. Department of Expenditure was, accordingly, requested to grant prior approval by relaxing the ceiling of expenditure in respect of Department of Financial Services. As regards the financial year 2013-14, the prescribed ceilings were not breeched.

2.14 On being pointed out that the MEP's in respect of Appropriation Nos. 35 and 38 Demand Nos. 36, 37, 39, 40, 45 and 93 have not been appended in the respective Appropriation/Demand for Grants, the Department of Economic Affairs stated in their written reply that they had noted it for future compliance.

National Small Savings Fund (NSSF)

2.15 In order to account for all the monetary transactions under small savings schemes of the Central Government under one umbrella, "National Small Savings Fund (NSSF)" was set up in the Public Account of India with effect from 1 April, 1999. Interest payment to subscribers and cost of management constitute the expenditure and interest on Central and State Government Securities forms the income of the fund. The details of income and expenditure of NSSF during the period from 2012-13 to 2014-15 are given below:-

(Rs. in crore)

Description	Actual 2012-13	BE 2013-14	RE 2013-14	BE 2014-15
Income	66535.64	67512.25	66739.12	68825.14
Expenditure				
(i) Interest Payment	73762.42	79700.00	82000.00	83000.00
(ii) Management Cost				
(a) Payment of agency charges to Dept. of Posts	5031.60	4901.81	5407.52	5901.90
(b) Payment of Agency Commission to agents	1492.56	1300	1479.40	1346.50
(c) Cost of printing	24.99	30.00	25.00	30.00
Total Expenditure	80311.57	85931.81	88911.92	90278.40
Net Income(-) / Expenditure(+) in the year	13775.93	18419.56	22172.20	21453.269

2.16 The Committee, constituted by the Ministry of Finance, while taking comprehensive review of NSSF *inter-alia* recommended in June, 2011 for a reduction in the management cost and in the time lag between receipts of small savings and their investments to improve viability of NSSF. In this regard, the Committee also recommended for setting up of a monitoring Group with members drawn from the Ministry of Finance, Reserve Bank of India (RBI), Department of Posts(DoP), State Bank of India (SBI) and other select banks as also select State Governments to resolve the pending operational issues such as data discrepancy . The Committee also felt that the cost of operation and the remuneration to Department of Posts should decline with the introduction of new technology and computerization of post offices. The Central Government has set up an Expert Group on 9 April, 2010 to review the rates of agency charges payable to Department of Posts for operation of Small Savings Instruments.

2.17 Asked about the specific measures that have been taken to curtail expenditure and increase income of NSSF, the Department of Economic Affairs in their written submission stated that expenditure of NSSF includes agency charges paid to Department of Posts and public sector banks. Both the items are linked to the establishment charges of the two agencies and tend to grow in a similar proportion. In accordance with the recommendations of Committee for Comprehensive Review of NSSF; to restrict management cost, commission to agents of small savings schemes has been reduced (abolished for Public Provident Fund Scheme and Senior Citizens Savings Schemes) from the year 2011. As a result commission payment to agents for Fiscal 2011-12 was Rs. 1714.41 crore, whereas for Fiscal 2012-13, it was Rs. 1492.56 crore

To check the mismatch between assets and liabilities and income and expenditure, it has been decided that NSSF will pay an interest on its instrument, which is benchmarked to Government securities of comparable maturity plus a small admissible spread. Further the time period of investment in Centre and States was reduced to 10 years and the 5 year moratorium on repayment by Centre and State was abolished. The above steps are in force for more than 2 years and will gradually start yielding results through reduced NSSF deficit. Economy measure applied by Department of Expenditure are applicable to the agency i.e. Department of Posts implementing major part of small savings.

Provision for Budget Preparation

2.18 A separate provision for Rs. 2.50 crore has been made under Major Head “2052 in BE 2014-15 for the expenditure related to Budget Preparation. The Ministry of Finance presents as much as 18 documents containing around 2000 pages related to the Budget of which 8 documents are mandatory and remaining 10 documents are supportive in nature.

2.19 Asked to suggest economy measures for bringing down the expenses related to Budget preparation such as elimination of duplication in the documents supporting the mandated budget documents; for example, the document titled “Statement of Revenue foregone: is a mere production of contents of annexure no.15 to document titled “Receipts Budget”; use of information technology in presentation of paperless budget; merging Reports such as Annual Report of the Ministries / Departments and their Outcome Budget which have lots in common; making the documents more user friendly, etc, the Department in their written replies stated that the number of printed copies was reviewed and the same was rationalized. The number of copies pertaining to 18 documents in question have been reducing steadily (149300 books in the financial year 2010-11; 147500 in 2011-12; 147900 in 2012-13; 137900 in 2013-14; 109800 in 2014-15). As regards elimination of duplication of documents, it is agreed that the documents titled the “Statement of Revenue Foregone” is a duplicate of information in the Receipt Budget. Elimination of printing of such documents will be considered from future budget.

Plan Provision for certain Funds:

2.20 The details of allocation made in 2013-14, 2014-15 and actual under the funds namely, (i) Nirbhaya Fund for safety of Women; (ii) National Social Security Fund for unorganized sector workers; and (iii) National Clean Energy Fund are given below:-

(Rs. in crore)

Fund (Major Head)	Date of Setting up of fund	Date of opening of account in Public Account	Funds accumulated till 2012-13	BE 2013-14	RE 2013-14	BE 2014-15	Actual till first quarter of 2014-15
Nirbhaya Fund for safety of Women (2235)	16.9.2013	22.1.2014	1000.00	0.00	1000.00	1000.00	--
National Social Security Fund for unorganized sector workers (2235)	7.3.2011	7.3.2011	1620.00	609.55	200.00	607.00	--
National Clean	2.11.2011	2.11.2011	2109.29	1650.00	1650.00	4700.00	1770.34

Energy Fund (2810)							

2.21 Observing the variation between BE/RE 2013-14 and BE 2014-15 and utilization, the Committee enquired about the reasons for variation and dismal utilization of funds and steps taken/proposed for better utilization of funds in the ongoing Fiscal, to which the Department of Economic Affairs in their written replies stated that any enhancement/reduction in provision at RE/BE stage is depending upon the accumulation in these specific funds along with utilization of provided funds for the specific purpose. Keeping in view of slow pace of expenditure in National Social Security Fund for unorganized workers, provision has been reduced at RE stage and enhanced in BE 2014-15 almost at previous year's BE level.

A similar provision of Rs.1000.00 crore has been maintained for Nirbhaya Fund in BE 2014-15 with a view to providing safety measures for the welfare of women. In the budget 2014-15, two schemes, one involving Ministry of Road Transport & Highways for a scheme on "Safety for Women on Public Road Transport" (Rs. 50.00 crore) and another involving Ministry of Home Affairs on a scheme to increase the safety of women in large cities, have been approved. These schemes are in various stages of implementation.

Keeping in view large number of projects/schemes under NCEF which are being administered by the nodal Ministries/Departments, accordingly, provision in BE 2014-15 has been increased.

2.22 Under utilisation of funds in National Social Security Fund, Nirbhaya Fund and NCEF in 2013-14 is due to non-formalization of schemes/projects by the nodal Ministries/Departments. Nodal Ministries/Departments are being advised from time to time to accelerate initiatives for finalization of schemes/project for which funds have been provided. It is expected that the utilization of funds will take a start in the current financial year.

Token Provisions for Certain Schemes

2.23 Token provisions for certain New Schemes / New Instrument of Services are made in BE 2014-15 for the following Schemes:-

(Rs. in crore)

Provision (Major Head)	BE 2013-14	RE 2013-14	BE 2014-15
Govt. of India Equity in National Institute of Economic Policy (new service) (5465)	0.00	0.00	0.01
3P India (Implementation of PPP) – for an institution supporting implementation of 3P India (New Scheme)	0.00	0.00	500.00
Price Stabilisation Fund for Agricultural Sector (2049)	0.00	0.00	500.00

2.24 Regarding token provisions, the Committee on Finance in their Sixty-Seventh Report had, inter-alia, recommended that tokenism is to be avoided in provisioning of funds and premature allocations without approval of the Schemes. The Department of Economic Affairs in their Action Taken Replies submitted to the Committee stated that instructions had been issued to all Ministries/Departments *vide* OM No.F.7(1)-B(AC)/2013 Dated 3 June, 2013 that funds for new schemes including token provisions might not be made without finalizing the specific details about objectives, targets, allocations and mechanism for implementation of the proposed schemes and without approval of competent authorities.

2.25 As per para no.3 in Appendix 3 of the General Financial Rules, provision for a 'token' demand should not be made in the BE for the purpose of seeking approval in principle for big schemes without the full financial implications being worked out and got approved by the appropriate authorities. Further, in accordance with instructions contained in Paragraph (vii) of Appendix (6), a 'token' demand can be made during the course of a year for a project / scheme when the details thereof are ready and funds are also available for undertaking it but it cannot be started without Parliament's approval, it being in the nature of a 'New Service/New Instrument of Services'

2.26 Against this backdrop, the Committee enquired about the reason(s) for token provisions made, the status of the afore-cited Schemes and possibility of achieving the mission of the proposed institute with the existing structures. The Department of Economic Affairs in their written replies submitted the following:-

"<u>NIEP:-</u>

As per the prescribed instructions, no expenditure on any New Service/New Scheme can be incurred without the consent of Parliament. Accordingly, Token provisions are generally made for introductions of any New Scheme anticipating approval of the competent authority. However, the updated status of Schemes is being implemented by Department of Economic Affairs, as under:-

The institute namely "National Institute of Economic Policy (NIEP}" is proposed to be established under Public Private Partnership Mode. The NIEP is expected to play a key role in training capacity building initiatives especially training of officers of Indian Economic Service, undertaking research and high quality analysis, generate policy ideas, assist all tiers of the government with policy design and implementation, facilitate the creation and dissemination of best practices and set up a national platform for dialogue between the government, private sector, civil society and academia in the country. The negotiations for finding the appropriate partner institutes are going on. At the stage of BE, it was anticipated that the Department would be able to draw broad outlines about the formation of 'NIEP' by the end of the calendar year. In order to cater to the needs that could arise during the later part of the Financial Year, an appropriate head was opened and a token amount of Rs. 1 Lakh kept in this head. The total fund requirement for the institute would be assessed after consultation with all stakeholders.

Finalisation of scheme would be feasible only after finalisation of the names of partner institutions. The DPR could not be prepared as the modalities regarding structure, share holding pattern, location etc of the proposed institution are yet to be finalised

The existing research institutes do not focus on leading global age issues that are required for economic policy decision-making viz. Global Currency Markets Macro-Prudential norms, regulations and Financial Stability. There is therefore a need for a new institute which can address cutting age issues in finance, especially international finance and capital markets, providing inputs for economic diplomacy and capacity building in the key areas. The need for such an institute is significant due to rapid globalization and increasingly important role that India is called upon to play in the global economic and political scenario.

3P India:

A Cabinet Note on establishing the 3P India institution has been prepared for the consideration of the Cabinet Committee on Economic Affairs (CCEA). The Institution would be set up within six months from the approval of CCEA.

A business plan has been developed after detailed consultation and discussions with all stakeholders on setting up the 3P India and a Concept Note, along with the details of the functions and role of the entity have been finalized. The setting up of the 3P India was announced in Budget Speech July 2014. Details of the funding structure of the proposed institution are yet to be finalized.

India Infrastructure Finance Company Ltd. (IIFCL) is a non-banking finance company set up to provide finance to infrastructure projects, PPP and non-PPP, through direct lending, refinance, take out finance and credit enhancement. The proposed 3P India is to be an institute of excellence for PPP but does not finance projects. It is proposed to address the weaknesses of PPP framework, rigidities in contractual arrangement, the need to develop more nuanced and sophisticated models of contracting. The Objectives of the proposed institute “3P India” is to provide focused attention on accelerating the delivery of efficient PPPs and address the need for accelerating investments through Public Private Partnerships (PPPs). Therefore, the objectives of the proposed institute cannot be achieved by broadening the scope and mandate of the existing institution IIFCL.

