

STANDING COMMITTEE ON EXTERNAL AFFAIRS

(2000-2001)

FIFTH REPORT

(THIRTEENTH LOK SABHA)

MINISTRY OF EXTERNAL AFFAIRS

DEMANDS FOR GRANTS (2001-2002)

Presented to Lok Sabha on 18.4.2001

Laid in Rajya Sabha on 19.4.2001

LOK SABHA SECRETARIAT

NEW DELHI

April, 2001/Chaitra, 1923 (Saka)

CONTENTS

Composition of the Committee

Introduction

Report.

COMPOSITION OF THE STANDING COMMITTEE ON EXTERNAL AFFAIRS

(2000-2001)

Shrimati Krishna Bose- *Chairperson*

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41. Shri Pritish Nandi
42. Dr. Karan Singh
43. Shri Mahendra Prasad
44. Shri Arjun Singh
45. Shri Manoj Bhattacharya
- 46.

SECRETARIAT

1. Shri B.R. Kanathia — *Joint Secretary*
2. Shri A.K. Singh — *Deputy Secretary*
3. Shri R.K. Saxena — *Under Secretary*
4. Shrimati Anita B. Panda — *Assistant Director*

INTRODUCTION

I, the Chairperson, Standing Committee on External Affairs having been authorised by the Committee to submit the report on their behalf, present this Fifth Report on Demands for Grants of the Ministry of External Affairs for the year 2001-2002.

2. The Standing Committee on External Affairs was constituted on 31st December, 2000. One of the functions of the Standing Committee as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha is to consider the Demands for Grants of the concerned Ministries/Departments and make a report on the same to the Houses. The Report shall not suggest anything of the nature of cut motions.

3. The Committee (2000-2001) took evidence of the representatives of the Ministry of External Affairs on 29th March, 2001. The Committee wish to express their thanks to the officers of the Ministry of External Affairs for placing before the Committee the material and information which they desired in connection with the examination of the Demands for Grants of the Ministry for 2001-2002 and for giving evidence before the Committee.

4. The Committee (2000-2001) considered and adopted the report at their sitting held on 17th April, 2001.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also reproduced in consolidated form in Appendix-111 of the Report.

Krishna Bose,

Chairperson, Standing Committee on External Affairs

NEW DELHI;

18 April, 2001 / 28 Chaitra, 1923 (Saka)

REPORT

The Demands for Grants of the Ministry of External Affairs were laid on the Table of Lok Sabha on 20th March, 2001. The budgetary provision for the Ministry of External Affairs had earlier been entirely non-plan. However, from the financial year 1996-97 onwards, a Plan Budget Head was created for meeting the large outlay on the Tala Hydro-electric Project in Bhutan being executed with Government of India assistance. Similarly, Kurichu Hydroelectric Project and Dungsum Cement Project in phutan is also now being funded from 'Plan' Budget. Budget Estimates (BE) for the year 2000-2001 provides for an allocation of Rs. 575.00 crore under the Plan head and for the financial year 2001-2002 the proposed allocation under the Plan head is Rs. 420.00 crore.

2. Demand No. 22 pertaining to the Ministry of External Affairs contains the figures of Revenue as well as Capital expenditure for 2001-2002, as per details given below:—

(In thousands of Rs.)

	Revenue	Capital	Total
Charged	3,00	—	3,00
Voted	2535,70,00	347,66,00	2883,36,00

3. The details of the actual Revenue and Capital expenditure for the year 1999-2000, Budget Estimates 2000-2001 and Revised Estimates for 2000-2001 and Budget Estimates for 2001-2002 of the Ministry are as under:—

(In thousands of Rs.)