Capacity constraints at state and local levels, absence of institutional mechanisms for quality assurance, process standardisation, market development, nascence or absence of PPPs in some sectors, the need to evolve new PPP project structures and develop the next generation PPPs are vital gaps and requirements that need to be addressed. Focused attention on accelerating the delivery of efficient PPPs and addressing the need for accelerating investments through Public Private Partnerships (PPPs) could be achieved through a dedicated institution like 3P India and cannot be fulfilled through any other alternate mechanism.

Price Stabilisation Fund for Agricultural Sector

The announcement made by Finance Minister in his budget speech for the year 2014-15 for constituting a Price Stabilisation Fund with a corpus of Rs.500 crore to mitigate the hardship of the farmers caused due to price volatility in the agriculture sector is a different fund from the Fund administered by Department of Commerce. The modalities for the proposed fund for agricultural sector will be finalized".

Provision for Forward Markets Commission (FMC)

2.27 By way of an amendment in the Government of India (Allocation of Business) Rules, 1961, the work relating to the Forward Contracts and Forward Markets Commission (FMC) has been transferred with effect from 6 September, 2013 from the Department of Consumer Affairs to the Department of Economic Affairs.

2.28 In BE 2014-15, a sum of Rs.60.23 crore has been provided under Major Head: 3475 for New Service namely, "Forward Markets Commission (FMC)". However, the BE/RE/Actuals of the FMC have not been shown against this New Service in the Demand No.33 as stipulated in Para No.8.5 of the Budget Circular(2014-15) issued by the Department of Economic Affairs.

2.29 Observing that unlike other Regulators namely, the Insurance Regulatory and Development Authority (IRDA), and the Securities and Exchange Board of India(SEBI), which meet their salary and allowances and other expenses from the Funds(s) constituted for the purpose, the FMC since its inception depends upon Grants from the Central Government for its expenses. Further, no fund has been set up for the purpose of meeting establishment expenses and other expenses.

2.30 The Committee enquired about the specific measures taken or proposed to be taken in this regard. In response, the Department of Economic Affairs stated that the FMC is a statutory regulatory authority established under Section 3 of Forward Contracts (Regulation) Act, 1952 (FCRA) and enjoying all the powers and duties vested in it as per the provisions of the said Act. It is submitted that unlike the SEBI Act, 1992 and the IRDA Act, 1999, which contains specific provisions authorising the Securities Exchange Board of India (SEBI) and the Insurance Regulatory Development Authority (IRDA), respectively, to generate their own revenues from their respective regulated markets, FCRA does not have any provisions corresponding to the provisions of SEBI Act and IRDA Act, enabling the Commission to generate its own financial resources so as to meet its establishment and other administrative expenses including salary of its employees…..The proposed FCR (Amendment) Bill which is now under consideration of the Ministry of Finance contain specific provisions similar to those of SEBI and IRDA Acts, and in the event the Bill is passed by the Parliament, the Commission shall be vested with similar financial independence to generate its own financial resources for its own administrative maintenance.

(iii) Demand No.34 – Department of Financial Services

Capital infusion in the Public Sector Banks

2.31 Capital is a key measure of banks' capacity for generating loan assets and is essential for balance sheet expansion as stated in the Outcome Budget (2014-15), Ministry of Finance, (Department of Financial Services). Infusion of fresh capital is needed to enhance the capacity of the Public Sector Banks (PSBs) to meet the growing credit needs of the people of the country***.***

2.32 On being asked specific query on the Government policy on re-capitalisation or infusion of fresh capital in the Public Sector Banks, the Ministry of Finance (Department of Financial Services) that the Government is committed to keep all the Public Sector Banks (PSBs) financially sound and healthy so as to ensure that the growing credit needs of our economy are adequately met. During the year 2013-14, the Government infused a sum of Rs.14,000.00 crore in 20 Public Sector Banks to maintain Tier I Capital to Risk Weighted Asset Ratio (CRAR) at 8 per cent. This enables the public sector banks to meet regulatory capital and also to meet the needs of the productive sectors of the economy. Budgetary provision of Rs.11,200.00 crore under Plan has been made for the year 2014-15 for capitalization of PSBs. The government will ensure that the PSBs meet equity capital (CET-I) ratio to Risk Weighted Assets (RWA) at all times in line with BASEL-III norms.

2.33 Financial Stability Report, Issue no 8, December, 2013 (para nos. 2.22 & 2.23) of the Reserve Bank of India in the context of Capital Adequacy states that the Capital Risk Weighted Assets Ratio (CRAR) at the system level declined to 12.7 per cent as at September 2013 from 13.8 per cent as at end at March 2013. At the bank group level PSBs recorded the lowest CRAR at 11.2 per cent as at end September, 2013 followed by OPBs at 14.5 per cent. The CRAR of FBs and NPBs are were 16.3 per cent and 15.9 per cent respectively.

2.34 Financial Stability Report, Issue no 9, June 2014 (para no. 2.20) of the Reserve Bank of India in the same context states that under severe stress scenario, PSBs may record the lowest CRAR of around 9.4 per cent by March 2015 (as against 11.4 per cent in March 2014), which is close to the minimum regulatory capital requirement of 9 per cent.

2.35 On the issue of Capital Needs of Indian Banks for BASEL III, it is stated in the same report that the capital to risk weighted assets ratio (CRAR) for Indian banks under Basel II as at end March 2014 stood at a comfortable level of 12.9 per cent, although going ahead, there will be a need for raising additional capital to comply with Basel III requirements. According to some rough estimates based on assumptions, Indian banks' additional requirements will be to the tune of Rs.4.95 trillion over the period of phasing in of the Basel III requirements.

(iv) <u>Appropriation No. 35 - Interest Payments</u>

2.36 The Budget Provision included in the Appropriation No.35 is classified as Non-Plan expenditure of the Central Government and is *'Charged'* on the Consolidated Fund of India in terms of Article 112 (3) (c) of the Constitution of India. The Appropriation provides for interest charges on Central Government's debt obligations both internal and external. It also includes provisions for interest payable on provident funds, special securities issued to National Small Savings Fund, special deposits with the Government besides depreciation and other reserve funds of commercial departments like Railways, provisions for management of debt and other liabilities of the Central Government.

2.37 The details of BE/RE and actual for the year 2013-14 and BE 2014-15 made in Appropriation No.35 are given in the table below:-

(Rs. in crore)

Actual 2012-13	BE 2013-14	RE 2013-14	BE 2014-15
3,30,182.68	3,85,000.46	4,00,500.66	4,49,882.66

2.38 The details of appropriation for payment of interest on Internal and External Debts as furnished by the Department of Economic Affairs are given below:

(Rs.in crore)

Description	Actual 2012-13	BE 2013-14	RE 2013-14	BE 2014-15
Interest on Internal Debt	2,81,890.56	3,34,755.05	3,49,271.45	3,97,776.11
Interest on External Debt	4019.30	4276.24	3987.40	4070.24

2.39 As the there is no significant decline in the provision made for Interest Payment on External Debt kept in BE 2014-15 compared to Actual 2012-13, the Committee enquired about the prudence in External Debt Management and proactive liquidation of relatively higher cost component of external debt portfolio, the Department of Economic Affairs in a written reply submitted that external debt is generally sourced through twin sources such as bilateral agencies like friendly borrowing countries such as all G-8 countries namely USA, UK, Japan, Germany, France, Italy, Canada and Russian Federation and multilateral agencies like ADB, IBRD, IDA, International Fund for Agricultural Development (IFAD) and United Nations Development Programme (UNDP). Mostly, these loan assistances are project-based finances and on soft terms and conditions. The tenure of the loan is ranging from 20 to 40 years and the interest rates are concessional rates based on the project being executed in India. These loans from external agencies cannot be kept at par with loans raised from domestic (Market) sources.

Availing these credits as per the tenor of the line of credit are beneficial to the Government. Though the foreign exchange variation is a factor to consider in such cases (which are variable from time to time), managing the external debt as in the case of internal debt, which is largely towards financing the fiscal deficit, is found not wanting as they are concessional and soft in nature. Government has, however, been taking all precautionary steps to prudently manage the internal debt.

2.40 Interest Payments as percentage of net tax revenue and average cost of borrowing are given below:-

Year	Interest payments as percentage of net tax revenue	Average cost of borrowing (per cent per annum)
2009-10	46.7	7.5
2010-11	41.1	7.4
2011-12	43.4	7.8
2012-13	42.2	7.7
2013-14(RE)	45.5	8.3
2014-15 (BE)	43.7	

(v) <u>Demand No. 36 -Transfer to States and Union Territory Governments</u>

2.41 Department of Expenditure operates Demand No. 36 – 'Transfers to States and Union Territory Governments', which includes certain Plan releases on the recommendations of Planning Commission/line Ministries and Non-Plan releases based on the recommendations of Finance Commissions. The outlay under Demand No.36 is as follows:-

(Rs. in crore)

Description	Actual 2012-13	BE 2013-14	RE 2013-14	BE 2014-15
Plan (voted)	78143.72	91957.00	82422.97	60332.00
Plan (charged)	10652.70	11000.00	11000.00	12000.00
Non- Plan (voted)	6166.40	9925.00	9688.69	10425.00
Non-Plan (charged)	45253.42	63134.40	56289.72	65675.00
Total	140216.24	176016.40	159401.38	148432.00

2.42 Asked to explain the reason(s) for variation between BE/RE 2013-14 and BE 2014-15 under the Plan (voted) and the Non-Plan (charged), the Secretary, Department of Expenditure in his deposition during the Oral Evidence held on 16 October, 2014 stated, among other things, that:-

> "One of the reasons for afore-cited reduction in Plan(voted) in Demand No.36 is that a decision had been taken by the Government that the grants, which were there in Demand No.36, would now be transferred to the States directly".

2.43 Clarifying further the Department of Expenditure in their post-evidence replies stated that on the basis of assessment of expenditure trend during the year 2013-14, RE of Demand No 36 were capped at Rs.82,422.97 crore on the Plan (voted) side and at Rs.56,289.72 crore on the Non- Plan (charged) side.

2.44 Scheme-wise BE/RE and actual releases in 2013-14 and BE for 2014-15 regarding Plan Schemes and Non- Plan Schemes (as recommended by Thirteenth Finance Commission) under Demand No.36 are given below:-

Plan Schemes:-

(Rs. in crore)

Name of the Scheme	2013-14			Short-fall / excess, if any, with reasons	BE 2014-15
	BE	RE	Actual		
Normal Central Assistance (NCA)	24062.73	27636.00	25642.27	Saving was due to non-eligibility of grant due to non-submission of prescribed audited and anticipated expenditure statements and recovery advance special plan assistance given during the preceding financial years.	28514.00
Addl. Central Assistance for Externally Aided Projects (EAPs)	13500.00	14779.97	13353.28	Controller of Aid Accounts and Audit (CAAA) is the nodal agency for the releases of Additional Central Assistance for Externally Aided Projects. The releases are dependent upon the disbursement of loan amount by donor agencies. Savings occurred primarily as CAAA could not provide release proposals up to the budgeted amount.	15500.00
Addl. Central Assistance for other Projects (ACAOP)	1261.00	1420.31	1259.23	Saving was due to non-submission of the complete release proposals by the Planning Commission.	1261.00
SCA for Hill Areas/Western Ghats Development Programme (HADP/WGDP)	300.00	300.00	279.59	Saving was due to receipt of insufficient proposals from Planning Commission	300.00
SCA for Border Areas Development Programme (BADP)	990.00	990.00	990.00	-	0.00*
Special Central Assistance (SCA)	9571.00	9571.00	10771.00	Excess was due to requirement of additional funds towards the additional support to special category states.	11000.00
Special Plan Assistance (SPA)	6341.00	6341.00	6480.15	Saving was due to receipt of insufficient details of Projects or less number of proposals received from Planning Commission for release of funds.	6837.00
ACA for Accelerated	12962.00	6162.00	4630.00	Releases under the scheme are	0.00*

Irrigation Benefit Programme (AIBP)				made on the recommendation of Ministry of Water Resources (MoWR). Saving occurred because of the delay in obtaining approval of cabinet by MoWR for continuation in 12th Plan and the MoWR could not recommend appropriate cases for release of funds upto the budgeted amount.	
ACA for National Social Assistance Programme including Annapurna (NSAP)	9541.00	9541.00	9046.39	Saving was due to less number of proposals received from the Line Ministry for release of funds.	0.00*
ACA for National E - Governance Action Plan (NEGAP)	315.00	315.00	242.51	Saving was due to non-submission of the complete release proposals by the Department of Information Technology.	50.00
ACA for Desalination Plant at Chennai	0.00	226.69	399.56	Excess was due to requirement of additional funds towards the last two instalments to be released under the Scheme, Additional Central Assistance for Desalination Plant at Chennai.	0.00
SCA for Backward Region Grant Fund (BRGF)	5000.00	5000.00	3530.52	Releases for the projects are dependent on fulfilling the eligibility criteria by state government prescribed in the scheme guidelines and demonstration of significant expenditure of earlier releases. Saving was due to non-receipt of recommendation for release of funds from Planning Commission.	5050.00
ACA for Jawaharlal Nehru National Urban Renewal Mission (JNNURM)*					
(i) Sub Mission on Urban Infrastructure and Governance (SMUIG)	5000.00	3667.94	2381.79	Savings occur when the line Ministries are unable to recommend appropriate cases for releases to the extent of availability of funds. Under JNNURM, releases were also held back on account of short release or non-release of matching shares by State Governments or urban local bodies (ULBs). Further, in the case of projects under JNNURM, release of funds is linked to progress in reforms by ULBs/States.	0.00
(ii) Urban Infrastructure development for Small and Medium	4478.00	3523.24	2921.28		0.00

Towns (UIDSSMT)					
(iii) Sub Mission on Basic Services to Urban Poor (SMBSUP)	1500.00	918.82	966.20		0.00
(iv) Integrated Housing and Slum Development (IHSDP)	1000.00	743.59	584.00		0.00
(v) Rajiv Awas Yojana	2022.00	1146.41	705.73		0.00
Other Additional Central Assistance (Other ACA)	540.00	540.00	166.00	Introduced in 2013-14 in Demand No. 36 to meet the contingent situation under Central Assistance to State Plan such as requirement of natural disasters or one time events such as major international/national gatherings such as Kumbh Mela or support of one time nature not covered by the existing budget line of 'ACA for other Projects.' These are considered on a case-to-case basis. The fund released under this Head is based on the recommendation of the Planning Commission. This financial year's provision includes funds for Andhra Pradesh to meet the resource gap and for creation of essential facilities for the new capital of the state.	1180.00
Additional Central Assistance for LWE Affected Districts	1000.00	1000.00	1209.00	Introduced in 2013-14 in Demand No. 36 to meet the extra requirement of funds to meet out the situation arising in LWE Affected Districts. Excess was due to requirement of additional funds towards the release of additional support as more LWE affected districts of various States were covered under the said scheme.	2640.00
Total	**102957.00**	**93422.97**	**85558.50**		**72332.00**

* Schemes like SCA for BADP, AIBP, NSAP, JNNURM&NEGAP (except MIMP) has been transferred to respective line Ministries.

Non-Plan Schemes:-

(Rs.in crore)

Name of the Scheme	2013-14			Savings (BE-Releases)	BE 2014-15
	BE	RE	Actual		
Non-Plan Revenue Deficit	10074.00	10074.00	10074.00	0.00	7550.00
Local Bodies	22972.46	23648.69	21593.77	1378.69	22493.78
State Disaster Response Fund (including Capacity Building)	5520.17	5520.17	6099.09	578.92	5790.95
Improving outcomes (Governance)	3629.02	2478.52	1879.35	1749.67	4141.52

Elementary Education	5540.00	5178.00	5013.00	527.00	5708.00
Environment	2500.00	1050.48	1050.48	1449.52	6927.00
Maintenance of Roads & Bridges	5175.00	4445.00	4600.00	575.00	5665.00
State Specific Needs	6723.75	2894.86	3594.86	3128.89	6398.75
Total	62134.40	55289.72	53904.55	8229.85	64675.00
National Disaster Response Fund (NDRF)	4800.00	4650.00	4649.94	150.06	5050.00

Note: 1. The BE, RE and released figures are for the award period of Thirteenth Finance Commission which is not the same the Twelfth Plan Period. 2. The grants for implementation of model GST has not been included as it is not yet operationalised.

2.45 Regarding the procedure of releasing funds to States/Union Territory Governments, the Committee were informed that in order to make efforts to support Annual Plans of States, including Special Category States, provisions are made to effect transfers to the States as annually assessed / recommended by the Planning Commission and Budget provisions are made accordingly on the Plan side. While the Block grants are released as per prescribed periodicity, Project-linked grants releases, however, depend on various factors including the preparedness of the States to absorb funds under different sectors/ projects. It may be reiterated the States have varying socio- economic - geographical factors and decision making procedures making it difficult to estimate exact absorptive capacity of funds by States during the year. Further, providing reduced allocations for “Central assistance to State Plans” on the basis of previous year releases would amount to denying the opportunity to those States which for variety of contextual reasons could not utilize allocated funds in the previous year(s).

Under Plan Grants, NCA & SCA are untied and hence there is no physical and financial monitoring. For all other Grants, system of monitoring and control over the performance of each Scheme is undertaken primarily by the respective Line Ministries and the Planning Commission. Upon recommendation of the concerned Line Ministries & Planning Commission, the Grants provided in Demand No. 36 (earlier Demand no. 35) are considered for release. The Grants covered under Centrally Sponsored Schemes, which were hitherto a part of Central Plan have been restructured and reclassified as Central Assistance to State and Union Territory Plan from BE 2014-15 and accordingly these funds have been provided under the Schemes in the Demand of respective line Ministries. Accordingly, five Schemes i.e. Accelerated Irrigation Benefit Programme (AIBP), Jawaharlal Nehru Urban Renewal Mission (JNNURM), National E-Governance Action Plan (NEGAP), Border Area Development Programme (BADP) and National Social Assistance Programme (NSAP), which were earlier released through Demand No. 36 (previously Demand No. 35), now stands transferred to the

Demands of concerned line Ministries with effect from 2014-15. This is in line with one of the recommendations of the Parliamentary Standing Committee of Finance (2012-13) made in their Fifty-first Report.

The Finance Commissions recommended grants (charged), the releases are made on the basis of fulfillment of prescribed conditionalities by the State Governments. Since it is not possible to estimate in advance whether the States will be able to fulfill the conditions or otherwise, provision has to be kept till the end of financial year. Fulfillment of conditions can be at any point of time i.e. even in fourth quarter. However, estimate is made at RE stage and upper limit/cap is fixed…. The nodal Central Ministry watch over the physical progress of the concerned grant and fulfillment of the conditionalities prescribed by Finance Commissions.

(vi) <u>Demand No. 37 – Loans to Government Servants, etc.</u>

2.46 The Demand No. 37 is a composite grant in which provisions are made for advances to Members of Parliament for purchase of motor conveyances, and loans and advances such as House Building Advances (HBA), conveyance advances, advances for purchase of computers and warm clothing to the employees of Central Government and Union Territory Administrations.

2.47 In BE 2014-15, Rs.200.00 crore has been provided under the Demand No.37 which was reduced from Rs.225.00 crore BE 2013-14 keeping in view the trend of expenditure and the demand received from Ministries/Departments. The actual during 2012-13 is Rs.184.18 crore and Rs.164.62 crore (provisional) during 2013-14.

2.48 As a welfare measure, the Central Government provides HBA to its employees to construct/acquire house/flat on their own. In the recent Budget Speech (July, 2014) the Finance Minister conveyed the commitment of the Government to endeavor to have housing for all by 2022. The provision for HBA in 2013-14 was revised downwards to Rs.55.00 crore at RE stage from BE of Rs.65.00 crore. However, the amount utilized in 2013-14 is Rs.38.03 crore only as compared to actual of Rs.51.30 crore in 2012-13 and Rs. 64.58 crore in 2011-12. The BE 2014-15 is Rs.55.00 crore.

2.49 Against this backdrop, the Committee desired to know the extent of reach of welfare measure as a part of commitment of the Government i.e “Housing for all by 2022” and the measures being taken to improve / restructure the HBA Scheme, Department of Expenditure in their written submission stated that the amount of HBA granted to Government employees is insufficient in terms of actual requirement, especially for urban areas. The terms and conditions of loan extended by banks and other financial institutions are better compared to that of HBA. Hence, there is less demand for HBA over the years. Policy decisions regarding HBA are being administered by the Ministry of Urban Development, who have been asked to furnish their comments. The same would be sent by that Ministry directly to the Standing Committee.

(vii) <u>Appropriation No. 38- Repayment of Debt</u>

2.50 In a fiscal deficit regime, repayment obligation is met out of fresh borrowings. The Appropriation No.38 includes provision for discharge of Ways and Means Advances, Cash Management Bills including overdraft from RBI and is 'Charged' on the Consolidated Fund of India in terms of Article 112 (3) (c) of the Constitution of India. These are short term funds availed mainly to meet intra-year mismatches between receipts and expenditure of the Government. The Ministry has stated that given the difficulties in accurately estimating the cash flows and cash surplus of State Governments, requirement of funds under this Appropriation cannot be assessed with precision. It is further stated that any variation in this Appropriation does not impact the expenditure budget or the fiscal deficit of the Government.

2.51 The Major Head-wise details of amount earmarked for repayment of internal and external debt in the BE / RE and actual for the year 2013-14 and BE 2014-15 are as under:-

(Rs. in crore)

Major Head	Actual 2012-13	BE 2013-14	RE 2013-14	Actual 2013-14 (provisional)	BE 2014-15
Internal Debt	34,10,785.35	39,97,162.38	35,12,989.84	34,93,167.02	40,41,583.77
External Debt	16,107.58	17086.17	18124.26	18124.30	22441.26
Total	34,26,892.93	40,14,248.55	35,31,114.10	35,11,291.32	40,64,025.03

As regards the inexplicable fluctuation in BE/RE/Actual in various years the Committee were informed that The decrease in the RE 2013-14 over BE 2013-14 in respect of internal debt is mainly on account of less utilisation of Ways and Means Advances; lower volume of repayments under 14/91/182/364 days Treasury bills; due to lower volume of issuances under these instruments primarily on account of availability of surplus cash balance in the Government Account from the second quarter of the year 2013-14. The higher provision of Rs.548416.75 crore in BE 2014-15 over RE 2013-14 has been made due to higher scheduled repayments of market loans and in anticipation of higher volume of issuances of Intermediate / Auction Treasury Bills to finance the fiscal deficit of 2014-15.

The increase in RE 2013-14 over BE 2013-14 in respect of External Debt is due to depreciation of Indian currency *vis-a-vis* different loan currencies during the year and also on account of revised repayment schedules received from some Agencies, on completion of further disbursements of the Loans/Credits. The increase in BE 2014-15 over RE 2013-14, which is Rs.4317 crore, is mainly on account of start of repayment of new loans on completion of moratorium period and completion of disbursement cycle.

2.52 When asked to explain to estimate realistically, if not with precision, the requirement of funds under the Appropriation No.38 in order to manoeuvre the cash management and synchronize it with debt management, the Department in their post-evidence reply stated that the Government of India issues 14 days Intermediate Treasury Bills, which are exclusively used by State Governments for deployment of their short term cash surpluses on day to day basis and it is one of the major challenges to estimate the requirement of funds for the debt repayment precisely as the estimates of cash flows and cash surpluses of State Governments are controlled by them. While advising the provision for repayment on this count, RBI has also used its wisdom only on the basis of past years' trends of Investment and withdrawals by the State Governments.