Sl.N.	Major	Items	Actual			BE	
			1999-2000	2000-2001	2001-2002		
			BE			RE	BE
			Non-Plan	Non-Plan			Non-Plan
1.	2052	Secretariat General Services	Charged 1,21	1,00	1,00	1,00	1,00
		Voted	87,97,78	101,49,00	111,69,19	120,30,19	
2.	2061	External Affairs Training Embassies & Missions	1,07,40	1,50,00	1,25,00	1,57,50	
		Charged	0,00	1,00	1,00	1,00	
		Voted	660,01,04	674,74,00	727,00,23	756,07,53	
		Special Diplomatic Expenditure					
		Charged	0,00	1,00	1,00	1,00	

		Voted	377,16,16	514,99,00	559,99,00	711,84,00
		International	2,82	1,00,00	18,00	1,00,00
		Passport and Emigration	76,88,23	88,41,00	95,96,07	98,47,78
		Entertainment Charges	16,21,50	19,00,00	21,00,00	23,00,00
		Irrecoverable Loans Written Off	7,49,92	0,00	0,00	0,00
		International Cooperation	24,06,56	31,14,00	32,26,81	35,28,10
		Other Expenditure	56,56,64	56,86,82	89,72,48	79,06,54
		Total Major Head "2061"				
		Charged	0,00	2,00	2,00	2,00
		Voted	1219,50,27	1387.64,82	1527,37,59	1706,31,45
3.	2075	Miscellaneous General Services	0,00	1,00	1,00	1,00
4.	3052	Shipping	0,00	1,00	0,00	0,00
5.	3053	Civil Aviation	0,00	1,00	0,00	0,00
6	3605	Technical & Economic Cooperation with other Countries	572,79,97 (*)	731,50,00 (**)	716,80,22 (***)	709,07.36 (****)

Total Revenue Section	Charged	-1,21	3,00	3,00	3,00
	Voted	1880,28,02	2220,66,82	2355,88,00	2535,70,00

CAPITAL SECTION

7.	4059	Capital outlay on Public works	63,49,43	70,00,00	64,00,00	67,20,00
8.	4216	Capital outlay on Housing	13,82,60	30,00,00	25,00,00	27,00,00

9.	7605	Advances to Foreign Governments	175,54,52 (#)	305,01,00 (##)	275,81,00 (###)	253,46,00 (####)
10.	7615	Miscellaneous loans	0,00	0,00	0,00	0,00
Total: Capital Section Charged			0,00	0,00	0,00	0,00
Voted			252,86,55	405,02,00	364,81,00	347,66,00
Grand Total Charged			1,21	3,00	3,00	3,00
Voted			2133,14,57	2625,68.82	2720,69,00	2883,36,00

- * Includes Rs. 238,93,40 Plan expenditure in respect of Aid to Bhutan
- ** Includes Rs. 345,00,00 Plan expenditure in respect of Aid to Bhutan
- *** Includes Rs. 349,20,00 Plan expenditure in respect of Aid to Bhutan
- **** Includes Rs. 272,00,00 Plan expenditure in respect of Aid to Bhutan
- # Includes Rs. 156,00,00 Plan expenditure in respect of Loan to Bhutan
- ## Includes Rs. 230,00,00 Plan expenditure in respect of Loan to Bhutan
- ### Includes Rs. 238,80,00 Plan expenditure in respect of Loan to Bhutan
- #### Includes Rs. 148,00,00 Plan expenditure in respect of Loan to Bhutan

Overview

4. The BE 2001-2002 of Rs. 2883.39 crores is Rs. 257.67 crores more than BE 2000-2001 and Rs. 162.67 crores more than the RE 2000-2001. The break-up of BE 2001-2002 is under:—

(Amount in crores of Rupees)

Revenue	2535.73
Capital	347.66
Total	2883.39

The Revenue allocation includes Rs. 3.00 Lakh as charged expenditure.

5. The expenditure on establishment represents 33.85% of the total budget of the Ministry. This is made up of expenditure on Missions/ Posts abroad (26.22%), Headquarters (4.17%) and Passport &

Emigration (3.42%) and External Affairs Hostels (0.04%). The break-up of the rest of the expenditure is as follows:—

Aid to Foreign Governments	24.59%
Special Diplomatic Expenditure	24.69%
Capital Section	12.05%
Other Activities (Grants-in-aid to various institutions including ICCR)	04.82%

Expenditure on Headquarters

6. The estimated expenditure on the Headquarters Organisation of the Ministry during the financial year 2001-2002 is expected to be Rs. 120.31 crores which is 4.74% of the total estimate Revenue Expenditure of this Ministry. Out of this, Rs. 33.32 crore will be on Salaries and Wages, Rs. 22.50 crores on Foreign Trav (Expenses, Rs. 31.51 crores on Office Expenses, Rs. 13.65 crores on Rents, Rates & Taxes and Rs. 17.50 crores on Advertising and Publicity.