The States, based on their cash flow, keep investing/redeeming the 14 Day Treasury Bills. In the case of State Governments sudden draw down on these investments, the Union Government has to arrange for this cash outgo arising out of 14 Day Treasury Bills redemption. Since the Union Government does not have an accurate estimate of States' cash balance and its consequent impact on 14 Day Treasury Bills redemption, it gets reflected in synchronization of Union's cash with its debt management operation, especially the repayment.

(viii) <u>Demand No. 39 – Department of Expenditure</u>

2.53 Demand No. 39 is meant to meet the expenditure of the Department of Expenditure related to Secretariat General Services which includes the Department proper and offices functioning under its jurisdiction; and Other Administrative Services which mainly includes establishment and other expenditure of Institute of Government Accounts and Finance; Seventh Central Pay Commission; Expenditure Management Commission; Expenditure for making payments to National Securities Depository Limited (NSDL) for New Pension Scheme (NPS); and grant of assistance to National Institute of Financial Management(NIFM) for meeting their establishment expenditure.

2.54 In regard to the details of allocation and utilization in 2013-14 and BE 2014-15 made in Demand No.39 informed the Committee that in BE 2013-14, a provision of Rs 140.12 crore (Rs. 4.00 crore under Plan and Rs. 136.12 crore under Non-Plan) was made. The Plan provision of Rs. 4.00 crore under Revenue Section has two components – (a) Rs. 3.00 crore is for meeting the tuition fees of candidates for PGDBM Finance and (b) Rs. 1.00 crore is for training fees for Post Graduate Programme in Financial Markets for officers of Central/State/UT governments. There was no allocation under Capital Section. However, in view of lesser number of candidates than anticipated joining the course, the Plan provision has been reduced to Rs. 3.00 crore at RE stage under Revenue Section. Under Non-Plan, the provision at RE stage has been reduced to Rs. 130.00 crore. The total RE allocation is Rs.133.00 crore. The expenditure upto March, 2014 is Rs. 123.45 crore.

2.55 To a pointed query as to why the payment to NSDL for New Pension Scheme was not being debited in a separate sub-head, instead of under the object Head ”Other Administrative Expenses” to depict transparently the costs involved in New Pension Scheme, the Department in their post-evidence replies admitted that the Department of Expenditure, Ministry of Finance makes payment to NSDL for the Central Record Keeping Agency Charges for the Pension Fund Regulatory and Development Authority (PFRDA). The recommendations of the Standing Committee on Finance in this regard will be complied with in future.

2.56 In Demand No.39, a sum of Rs.1.40 crore in 2013-14 and in 2014-15 as recurring Non-Plan Grants-in-aid-General to the NIFM. The NIFM was constituted as an autonomous institution under the Department of Expenditure and one of the objectives of the Institute is becoming as a centre of excellence in financial management for promoting the highest standards of professional competence and practice. Asked about purpose of Grants-in-Aid and the possibility of mobilizing funds by the Institute to meet its expenses, the Department of Expenditure in their written replies furnished to the Committee stated that the purpose of Grants-in-Aid (General) is to meet the establishment expenses of NIFM especially payment of pay & allowances to NIFM employees. The grant released by the Ministry of Finance caters to only a small portion of the Institute’s establishment expenses. NIFM is conducting various programmes and major part of its expenses is being met from the earnings of these programmes. NIFM is working towards becoming self-reliant.

(ix) <u>Demand No. 40 – Pensions</u>

2.57 It is a composite grant relating to Central Civil Pension payments. The BE is prepared on the basis of projections of expenditure received from 68 accounting circles and the trend of expenditure. The details of amount allocated for pension and other retirement benefits in BE / RE and actual for the year 2013-14 and BE 2014-15 are as under:-

Year	Major Head	BE	RE	Actual
2011-12	2071- Pension and other Retirement Benefits	16957.98	17986.31	17935.69
	2235- Social Security Welfare	42.02	43.69	41.82
	Total	17000.00	18030.00	17977.51
2012-13	2071- Pension and other Retirement Benefits	19747.41	19511.41	19554.45
	2235- Social Security Welfare	52.59	52.59	42.29
	Total	19800.00	19564.00	19596.74
2013-14	2071- Pension and other Retirement Benefits	20993.00	22759.00	22764.18
	2235- Social Security Welfare	56.00	56.00	41.15
	Total	21049.00	22815.00	22805.33
2014-15	2071- Pension and other Retirement Benefits	24721.55		
	2235- Social Security Welfare	56.45		
	Total	24778.00		

2.58 According to the written replies furnished by Department of Expenditure, the variations are broadly due to (i) increase in D.A. rates; (ii) increase in number of Pensioners; (iii) increase in pension after attaining the age of 80 years and above; and (iv) increase in New Recruitments and consequently increase in Government. Contribution towards the Defined Contribution Pension Scheme.

(x) <u>Demand No. 41 – Indian Audit & Accounts Department</u>

2.59 Demand No. 41 is meant to meet the Non-Plan expenditure of the Indian Audit & Accounts Department (IA&AD) and establishment and other expenditure of the National Academy of Audit and Accounts (NAAA), Simla. Budget Provision for the Academy has been increased to Rs. 10.93 crore in BE 2014-15 from Rs. 9.93 crore RE 2013-14.

2.60 The Academy is the apex training institute functioning under the IA&AD with the vision to become a centre of excellence and innovation for good governance and public financial accountability through research and training in public auditing and accounting. The Academy also provides training to other services such as Indian Railway Accounts Service and Indian Civil Accounts Service. The Academy extends training to the officers from other Countries.

2.61 Observing that the Academy is being recognized as one of the most professionally accomplished Supreme Audit Institutions(SAI) in the world, the Committee enquired about the extent of possibility of making the Academy self-reliant and also making the Academy an autonomous body under the C&AG in the pursuit of achieving its vision, the IA&AD in their written reply informed that NAAA is not an autonomous body & hence the budgetary resources are as provided by the C&AG of India. As the NAAA trains new recruits through the Civil Services Examination into the Indian Audit & Accounts Service (IA&AS) there is no scope of mobilizing resources from any outside agencies/avenues.

2.62 Clarifying further, the IA&AD in their post-evidence replies informed that the National Academy of Audit & Accounts (NAAA) has been a part of the Indian Audit & Accounts Department for more than 60 years. It is the training centre of the IA&AD to train the young IA&AS officers who are recruited every year and in-service officers. It is an integral unit of the IA&AD and is in complete sync with the changing environment of the Department. The IA&AS officers are trained to become professional public auditors. This role in not static because of the continuous changes in the way the government works, emergence of new modes of service delivery, influence of international best practices in auditing, etc. which are captured and incorporated into the training. This is possible if the training institution remains a part of the Department. There exists a Central Training Advisory Committee (C-TAC) chaired by the Deputy CAG which provides regular guidance & feed back to the National Academy of Audit & Accounts to undertake changes in the training curriculum based on the immediate needs of the Department.

Autonomous Bodies are generally set up to give functional and/or financial autonomy to the institutions. NAAA's functioning under a Director General has complete autonomy in designing training modules, course content, duration of courses, etc. Financially the budget of NAAA forms a part of the budget of IA&AD. It is ensured that the NAAA is equipped with state-of-the-are facilities, provided with best of human resources and sufficient funds are placed at the disposal of the DG, NAAA from the Indian Audit & Accounts Department grant. It is felt that the departmental nature of the Academy is no hindrance in it becoming a centre of excellence.

In view of the above, it is felt that there appears to be no immediate requirement to change the nature of NAAA from a departmental unit under C&AG of Indian into an autonomous body.

Human Resource in the IA&AD

2.63 According to the Performance Report(2012-13) of C&AG of India the International Standards for Supreme Audit Institutions 10 (ISSAI 10) prescribes that SAI should have necessary and reasonable human, material, and monetary resources in order to operate effectively. However, the staff position in the IA&AD, as provided in appendix IX-A of the Detailed Demands for Grants(2014-15) of the Ministry of Finance, is that out of 70,000 total sanctioned posts, 47,509 employees are in position as on 1 March, 2013; and as per annexure-7 to Expenditure Budget Volume-I, the estimated strength of the IA&AD as on 1 March, 2014 is 52253 and 55253 as on 1 March, 2015, for which provisions for pay and allowances are made in BE 2014-15.

2.64 Asked about the manpower position in the Indian Audit and Accounts Department (IA&AD) during the last three years, the IA&AD submitted the following information to the Committee:-

Description	As on 1.3.2012			As on 1.3.2013			As on 1.3.2014		
	No. of sanctioned posts	No. of staff in position	No. of vacant posts	No. of sanctioned posts	No. of staff in position	No. of vacant posts	No. of sanctioned posts	No. of staff in position	No. of vacant posts
Indian Audit & Accounts Service (IA&AS)	694	550	144	694	537	157	695	538	157
Supervisory Cadre	17430	14845	2585	18569	15356	3213	18236	15770	2466
Audit & Accounts Staff	43215	24764	18451	42879	25447	17432	42792	26072	16720
Multi-tasking staff	6645	4596	2049	6868	5335	1533	6887	5717	1170
Total	67984	44755	23229	69010	46675	22335	68610	48097	20513

About the measures being taken / proposed to be taken to address the manpower shortage the Committee were informed that Keeping in view the policy of the Government of India on optimization of direct recruitment to civilian posts, there were certain restrictions on direct recruitment to Group 'B' & 'C' posts across the Government of India. However, after withdrawing the said restrictions by the Government of India in 2009, the recruitment to Group 'B' & 'C' posts had been started in the Department and is being carried out in the phased manner. From the year 2010 onwards, more than 20,000 vacancies have been intimated to the Staff Selection Commission. The remaining vacancies are proposed to be filled up by 2020 in a phased manner.

(xi) Demand No. 45 – Department of Disinvestment

2.65 The Department of Disinvestment was set up as a separate Department on 10 December 1999 with a vision to promote people's ownership of Central Public Sector Enterprises (CPSEs) to share in their prosperity through disinvestment and later renamed as Ministry of Disinvestment on 6 September 2001. From 27 May 2004 the Department has been functioning under the Ministry of Finance. The Department of Disinvestment is headed by the Secretary, who is assisted by four Joint Secretaries. The Disinvestment work is handled at the level of Under Secretary.

2.66 Demand No. 45 related to Department of Disinvestment is meant to meet the Non-Plan expenditure of the Department. The details of funds allocated during the years from 2011-12 to 2014-15 are given below:-

(Rs.in crore)

Year	BE	RE	Actual
2011-12	62.63	50.58	35.26
2012-13	63.24	25.83	17.77
2013-14	63.24	30.00	24.98
2014-15	51.92		

2.67 As regards the reason for variation it was stated by the Department of Disinvestment that the expenditure is dependent to a large extent on the activities and programme of Disinvestment. Difference of expenditure is mainly on account of non-completion of Public Issues.

2.68 From the document furnished by the Department, it is noticed that the budget provision under the Object Head "Professional and Special Services(PSS) has been witnessing drastic cuts at RE stage of every year. In 2011-12 the BE of Rs.55.14 was cut down to Rs.42.57 crore in RE and actual is Rs.30.30 crore; in 2012-13 the BE of Rs.55.00 crore was slashed down to Rs.20.04 crore and actual is Rs.12.09 crore. In the last Fiscal 2013-14 BE of Rs.54.97 crore was reduced to Rs.15.51 crore at RE stage. Again in BE 2014-15 it has been increased to Rs.51.92 crore. Further, the provision under Object Head "Advertising and Publicity" has been increased to Rs.21.00 crore in BE 2014-15 from RE 2013-14 of Rs.6.00 crore. Asked to furnish the reason(s) for this variation, the Department of Disinvestment in their written replies stated that funds under object Head "PSS" are used to meet expenditure relating to disinvestment transactions, such as payment of professional fee to intermediaries (i.e.

Merchant Bankers, Legal Advisers, Media Agencies, Registrars, Collection Bankers and Auditors) and selling brokerage.

In prospectus based Initial Public Offering (IPO) and Further Public Offering (FPO) the expenditure involved is more *vis-à-vis* Offer for Sale (OFS) mechanism. During the year 2013-14, only two FPOs were carried out vis-à-vis ten disinvestment transactions through OFS and other approved mechanisms. Also, two IPOs (Rashtriya Ispat Nigam Ltd. And Hindustan Aeronautics Ltd.) planned during the year were deferred due to volatile market conditions and other factors. Also, in BE 2013-14, allocation for "PSS" was inclusive of provision for "Advertising and Publicity". A new object Head 26 – Advertising and Publicity was created in January 2014, and separate allocation was made for it in RE 2013-14 by re-appropriating funds from PSS Head. Public Issues are governed by regulations of the Securities and Exchange Board of India (SEBI). These regulations, *inter-alia*, require mandatory issue of advertisements of each disinvestment transaction for the information of investors. Accordingly, a provision of Rs.21.00 crore in BE 2014-15 has been made keeping in view the IPOs/FPOs planned during the year which entail more expenditure on advertising.

The expenditure under PSS Head is dependent upon the number of transactions which finally get completed during the year. Disinvestment transactions depend on market conditions and other factors like preparedness of the companies for disinvestment, etc. Also, while planning disinvestment and expenditure, the fee to be quoted by Advisers and intermediaries is factored into and cannot be projected as it is based on a competitive bidding process. Because of intense competition, the fee quoted sometimes by the intermediaries is very low, in some cases, even rupee one; at times, quite high. Nevertheless, the situation will be revisited at RE stage and action taken to suitably revise the allocation, if necessary.

Proceeds from Disinvestment

2.69 The BE and RE for Disinvestment receipts and amounts realized through disinvestment in Central Public Sector Enterprises(CPSEs) during 2012-13 and 2013-14 are given below:-

(Rs.in crore)

Year	BE	RE	Proceeds from Disinvestment
2010-11	40,000.00	22,144.00	22,144.21
2011-12	40,000.00	13115.05	13,894.05
2012-13	30,000.00	24,000.00	23,956.00
2013-14	40,000.00	16,027.00	15,819.45
2014-15	51,925.00		

2.70 The processes/timelines and risk factors involved in achieving the target fixed in BE 2014-15 as mentioned in the outcome budget (2014-15) of the Ministry of Finance are given below:-

"<u>Processes / Timelines:</u>

Disinvestment depends on approvals by Government, and then by SEBI, including preparedness of CPSEs. No strict timelines can be prescribed. However, a roadmap is prepared by Department which is monitored on a regular basis.

<u>Risk Factors:</u>

- Requisite number of independent directors not appointed on the board.
- Volatility in the stock markets – Domestic & International".

2.71 The Committee on Finance (2012-13) in their Sixty-Seventh Report recommended the Government to encourage retail investors in disinvestment process. Asked about the status of implementation of the Recommendation, the Department of Disinvestment stated that earlier there was no reservation for retail investors in Offer for Sale (OFS) of Shares through stock exchange mechanism. However, on 8 August, 2014, SEBI has mandated that minimum 10% of the offer size shall be reserved for retail investors. Subsequent to this amendment in OFS, Government has approved that 20% of the offer size shall be reserved for the retail investors and that the retail investors may be allocated shares at a discount of 5% in the disinvestment of ONGC, Coal India Limited and NHPC Ltd.

2.72 As per Government of India (Allocation of Business) Rules, 1961, the Department of Disinvestment is, *inter-alia*, mandated to constitute the Disinvestment Commission and to implement decisions on the recommendations of the Disinvestment Commission on the modalities of Disinvestment, including restructuring. The previous Disinvestment Commission which was constituted in the year 2001 wound up with effect from 31 October, 2004. On 5 November, 2009 the Government approved the Policy on Disinvestment.

2.73 On being asked about the proposal for constitution of new Disinvestment Commission, the Department in their post-evidence replies stated that the Commission was an advisory body, whereas the Disinvestment Policy was determined by the Government mainly through the Annual Budgets. The Commission examined CPSEs on a case to case basis, within the broad policy parameters laid down. It is stated that the present Disinvestment Policy *inter alia* envisages that while pursuing disinvestment, Government has to retain majority shareholding, i.e. at least 51% and management control of the Public Sector Undertakings. The annual disinvestment programme is being finalized with the approval of the Finance Minister and the achievement of the same is also being monitored by Finance Ministry. After analyzing the practice being followed earlier *vi-a-vis* the current disinvestment policy, it is felt that the current system of disinvestment with the Policy background mentioned is sufficient and there is no need to constitute a Disinvestment Commission.

PART – II

OBSERVATIONS / RECOMMENDATIONS

Implementation of Committee's Recommendations made in Sixty-seventh Report

1. The Committee note that the Action Taken Notes regarding the action taken by the Government on Recommendations contained in the Sixty-seventh Report (Fifteenth Lok Sabha) of the Committee were furnished by the Government within the stipulated three months. Also, the Statement of the Minister under Direction 73 A was made within the stipulated six months period. The analysis of the action taken by the Government contained in the Seventy-fifth Report (Fifteenth Lok Sabha) of the Committee reveals that out of 14 Recommendations, 71% of Recommendations have been implemented however action taken in the context of some of them has been commented upon by the Committee; 7% of Recommendations have not been implemented; and 22% of Recommendations are in various stages of implementation. The Committee expect the Government to take conclusive action in the context of all the Recommendations commented upon by the Committee and furnish further action taken notes to the Committee expeditiously.

Demand No.33 – Department of Economic Affairs

2. The Committee have been impressing upon the Ministry of Finance for realistic preparation of Budget Estimates (BE) and Revised Estimates (RE) and full utilisation of allocated funds. They are, however, constrained to note that there is not even an iota of improvement in this regard under the Demand No.33 related to Department of Economic Affairs. In the year 2013-14, the BE of Rs.75,274 crore was radically reduced to Rs.16,977.54 crore and the amount spent actually was Rs.16,106.94 crore. Under the Plan Head, the BE of Rs.5142.45 crore was enhanced to Rs.6,732.90 crore and the Department could incur expenditure of only Rs.6,504.90 crore. Whereas, under the Non-Plan Head, the BE of Rs.70,131.56 crore was drastically cut down to Rs.10,244.64 crore and spent only Rs.9,602.04 crore. This clearly indicates that the Department of Economic Affairs have not taken appropriate corrective measures to arrest the imbalance between BE, RE and Actual. Such a recurring trend has obviously reduced the budgeting exercise to a ritual. The reasons advanced by the Department are rather routine and thus not very convincing, particularly considering the recurring nature of

the variations. The Committee, therefore, reiterate their earlier Recommendation that the Department of Economic Affairs should endeavor to be a role model for other line ministries / departments in preparation of realistic estimates and full utilisation of funds.

Planning and approval of Plan Estimates

3. The Committee understand that in the absence of Planning Commission, the task of planning and approval of Plan expenditure would be handled by the Department of Economic Affairs and the Department of Expenditure. The Committee are of the considered view that given the mandate and approach of the Ministry of Finance, the proposed planning and approval of Plan expenditure would invite conflict of interest and is likely to result in cutting down genuine / adequate allocation of funds to Plan Schemes especially social welfare schemes in order to contain fiscal deficit. The Committee, therefore, strongly disapprove of the proposed move, and recommend the Government that the Ministry of Planning should be entrusted with the task of planning and approval of Plan estimates until an alternate mechanism is put in place of the Planning Commission.

Modified Budget and Cash Management (B&CM) Scheme

4. In the context of budgetary planning and monitoring expenditure, the Committee are concerned to note the persistent shortcomings such as unrealistic budget estimates; skewed expenditure pattern; parking of funds and ineffective monitoring of expenditure pattern. It is observed that despite the modified Budget and Cash Management (B&CM) Scheme being implemented since April, 2006 and extended to all Ministries / Departments in July, 2012, absence of evenness in the budgeted quarterly expenditure is widely prevalent across the Demands of the Departments of Economic Affairs, Expenditure and Financial Services. This reflects that preparation of Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocation (QEA) is a futile exercise and questions the efficacy of the modified B&CM Scheme. What is more disturbing is that MEP in respect of Appropriation Nos.35 and 38 and Demand Nos. 36, 37, 39, 40 and 45 of the Ministry of Finance have not been prepared and appended to the detailed Demands of the Ministry for 2014-15. It is surprising as to how the Ministry have overlooked this mandatory stipulation of their own. How they expect other ministries / departments to adhere to these stipulations when they themselves are not following

them is a moot point. The Committee while strongly disapproving this failure of the Ministry expect that as promised by the Ministry, MEPs in respect of afore-cited Appropriations / Demands shall be prepared and appended to the respective Grant in the next Fiscal. The Committee also urge upon the Ministry of Finance to review and strengthen the B&CM Scheme so as to achieve its avowed objectives. In this regard, the Committee would like the Ministry to expedite the report of the High Powered Committee / Working Group on "Strengthening Financial Management System" constituted in the wake of recommendation of the second Administrative Reforms Commission (ARC) and apprise the Committee of the action taken on the Recommendations of the Group.

5. Further, the Committee are not in agreement with the reply of the Ministry that the shortcomings associated with larger exercise of budget formulation, introduction/drawing up of new schemes, their implementation, issue of guidelines, etc. are to be addressed by line Ministries/Departments. While it is understandable that it is the line Ministries/Departments which are responsible for implementation of the measures, the Ministry of Finance cannot completely absolve themselves from this responsibility. The Committee, therefore, expect the Ministry to do the overall supervision and guidance of the line Ministries/Departments in ensuring strict compliance of the rules, guidelines and instructions.

Plan Provision for certain Funds

6. The Committee are constrained to note that the Department of Expenditure, the nodal department for preparation of budget, which is supposed to be a role model to the line ministries / departments have not adhered to the General Financial Rules and guidelines. The Department have been in the habit of parking of funds over the years pending formulation and approval of Schemes matching the allocation. For instance, "Nirbhaya Fund for Safety of Women" was set up in September, 2013 with an initial allocation of Rs.1000.00 crore but opened an account in Public Account belatedly in January, 2014. Subsequently, an allocation of Rs.1000.00 crore has been made in 2013-14 and another Rs.1000.00 crore in BE 2014-15 when there has been no utilisation since the fund was set up. After lapse of two years from setting up of the fund, only two Schemes with paltry allocation of funds, one of Rs.50.00 crore and another one (for which no details of funds allotted were provided to the Committee) have been approved and are under implementation. It is also observed that the title of the Fund is a misnomer as the "Girl Children" are not included. From the foregoing it is apparent that the Government inspite of its best intentions have not been able to utilize the precious monies allocated under the Nirbhaya Fund. The Committee, therefore, urge upon the Government to review and restructure the scope and objectives of the Nirbhaya Fund after having wider consultations with the stakeholders so that the intention of setting up of this separate fund would fructify without any further loss of time.

7. The Committee are perturbed to note that in the case of "National Social Security Fund for unorganized sector workers" funds have accumulated to the tune of Rs.1820.00 crore till 2013-14 and the actual is "Nil". However, again in BE 2014-15 a sum of Rs.607.00 crore has been allocated to the Fund but not a single Rupee has been incurred till the first quarter of 2014-15. It is also not clear whether any schemes have been formulated / approved / are under implementation to utilize the Fund in the current Fiscal. It is inexplicable as to how funds under such an important Head have remained unspent. While exhorting the Department to utilize the entire amount accrued in the Fund during this Fiscal, the Committee would also like to have a clarification on the reasons due to which funds under this Head have, hitherto, remained unspent.