Expenditure on Missions

7. The total estimated expenditure on Indian Embassies/Missions abroad is expected to be Rs. 756.09 crores during the financial year 2001-2002 which works out to 29.82% of the total estimated Revenue Expenditure of the Ministry. Out of this, an amount of Rs. 362.01 crores is for Salaries including Foreign Allowance and Representation; Grant), Wages and Overtime Allowance, Rs. 83.21 crores for Travel Expenses (Transfer Passages/Home Leave Passages and Local Tours Rs. 110.25 crores for Office Expenses and Rs. 175.00 crores for Rent Rates & Taxes as well as repairs and maintenance of Government owned/rented accommodation in Missions abroad and Rs. 25.62 crores for Advertising and Publicity.

8. The Demands for Grants 2001-2002 were discussed by the Committee with the representatives of the Ministry of External Affairs and the salient points arising out of the discussions held are given head-wise in the succeeding paragraphs.

Increase in RE 2000-01 over BE 2000-01

(Rs. in crore)

	BE 2000-2001	RE 2000-2001
Revenue Section	2220.70	2355.91
Capital Section	405.02	364.81
Total	2625.72	2720.72

9. The overall increase of Rs. 95.00 crores is primarily due to the following enhancements/decrease at RE stage:—

(i) Increase in RE 1999-2000 over BE 1999-2000

(a) Secretariat-General Services	Rs. 10.20 crores
(b) Embassies and Missions	Rs. 52.26 crores
(c) Special Diplomatic Expenditure	Rs. 45.00 crores
(d) Passport and Emigration	Rs. 7.55 crores
(e) Entertainment charges	Rs. 2.00 crores
(f) International Cooperation	Rs. 1.13 crores
(g) Other Expenditure	Rs. 32.86 crores

Total	Rs. 151.00 crores
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(ii) Decrease in RE 2000-2001 over BE 2000-2001

(a) Training	Rs. 0.25 crores
(b) International Conferences/Meetings	Rs. 0.82 crores
(c) Technical and Economic Cooperation	Rs. 14.70 crores
(d) Shipping	Rs. 0.01 crores
(e) Civil Aviation	Rs. 0.01 crores
(f) Capital Outlay	Rs. 11.00 crores
(g) Loans & Advances to Foreign Govts.	Rs. 29.20 crores
(h) Loans to Departmental Canteens	Rs. 0.01 crores

Total	Rs. 56.00 crores
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Net increase (i)-(ii)	Rs.
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10. The overall increase of Rs. 95.00 crores in the RE 2000-2001 over the BE 2000-2001 is primarily due to certain major enhancements in the budgetary provisions for Secretariat—General Services (Rs. 10.20 crores). Embassies and Missions (Rs. 52.26 crores). Special Diplomatic Expenditure (Rs. 45.00 crores). Passport and Emigration (Rs. 7.55 crores), Entertainment charges (2.00 crores). International Cooperation (1.13 crores), and Other Expenditure (Rs. 32.86 crores). There is a decrease in Training (Rs. 0.25 crores). International Conferences/ Meetings (Rs. 0.82 crores). Aid Programmes to Foreign Governments (Rs. 14.70 crores). Shipping and Civil Aviation (0.02 crores). Capital Outlay for Public Works and Housing (Rs. 11.00 crores). Loans and Advances to Foreign Governments (Rs. 29.20 crores) and Loans to Departmental Canteens (0.01 crores).

Increase in BE 2001-2002 over BE 2000-2001

11. Against the Budget Estimates (BE) 2000-2001 of Rs. 2625.72 crores, the Budget Estimates for 2001-2002 is Rs. 2883.39 crores which means that there is increase to the tune of Rs. 257.67 crores. The break-up of Rs. 257.67 crores is as under:—

Variation (Rs. in crore)

(a)	Major Head '2052' Secretariat—General Services	18.81
(b)	Major Head '2061' External Affairs	318.66

12. During the discussion on Demands for Grants of the Ministry of External Affairs for 2001-2002, the Foreign Secretary stated that India's foreign policy rests on the strong foundation of continuity and national consensus. Encapsulating certain essential priorities and objectives that inform India's foreign policy, the Foreign Secretary stated those objectives as follows:—

- (i) To safeguard India's territorial integrity and sovereignty enhance India's strategic space and preserve the autonomy of our decision-making process.
- (ii) To strengthen further India's role as a factor of peace stability, security and balance in Asia and in the world.
- (iii) To win international understanding and support for India's national interests.
- (iv) To create such conditions in the Indian sub-continent and in our immediate neighbourhood as would enable India to devote its resources and attention to developmental and infrastructural activities.
- (v) To strengthen peace and stability in the region and further enhance friendship, cooperation and mutually beneficial inter-dependencies with our neighbours; and to defeat negative phenomena of extremism, obscurantism and terrorism.
- (vi) To strengthen the trends of cooperation, friendship and trust with countries of India's extended neighbourhood in South East Asia, the Gulf and the Indian Ocean region based on old civilisational and historical ties as well as strong contemporary relevance.
- (vii) To work with the P-5 countries and other major powers to promote bilateral relations and to work towards strengthening peace, stability and multi-polarity in the world based on the new architecture of dialogue and cooperation established with them.
- (viii) To promote the cause of democracy and individual freedom.
- (ix) To promote civilisational tolerance and interaction in the world and to preserve the unique cultural heritage of mankind.
- (x) To work constructively with other countries in multi-lateral institutions and international organisations such as the UN, NAM, ARF, IORARC, etc. to generate international common approaches to contemporary challenges.
- (xi) To give greater focus and priority to economic diplomacy with the objective of promoting foreign trade and investments, ensuring equitable transfer of technology and strengthening our general economic and commercial links with the rest of the world."

13. The Foreign Secretary further informed the Committee that during past one year, several initiatives of the previous years reached fruition. India consolidated further its relationship with major powers and other friends and partners underscoring its position as a factor of peace and stability, security and balance not only in Asia but on a much wider canvas in the world.

14. During the evidence on Demands for Grants of the Ministry, the Foreign Secretary informed the Committee that for the financial year 2000-2001, the budgetary allocation for Ministry of External Affairs was Rs. 2,625.72 crore. However, at the Revised Estimates stage, it was envisaged that there would be an additional requirement of Rs. 95 crore, thus raising the budget of the Ministry to Rs. 2720.72 crore. After a close review of the expenditure flow and monitoring of the pace of expenditure, it was, however, decided not to avail of the enhancement and accordingly, the Revised Estimates were not availed of in the supplementary demands. The allocation in the RE 2000-2001, therefore, remains equivalent to the BE 2000-2001.

15. The total allocation proposed in the BE 2001-2002 is Rs. 2883.39 crore. As compared to the BE 2000-2001, there is an additionality of Rs. 257.67 crore, thus representing an increase of 9.81%. According to the Foreign Secretary, some of the areas in which increase allocation have been proposed are Secretariat-General Services—Rs. 18.81 crore, Embassies & Missions—Rs. 81.34 crore. Entertainment Charges—Rs. 4 crore. International Cooperation—Rs. 4.14 crore and Grant to the Indian Council for Cultural Relations (ICCR)—Rs. 1 crore. It was stated further that developments in the international relations and foreign policy cannot be predicted with any degree of precision. The budgetary allocation may, therefore, require a review at the RE stage through reappropriation and augmentation.

16. The Ministry further informed that additional fund requirements may emerge to support our programmes of aid and developmental assistance to Nepal, Bhutan, Bangladesh, Sri Lanka, Myanmar, Maldives and elsewhere. The Ministry are also proposing an increased outlay in the ITEC programmes in line with India's close relations with the developing world.

17. The details of fund allocations under Budget Estimates, Revised Estimates and the Actual Expenditure for the years 1998-99 and 1999-2000 for the Ministry of External Affairs are as under:—

(Rs. in crore)

1998-1999			1999-2000		
BE Actuals	RE	Actuals	BE	RE	
Rs. 2120.72 2133.16	Rs. 2236.17	Rs. 2073.76	Rs. 2209.47	Rs. 2249.44	Rs.