8. In yet another fund namely, "National Clean Energy Fund (NCEF)", even when only 50 percent of funds i.e. Rs.1770.34 crore were spent as against total funds of Rs.3759.00 crore provided till 2013-14, a huge amount of Rs.4700.00 crore has been provided in BE 2014-15 in view of large number of projects / schemes being implemented. In the absence of specific details of those projects/schemes, it is doubtful whether the earmarked funds could be fully utilized. The Committee express their extreme disappointment over the repetitive provision of huge funds without preparatory work/finalization of schemes/ analysis of absorption capacity of the line ministries / departments. The Committee expect the Department of Economic Affairs to at least now review the allocations for the afore-cited Funds without any schemes, targets and mechanism for implementation. The Committee also recommend the Department to transfer the unutilized funds / funds kept idle for more than two years to Consolidated Fund of India so that these funds could be utilized for other prioritized Schemes.

National Small Savings Fund (NSSF)

9. The Committee understand that the small savings are regarded as instruments of social security and, therefore, need to be efficiently managed for achieving its objectives. All transactions of small savings are accounted under "National Small Savings Fund (NSSF)" set up on 1 April, 1999. The Committee note that the Ministry of Finance constituted a committee for comprehensive review of NSSF. The said committee in their report (June 2011) *inter-alia* recommended for reduction in the management cost and in the time lag between receipts of small savings and their investments; setting up a monitoring group to resolve the pending operational issues to improve the viability of NSSF. Accordingly, the Ministry had reduced investment time-period; abolished moratorium on repayment; benchmarked interest on saving instruments to Government securities; abolished commission to agents for Public Provident Fund Scheme and Senior Citizens Savings Schemes; reduced commission to agents for Small Savings Schemes. The Committee are, however, deeply concerned to observe that these measures have failed to improve the balance sheet of NSSF. The NSSF deficit has been consistently burgeoning from Rs.13,775.93 crore in 2012-13 (actual) to Rs.22,172.20 crore in 2013-14 and Rs.21,453.26 crore in BE 2014-15 as the interest payment exceeds the income earned; and increase in management cost in every Fiscal. Notably, under the management cost, the agency charges to Department

of Posts which is supposed to decline with the introduction of new technology and computerization of post offices, scaled up from Rs.5031.60 crore in 2012-13 to Rs.5470.52 crore in 2013-14 and further increased to Rs.5901.90 crore in BE 2014-15. In this regard, the Committee note that they have not informed about action taken by the Ministry on the report of the expert group set up on 9 April, 2010 to review the rates of agency charges payable to Department of Posts for operation of Small Savings Instruments. Further, the payment of commission to agents was brought down from Rs.1714.41 crore in 2011-12 to Rs.1492.56 crore in 2012-13 but increased to Rs.1479.40 crore (2013-14) at RE stage as against BE of Rs.1300.00 crore and is again estimated to increase to Rs.1346.50 crore. No significant reduction in cost of printing is also observed as it has been hovering around Rs.30.00 crore during the period under review. The Committee were also not informed about the action taken by the Ministry to reduce the time lag between receipts of small savings and their investments and setting up of a monitoring group to resolve the pending operational issues as per afore-mentioned recommendations. Therefore, from the above findings the Committee are sceptical about the assumption of the Ministry that the measures taken by them would yield results thereby achieving reduced NSSF deficit. They, therefore, impress upon the Ministry to take appropriate measures to improve the overall management of NSSF including benchmarking of all parameters. The Committee may be apprised of the action taken on the recommendations made by the committee on comprehensive review of NSSF(June 2011) and report of the expert group (April, 2010) on review of agency charges to Department of Posts and their outcomes within a month from the date of presentation of this Report. The Committee also expect the Ministry to be careful and ensure that comprehensive information on all the aspects as brought out above is furnished to the Parliamentary Committee in future.

Provision for Budget Preparation

10. The Committee are alarmed to note that at a time when "Paperless" work culture is being promoted, the Ministry of Finance presents as much as 18 budget documents containing around 2000 pages and prints more than one lakh copies. While the Ministry agreed to a suggestion made by the Committee to eliminate duplication in budget document titled, "Statement of Revenue Foregone", it is silent in respect of other key reforms highlighted by the Committee such as use of information technology in presentation of paperless budget; merging reports such as Annual Report of the

ministries / departments and their Outcome Budget which have lots in common; and making the budget documents more transparent and user-friendly. The Committee strongly deprecate this continued silence of the Ministry and expect them to be careful while submitting information to the Parliamentary Committee and ensure that in future it submits requisite information addressing all Observations / Recommendations of the Committee without Any omission. The Committee recommend that the Ministry may constitute an expert group to review and rationalize the budget documents and make the whole budget exercise not only cost effective but environment and people friendly.

<u>Token provisions for certain Schemes</u>

11. The Committee on Finance (2012-13) in their Sixty-seventh Report (Fifteenth Lok Sabha) had, *inter-alia*, recommended tokenism in provisioning of funds and premature allocations without approval of the Schemes be avoided. The Department of Economic Affairs, in compliance with the Recommendation of the Committee, issued suitable instructions to all ministries/departments that funds for New Services / New Instrument of Services including token provisions might not be made without finalizing the specific details about objectives, targets, allocations and mechanism for implementation of the proposed schemes without approval of competent authorities. The Committee are, however, anguished to note that token provisions for New Services/New Instrument of Services viz. Rs.0.01 crore for the proposed National Institute of Economic Policy; Rs.500 crore for the proposed Institute called "3P India"; and Rs.500 crore for constituting a Price Stabilization Fund for agricultural sector have been provided in BE 2014-15 pending finalization / approval of competent authority. The justification advanced by the Department for these token provisions are that as per the prescribed instructions, no expenditure on any New Service/New Scheme can be incurred without the consent of Parliament; and accordingly, token provisions are generally made for introductions of any New Scheme anticipating approval of the competent authority. The Committee, however, observe that the Department have made these token provisions deliberately in violation of provision of General Financial Rules related to "token demand" and also non-compliance with Recommendation made by the Committee and written instructions issued there under by the Department itself. What is more disturbing is that afore-cited New Services / Schemes have not yet been finalized and approved although we are now halfway through the Twelfth Plan. The Committee express their disapproval of the justification put forth by the Department and seek their

specific explanation in this regard. The Committee, while reiterating their earlier Recommendation, would like to emphasize that consent of Parliament for token provisions to New Service / New Schemes pending finalization / approval of the Competent authority should not be sought as a matter of routine as in the instant case.

Forward Markets Commission (FMC)

12. The Committee note yet another instant in which the Department of Economic Affairs have not adhered to its own instruction contained in the Budget Circular (2014-15) in preparation of BEs. The actual 2012-13 and BE/RE 2013-14 of the Forward Markets Commission (FMC) as stipulated in Budget Circular (2014-15) has not be shown against the provision of Rs.60.23 crore provided for FMC under Major Head: 3475 in BE 2014-15 in Demand No.33 in the wake of transfer of FMC from the Department of Consumer Affairs to the Department of Economic Affairs. The Committee would like to caution the Department to be careful while preparing the BEs in future and ensure that any lapses as in the instant case is avoided.

13. Further, the Committee are constrained to note that the FMC, the regulator of forward and futures markets, has been functioning without financial autonomy since inception unlike other regulators namely, the Insurance Regulatory and Development Authority (IRDA), and the Securities and Exchange Board of India(SEBI) and is wholly dependent on Central Government for Grants to meet its establishment and other expenses. The Committee also note that an amendment Bill to the Forward Contracts (Regulation) Act, 1952 is under consideration of the Ministry of Finance to enable the Commission to generate its own financial resources so as to meet its expenses. Given the pressing need of letting FMC be a self-sufficient entity, the Committee recommend the Ministry to take immediate steps to get the amendment Bill enacted, preferably in the ongoing Winter Session of Parliament.

Capital infusion in the Public Sector Banks

14. The Committee understand that infusion of fresh capital is needed to enhance the capacity of the Public Sector Banks (PSBs) to meet the growing credit needs of the people of the country and also to comply with BASEL III requirements. The Government have been infusing huge amount towards capitalization of PSBs over the years. In this regard, the Committee have been repeatedly expressing their concern as such infusion

from the budget cannot be an endless ritual as it encourages incompetence and inefficiency in the PSBs. The Committee have accordingly recommended that considering the fiscal consolidation and the need for maintaining capital adequacy in PSBs to meet BASEL III norms the PSBs should generate funds internally also for their recapitalization instead of depending on budgetary support alone. They have in the past also urged the Ministry of Finance to expedite the process of setting up a holding company to meet the capital requirements of PSBs. The Committee are, however, disappointed to see that the Government in BE 2014-15 have again made a provision of huge amount of Rs.11,200.00 crore for capitalization of PSBs. Further, in the absence of specific roadmap / strategy of the Government in meeting capital requirements of PSBs, it is not clear as to how the PSBs would be able to meet additional capital to the tune of Rs.4.95 trillion to comply with BASEL III norms and also to overcome the serious concern expressed by the Reserve Bank of India in their Financial Stability Reports (December, 2013 and June, 2014) over the lowest Capital Risk Weighted Assets Ratio (CRAR) of PSBs. Further, there is no light shed by the Ministry on the formation of the holding company. The Committee, therefore, while reiterating their earlier Recommendations, urge upon the Ministry to draw out a roadmap / strategy on complying with BASEL III norms by PSBs and for ensuring their healthy balance sheet without any further loss of time.

Appropriation No.35 – Interest Payments

15. The Committee are gravely concerned about the unsustainable interest payments on Debts that would adversely affect expenditure towards development and welfare activities of the Government. In 2013-14, interest payments on Debts increased to Rs.4,00,500.66 crore in RE from actual 2012-13 of Rs.3,30,182.68 crore; and increased further to Rs.4,49,882.66 in BE 2014-15. This is mainly towards interest payment on internal debt which has gone to Rs.3,49,271.45 crore (2013-14) from actual 2012-13 of Rs.2,81,890.56 crore and further raised to Rs.3,97,776.11 crore (BE 2014-15). The interest payment on external debt, however, remained stagnant at around Rs.4,000.00 crore during the last three years. The Committee also note that the interest payments as a percentage of net tax revenue has been consistently over and above the level of 40 percent since 2009-10; and the cost of borrowing is pegged at 8.3 per cent per annum in RE 2013-14 as against 7.5 percent in 2009-10. In the considered opinion of the Committee if sufficient resources are to be made available for the social sector and

infrastructure development, the interest payments on debts needs to be brought down drastically while increasing the revenue. The Committee, therefore, recommend that the Government should initiate concerted measures at the earliest in letter and spirit to rein in interest payments and to raise revenues.

<u>Demand No.36 - Transfers to States and Union Territory Governments</u>

16. The Committee note that Plan Grants on the basis of recommendations of Planning Commission / line ministries and Non-Plan Grants on the basis of recommendations of Finance Commission are released to States and Union Territory Governments through the Demand operated by the Department of Expenditure. The Committee on Finance (2012-13) had *inter-alia* recommended in their Fifty-first Report (Fifteenth Lok Sabha) that funds for Central Assistance Plan Schemes may be raised through Demands of the nodal ministries / departments concerned instead of through Demand of the Department of Expenditure. The Committee are happy to note that in pursuance of their Recommendation, the Grants for five Plan Schemes namely, Accelerated Irrigation Benefit Programme (AIBP), Jawaharlal Nehru Urban Renewal Mission (JNNURM), National E-Governance Action Plan (NEGAP), Border Area Development Programme (BADP) and National Social Assistance Programme (NSAP), which were earlier released through Demand of the Department of Expenditure, now stand transferred to the Demands of concerned line ministries with effect from BE 2014-15. It is, however, found from the information provided to the Committee that the funds for certain Plan Schemes namely, Additional Central Assistance for National E - Governance Action Plan (NEGAP); Additional Central Assistance for other Projects (ACAOP); Special Central Assistance for (i) Hill Areas/Western Ghats Development Programme (HADP/WGDP); Special Plan Assistance (SPA); and (ii) Backward Region Grant Fund (BRGF) which are supposed to be sought through the Demand of the nodal ministries / departments concerned have been raised in the Demand No.36 operated by the Department of Expenditure. The Committee, therefore, recommend that the budget provision for the afore-cited remaining Plan Schemes should also be raised in the Demand for Grants of the respective nodal ministries / departments.

Other Additional Central Assistance

17. The Committee have been emphasizing that the plethora of Centrally Sponsored Schemes(CSSs) and Programmes that are in operation should be streamlined and rationalized to manageable proportions. Accordingly, the Government in the recent past restructured the 126 CSSs / Additional Central Assistance (ACA) Schemes into 66 Schemes which include 17 Flagship programmes. The Committee are, however, perturbed to find that a new Plan Scheme namely, "Other Additional Central Assistance (Other ACA)" was introduced in 2013-14 in Demand No. 36 to meet the contingent situation under Central Assistance to State Plan or support of one time nature not covered by the existing budget line of "Additional Central Assistance(ACA) for other Projects". The Committee strongly deprecate the approach of the Ministry of Finance in crossing the restructured limit of CSSs. The Committee, therefore, recommend that the Ministry of Finance should review and restructure the Schemes namely, "Other ACA" and "ACA for other Projects" to improve the efficiency of public expenditure.

18. The Committee further note from the information provided by the Department of Expenditure, that a sum of Rs.1180.00 crore has been provided in the BE 2014-15 under the Scheme "Other ACA" which includes funds for Andhra Pradesh to meet the resource gap and for creation of essential facilities for the new capital of the State. However, the quantum of allocation for each afore-said purpose has not been depicted distinctly in a separate sub-head. As agreed upon to a suggestion made by the Committee elsewhere in this Report, the afore-said provision may also be shown distinctly in a separate sub-head in future.

Release of Grants to States and Union Territories Governments

19. The Committee are given to understand that while the Block Grants are released as per prescribed periodicity, Project-linked Grants releases and their utilisation, however, depend on various factors including the preparedness of the States to absorb funds under different sectors / projects. Also, the Grants (charged) as recommended by the Finance Commissions are released on the basis of fulfillment of prescribed conditionalities by the State Governments. The nodal Central Ministries / Departments monitor the physical progress of the Grant concerned and fulfillment of the conditionalities prescribed by Finance Commissions. In the previous Fiscal 2013-14, the Grants for Non-Plan Schemes were drastically reduced to Rs.55,289.72 crore at RE stage from BE of Rs.62,134.40 crore and the releases were only Rs.53,904.55 crore

which resulted into savings of Rs.8229.85 crore. The Committee are constrained to observe that apart from administrative failure of the recipient States in fulfilling the conditions prescribed, the Department of Expenditure, the nodal department of releasing the Grants, is not in a position to estimate the possibility of utilization of allotted Grants and examine the feasibility of fulfillment of mandatory conditions by the States and their absorption capacity. The Committee cannot but conclude that these facts illustrate that the Department have been resorting to the imprudent routine budgetary practices in allocating the Grants every Fiscal, which not only block the scarce resources but also fail to encourage States to strictly adhere to financial prudence and discipline. The imprudence on the part of the Ministry also discourages the line ministries / departments concerned and the Department of Expenditure in implementation of the Schemes / Programmes. The Committee, therefore, recommend that the Department of Expenditure should review the conditions / guidelines and make them more flexible in order to enable the States to fully utilize the Grants. The Committee also recommend that the Department may also explore the possibility of entering into Memorandum of Understanding (MoU) between the recipient States, respective line ministries/departments and Department of Expenditure so as to act in a coordinated manner to overcome the shortcomings and better utilization of the Grants. As far as monitoring of the Schemes is concerned, the Committee would like to reiterate their earlier Recommendation made in the Fifty-first Report (Fifteenth Lok Sabha) that the Department of Expenditure, in addition to the line ministries / departments, should also oversee the quality of development expenditure as part of fulfilling its principal activity of overseeing the public expenditure management.

Demand No. 37 – Loans to Government Servants, etc.

20. The Committee observe that House Building Advance (HBA) Scheme is being implemented as a welfare measure by the Central Government for its employees to construct/acquire house/flat on their own. Of late, the Scheme has not, however, been well received among the employees as the terms and conditions of HBA are not as attractive as those of home loans of Banks / Financial Institutions. Consequently, the allocation and utilisation of funds under HBA Scheme has been consistently going down over the years from actual of Rs.64.58 crore in 2011-12 to Rs.51.30 crore in 2012-13 and Rs.38.03 crore in 2013-14. Further, the information regarding measures taken / proposed to be taken to improve / restructure the HBA Scheme in the backdrop of dismal performance of HBA Scheme and also the commitment of the Government to achieve "Housing for all by 2022" have not been received. The Committee expect an explanation from the Ministry of Finance and the Ministry of Urban Development for not furnishing the desired information to them. The Committee, considering the fact that the Government are expected to be a "Model Employer" to others, would recommend the Government to restructure the HBA Scheme suitably including the quantum of loans aligned to the market requirements so as to generate demand among their employees as a part of achievement of their ambitious mission i.e "Housing for all by 2022".

Repayment of Debt

21. The Committee have been informed that estimates under Appropriation No.38-Repayment of Debt which includes provision for discharge of Ways and Means Advances, Cash Management Bills including overdraft from Reserve Bank of India could not be arrived at with precision as the Union Government do not have an accurate estimate of States' cash balance and its consequent impact on 14 Day Treasury Bills redemption. In order to manoeuvre the cash management and synchronize it with debt management, the Committee desire the Ministry of Finance to put in a mechanism in coordination with RBI and State Governments for preparation of scientific estimates of funds requirement under the Appropriation No.38.

Provision for payment to National Securities Depository Limited (NSDL)

22. The Committee find that provision for payment to National Securities Depository Limited (NSDL) for the Central Record Keeping Agency Charges for the Pension Fund Regulatory and Development Authority (PFRDA) has not been depicted distinctly but is

clubbed under the Major Head "Other Administrative Expenses". Given the fact that the Government have in pursuance of the Recommendations of the Committee already shown some of the expenditure Heads separately in this Demand, the Committee are confident that the afore-said provision will also be shown distinctly in a separate sub-head in Budget 2015-16. Further, the Committee may be apprised of the reasons as to why the PFRDA could not meet the charges itself. In this regard, the Committee would like to emphasize that the Department of Expenditure should review all Demands / Appropriations of the Government and ensure that such deficiencies in classification of expenditure are strictly avoided in future and transparency in budgeting is maintained. The findings of the review may be submitted to the Committee within a period of three months from the date of presentation of this Report to the Parliament.

<u>Non-Plan Grants-in-Aid to the National Institute of Financial Management (NIFM)</u>

23. The Committee are perturbed to note that the National Institute of Financial Management (NIFM), an autonomous institution which has been in existence for more than two decades still depends on Grants from the Government to meet part of its establishment expenses. The Committee are of the firm view that continuing with such support, without defining time period upto which the expenses will be met from Central Grants, would only discourage attempts by the Institution to be self-reliant. The Committee while strongly conveying their disapproval of continuing with such provision indefinitely, urge upon the Department of Expenditure to invigorate the Institute to generate adequate funds internally instead of depending on budgetary support, by indicating a sunset provision for the Grant.

<u>Demand No.40 – Pensions</u>

24. The Committee note with concern that percentage of allocation provided for Non-Plan expenses under Major Head: "2235- Social Security & Welfare" has been witnessing marginal increase of 0.8 in 2014-15 from 6.48 in 2013-14 and 20.37 in 2012-13 as compared to increased percentages of allocation made under Major Head: "2071- Pension and Other Retirement Benefits" during the corresponding period i.e 18.8, 16.64 and 8.48. What is more alarming is that underutilization has been a recurring phenomenon under Major Head: "2235- Social Security & Welfare". In 2012-13 the actual is Rs.42.69 crore as against allocation of Rs.52.59 crore; and in 2013-14 the utilisation is Rs.41.15 crore as against provision of Rs.56.00 crore. This trend reflects

serious shortcomings in formulation of Budget Estimates and utilisation of budgeted funds. The Committee, therefore, recommend the Department of Expenditure to take corrective measures for providing adequate allocation of funds under "Major Head: "2235-Social Security & Welfare", and ensure its full utilization so that welfare of employees is achieved.

Grant to National Academy of Audit and Accounts, Simla

25. The Committee note that the National Academy of Audit and Accounts, Simla has been functioning as a departmental unit under Indian Audit & Accounts Department (IA&AD) for more than six decades and all expenses of the Academy are being met from Demand of IA&AD. The Committee are perturbed to observe that instead of leveraging the reputation of one of the most professionally accomplished Supreme Audit Institutions in the world and unlock the potential of the Academy to generate its own resources, the Department have chosen to keep the Academy as an exclusive training centre for the Union Audit & Accounts Service Officers. Full budgetary support has been given to the Academy for more than six decades without any effort to reduce the burden from the Union Exchequer which is not well taken by the Committee. They are of the considered opinion that when other Government run training institutes like National Institute of Financial Management (NIFM) can reduce their dependability on the Union Grants to a greater extent and strive further to be fully independent, the justification given by the Department is not at all acceptable to the Committee. The Academy can very well conduct customized training programmes for State Government Officers; officials from other countries and even other public/private sector employees and carry out research works on payment basis. The example of International Centre for Information Systems and Audit (iCISA) an entity under the Comptroller and Auditor General (C&AG) can be worth emulating. Therefore, the Committee, in their considered opinion, of the view that the Academy can very well become less dependent on the Government Exchequer and over a period of time completely free from any financial assistance from the Union.

Human Resource in IA&AD

26. The Committee find variance in the stated sanctioned / actual staff strength of the Indian Audit and Accounts Department (IA&AD) between the information provided in budget documents and written replies submitted to them. As per appendix IX-A of the

Detailed Demands for Grants(2014-15) of the Ministry of Finance, out of 70,000 total sanctioned posts, 47,509 employees were in position as on 1 March, 2013; and as per annexure-7 to Expenditure Budget Volume-I, the estimated strength of the IA&AD as on 1 March, 2014 is 52,253. Whereas, as per the written information, out of 69,010 total sanctioned posts, 46,675 employees were in position as on 1 March, 2013; and out of 68,610 sanctioned posts, 48,097 employees were in position as on 1 March, 2014. The Committee would in the first instance like to be provided with a detailed clarification on such variation. Moreover, they would also appreciate if in future all information furnished to the Parliament and its entities is consistent across all documents so that any ambiguity as in the instant case is avoided.

27. The Committee further note that the International Standards for Supreme Audit Institutions-10 (ISSAI-10) prescribes that Supreme Audit Institutions (SAI), that is the Audit Department, should have necessary and reasonable human, material, and monetary resources in order to operate effectively. The Committee are, however, constrained to observe that acute shortage of human resources has been a lingering problem for the Indian Audit and Accounts Department (IA&AD) with 20,513 vacant posts as on 1 March, 2014. On an average only around 3000 employees have been recruited during the last three years. Given the slow pace of recruitment, the Committee believe that the vacant posts cannot be filled up within the targeted year 2020. The Committee, therefore, urge upon the IA&AD to arrange to conduct a special recruitment drive to fill all the vacant posts within the defined span of time and alternatively, as a stop-gap arrangement even engage retired employees so that the Department could function effectively.

Demand No.45 – Department of Disinvestment

28. The Committee note that there are significant and persistent variations between Budget Estimates (BE), Revised Estimates (RE) and Actual in Demand of Department of Disinvestment. In 2011-12 the BE of Rs.62.63 crore was reduced to Rs.50.58 crore in RE and actual is Rs.35.26 crore; in 2012-13 the BE of Rs.63.24 crore was revised downwards significantly to Rs.25.83 crore at RE stage and expenditure incurred was only Rs.17.77 crore; again in 2013-14 the BE of Rs.63.24 crore was slashed down to Rs.30.00 crore and actual is Rs.24.98 crore. For the current Fiscal 2014-15, Rs.51.92 crore has been provided in BE, of which Rs.21.00 crore under Object Head "Advertising

& Publicity" and Rs. 19.44 crore under Object Head "Professional & Special Services (PPS)". The reason for the variations attributed to by the Department is mainly under Object Head "Professional & Special Services (PPS)" due to factors such as market conditions and preparedness of the companies for disinvestment, limitation in estimating the professional fee to be paid to advisers and intermediaries such as merchant bankers, legal advisers, media agencies, registrars, collection bankers and auditors and selling brokerage as it is based on competitive bidding process. The Committee while strongly disapproving such serious shortcomings in formulation of BEs, are of the view that such consistent variations could have been avoided had the Department taken into consideration the risk factors identified in the roadmap of disinvestment. The Committee, therefore, recommend to the Department of Disinvestment to take corrective measures to arrest unscientific projection of fund requirements and ensure an objective and realistic formulation of BEs.

29. The Committee note that the Department of Disinvestment were constituted with the mandate of dealing with all matters relating to disinvestment of Central Government equity from Central Public Sector Enterprises(CPSEs). The Committee are surprised to note that the disinvestment work is handled at the level of Under Secretary; and the core functions related to disinvestment transactions are outsourced for which the Department have been incurring recurrent huge non-plan expenses. Provision of Rs.55.14 crore in 2011-12; Rs.55.09 crore in 2012-13; Rs. 54.97 crore in 2013-14 and Rs.51.92 crore in 2014-15 have been made in BE under Object Head ""Professional & Special Services (PPS)". The Committee are unable to comprehend as to why the Department have failed to equip themselves instead of depending on outsourced agencies to deal with the very sensitive and confidential disinvestment process. The case for internal/Governmental mechanism arises, as for instance, the Committee find it intriguing that the fee sometimes quoted by the intermediaries is as undeliverable and as irrationally low as Rupee one and sometimes quite high, which are firm pointers towards the possible corrupting elements. The Committee are of the view that if the Department have their own in-house professional manpower which can deal with disinvestment transaction and also act as an advisory body, precious funds being incurred on non-plan expenses could be saved to a large extent. The Committee would, therefore, recommend that a professional agency, in line with Skill Development

Agency, may be set up under the Department of Disinvestment in order to enable the Department to discharge its mandate effectively.

Disinvestment Commission

30. The Committee note with concern that the Disinvestment Commission which was constituted way back in the year 2001 to review and restructure the modalities of disinvestment has not yet been reconstituted. Similarly, the extant Disinvestment Policy which was approved in the year 2009 has not yet been reviewed to formulate a coherent Disinvestment Policy. As a result, the annual disinvestment programme finalized on the basis of Disinvestment Policy has persistently failed over the years. As against total target of Rs.1.5 lakh crore for disinvestment receipts, only Rs.75,813.71 crore could be realized during the last four Fiscals. Further, after passage of 15 years of constitution of the Department of Disinvestment and 5 years of formulation of Disinvestment Policy, only in pursuance of the Recommendation made by the Committee on Finance (2012-13) in their Sixty-seventh Report (Fifteenth Lok Sabha), reservation of minimum 10 percent of the offer size was mandated in August, 2014 in order to achieve the vision of the Department i.e promotion of people's ownership of Central Public Sector Enterprises. Further, the Government have consistently failed to implement the Recommendations made by the Committee to formulate a coherent Disinvestment Policy and constitute a new Disinvestment Commission. The Committee are totally in disagreement with the latest *alibi* extended by the Government for not reconstituting the Disinvestment Commission. The Committee thus cannot but conclude that the above findings emphasize the fact that continuation of disinvestment programme without reviewing the Disinvestment Policy including its modalities would doubtlessly end up in failure as experienced in the past. The Committee, therefore, urge upon the Government to constitute a new Disinvestment Commission to review the Disinvestment Policy and restructure the modalities of the disinvestment in the light of current economic scenario without any further delay.

New Delhi;
11 December, 2014
20 Pausa, 1936 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Committee on Finance

Minutes of the Seventh Sitting of the Committee on Finance

The Committee sat on Thursday, the 16th October, 2014 from 1100 hrs. to 1345 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. **Shri S.S. Ahluwalia**
3. **Shri Nishikant Dubey**
4. **Shri P.C. Gaddigoudar**
5. **Shri Shyama Charan Gupta**
6. **Shri Rattan Lal Kataria**
7. **Shri Bhartruhari Mahtab**
8. **Shri Prem Das Rai**
9. **Prof. Saugata Roy**
10. **Shri Gajendra Singh Sekhawat**
11. **Shri Jayant Sinha**
12. **Dr. Kirit Somaiya**

RAJYA SABHA

13. **Shri Naresh Agrawal**
14. **Shri Brajesh Pathak**
15. **Shri P. Rajeeve**
16. **Shri C.M. Ramesh**
17. **Shri Ajay Sancheti**
18. **Dr. Manmohan Singh**

SECRETARIAT

1.	**Shri R.K. Jain**	**-**	**Joint Secretary**
2.	**Shri P.C. Koul**	**-**	**Director**
3.	**Shri R.K. Suryanarayanan**	**-**	**Additional Director**
4	**Shri M.L.K. Raja**	**-**	**Deputy Secretary**

WITNESSES

Ministry of Finance

Department of Economic Affairs

1. Shri Arvind Mayaram, Finance Secretary and Secretary, Department of Economic Affairs
2. Shri Dinesh Sharma, Addl. Secretary

3. Shri K.P. Krishnan, Addl. Secretary (Investment)
4. Shri H. Pradeep Rao, Addl. Secretary & FA (Finance)
5. Dr. Rajat Bhargava, Joint Secretary (Budget)
6. Shri Rajiv Kumar, Joint Secretary (PF – I)
7. Dr. Ila Patnaik, Pr. Economic Adviser
8. Shri Atul Chaturvedi, Joint Secretary (DIPP)
9. Shri Tarun Bajaj, Joint Secretary (MI)
10. Dr. D. N. Pathak, Chief Controlller of Accounts (Finance)

Department of Expenditure

1. Shri Ratan P. Watal, Secretary
2. Smt. Anjuly Chib Duggal, Addl. Secretary

Department of Financial Services

1. Shri G.S. Sandhu, Secretary
2. Smt. Snehlata Shrivastava, Addl. Secretary
3. Shri Anup Wadhawan, Joint Secretary (P&I)
4. Shri Alok Tandon, Joint Secretary (IF)
5. Shri Anurag Jain, Joint Secretary (FI)
6. Mohd. Mustafa, Joint Secretary (BA)

Department of Disinvestment

1. Ms. Aradhana Johri, Secretary
2. Shri Kumar Sanjay Krishna, Joint Secretary
3. Ms. Sangita Choure, Joint Secretary
4. Ms. Anita Chauhan, Joint Secretary

2. At the outset, the Chairperson welcomed the Members and witnesses to the Sitting. After the customary introduction of the witnesses the Committee took their oral evidence in connection with the examination of Demands for Grants (2014-15) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment). The major issues discussed during the Sitting broadly related to compliance of stipulations contained in the Fiscal Responsibility and Budget Management Act, 2003; approval of Plan

expenditure in the absence of Planning Commission; Status of Annual Plans and Mid-Term Appraisal in the light of uncertainty about the Planning Commission/Planning Process; reforms done / to be carried out in presentation of Budget; measures taken / proposed to be taken to ease annuity burden; allocation and utilisation of funds under the Nirbhaya Fund; National Social Security Fund; and National Skill Development Programme; measures taken / proposed to be taken to augment income and cutting down the management cost of National Small Savings Fund; token provisions made for proposed Institutes namely, “National Institute of Economic Policy”; “3P India”; and for “ Price Stabilisation Fund for Agricultual Sector”; Debt Management Policy and Internal and External debts; measures to improve / restructure the House Building Advance Scheme; variations between Budget Estimate(BE) and actuals in the fiscal year 2013-14 in Demand No.36-Transfers to State & Union Territory Governments; variations between BE and actuals in the Fiscal 2013-14 and BE 2014-15 under National Disaster Response Fund and State Disaster Response Fund; allocation to autonomous bodies namely, “National Institute of Finance Management”; “National Academy of Audit and Accounts”; reason(s) for excess expenditure incurred under “Family Pensions (voted)” in the last fiscal year 2013-14; reason(s) for reduction in allocation in some Heads of Account at Revised Estimate stage and under/excess utilisation in 2013-14 in Demand No.41-Indian Audit & Accounts Department; reason(s) for variation in allocation between BE(2013-14) and BE(2014-15) under “Advertising & Publicity” and “Professional Services”; proposal for setting up of a new Disinvestment Commission; collection and utilisation of funds under Pradhan Mantri Jan-Dhan Yojana and Mahatma Gandhi National Rural Employment Gurantee Act; customised financial products for the financially excluded sections; reason(s) for dimsal loan disbursements by banks in North-eastern States; compliance of BASEL III norms by banks; Non-Performing Assets management; coverage of of all Gram Panchayat by banks by the year 2019; credit-flow to agricultural sector, etc.

3. The Witnesses responded to the queries of the Members. The Chairperson directed the representatives of Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment) to furnish written replies to the points raised by the Members which could not be answered to/adequately responded to during the discussion within ten days to the Committee Secretariat.

(The witnesses then withdrew)

A verbatim record of proceedings has been kept.

The Committee then adjourned.

Minutes of the Thirteenth Sitting of the Committee on Finance
The Committee sat on Thursday, the 11th December, 2014 from 1500 hrs. to 1630 hrs. in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily – Chairperson

MEMBERS

LOK SABHA

2. Shri Venkatesh Babu T.G.
3. Shri P.C. Gaddigoudar
4. Shri Shyama Charan Gupta
5. Shri Rattan Lal Kataria
6. Shri Bhartruhari Mahtab
7. Shri Gopal Shetty
8. Shri Anil Shirole
9. Dr. Kirit Somaiya

RAJYA SABHA

10. Dr. Mahendra Prasad
11. Shri C.M. Ramesh
12. Shri Ajay Sancheti
13. Dr. Manmohan Singh

SECRETARIAT

1. Shri R.K. Jain	-	Joint Secretary
2. Shri P.C. Koul	-	Director
3. Shri R.K. Suryanarayanan	-	Additional Director
4. Shri Kulmohan Singh Arora	-	Deputy Secretary

WITNESSES

X X X X X X

2. X X X X X X

3. X X X X X X

(The Witnesses then withdrew.)

(The Committee then adjourned for Tea)

(At around 1605 hours the Sitting resumed with the Chairperson in Chair)

4. Thereafter the Committee took up following draft Reports for consideration and adoption: -

(i) Draft Report on Demands for Grants (2014-15) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);

(ii) Draft Report on Demands for Grants (2014-15) of the Ministry of Finance (Department of Revenue);

(iii) Draft Report on Demands for Grants (2014-15) of the Ministry of Planning;

(iv) Draft Report on Demands for Grants (2014-15) of the Ministry of Corporate Affairs;

(v) Draft Report on Demands for Grants (2014-15) of the Ministry of Statistics and Programme Implementation; and

(vi) Memorandum No. 2 regarding draft Report on Action Taken by the Government on the Observations/Recommendations contained in the Seventy-ninth Report (Fifteenth Lok Sabha) on the Subject 'Policy on New Licences in the Banking Sector'.

5. After some deliberations, the Committee adopted the draft Reports at Sl. Nos. (i), (ii), (iv), (v) and (vi) above without any modification and authorised the Chairperson to finalise them in the light of factual verification from concerned Ministries/Departments.

6. As regards the draft Report at Sl. No. (iii) above some Members pointed out to the Chairperson that due to paucity of time they could not go through it while some others wanted it to be further discussed. The consideration of draft Report at Sl. No. (iii) was accordingly deferred to the next Sitting of the Committee scheduled to be held on 18th instant.

The Committee then adjourned.

A verbatim Record of the proceedings has been kept.