18. The Committee note that the total allocation under BE 2000-2001 for the Ministry of External Affairs was Rs. 2625.72 crore which was enhanced by Rs. 95 crore in RE 2000-2001. For BE 2001-2002, the proposed allocation is of Rs. 2883.39 crore, *i.e.* an enhancement of Rs. 162.67 crore (5.98%) over RE 2000-2001 and an enhancement of Rs. 257.67 crore (9.81%) over BE 2000-2001. The Committee further note that barring the Special Diplomatic Expenditure component, the enhancement is to the tune of Rs. 60.83 crore which comes to only 2.88%.

19. The Committee find that there is a very meagre increase in real terms in the Budgetary allocation of the Ministry for the year 2001-2002. In case, the normal increase in the expenditure on other routine activities as a consequence of depreciation of Indian rupee, increase in air tariffs, enhancement of rentals, maintenance of buildings, up-gradation of office equipments and usual hike in salary, DA etc., is taken into account, there is net decrease in the availability of funds for the Ministry to do justice to their stated objectives and reinforce the positive image of the country abroad.

20. The Committee are, however, surprised to note non-utilization of allocated funds by the Ministry of External Affairs in the past. As per the figures available, in the year 1998-99, against the BE of Rs. 2120 crore the actual expenditure incurred was Rs. 2073.76 crore though an enhancement of Rs. 115.45 crore was sought at RE stage. In the year 1999-2000 the actual expenditure incurred was Rs. 2133.16 crore against the BE of Rs. 2209.47 crore, with an enhancement of Rs. 39.97 crore made at RE stage. It may be seen that in both the years there has been not only non-utilization of enhancement sought at RE stage but

the actual expenditure has been considerably below the Budget Estimates. In the year 2000-2001 also, though an enhancement of Rs. 95 crore was sought at RE stage, the same was, **as stated by Foreign Secretary, not utilized. As such in the year 2000-2001 also the actual expenditure is likely to be below the BE of Rs. 2625.75 crore. The Committee, therefore, cannot but conclude that there is a serious flaw in the Budgetary Planning and the exercise related thereto in the Ministry. The Committee would like the Ministry to at once initiate remedial measures with stringent and regular review of flow of expenditure so that in the year 2001-2002 the Ministry would be able to utilize the allocated funds fully, effectively and fruitfully and ensure that the avowed goals, essential priorities and primary objectives of Indian Foreign Policy are successfully achieved.**

Rents, Rates & Taxes

02.00.14 Secretariat

Actuals 1999-2000	Rs. 5.77 Crore (Approx.)
BE 2000-2001	Rs. 8.58 Crore
RE 2000-2001	Rs. 13.00 Crore
BE 2001-2002	Rs. 13.65 Crore

00.00.14 Embassies and Missions

Actuals 1999-2000	Rs. 156.23 Crore
BE 2000-2001	Rs. 165.00 Crore
RE 2000-2001	Rs. 167.00 Crore
BE 2001-2002	Rs. 175.00 Crore

21. On being asked about the steps being taken by the Ministry to reduce the rental liabilities, the Ministry informed that several steps have been initiated to reduce the rental liabilities abroad during the past four years. Perspective planning to prioritise property purchase and construction has been done by them on basis of cost benefit analysis so that higher rental areas are pruned with periodic review to take into account changing market conditions. It was stated that the cost benefit analysis procedure invariably followed is to calculate whether the actual rental saving justifies the cost of purchase/construction and meets the present functional requirements while providing flexibility for future expansion. The formula used by the Ministry took the current annual rent of the entitled/required area + current rate of inflation multiplied by thirteen as the outside parameter within which the cost of purchase/construction of the building is limited. In all cases, purchases are made after ensuring that local property market conditions are favourable, *i.e.*, the market is rising & not falling so that value of properties rise in the future. The Ministry stated that the new properties are usually in better locations of the city, are new/newer buildings, in a good state of structural soundness and repair, cater to the full present requirement and also have provision for future expansion needs.

22. According to the Ministry, each purchase proposal forwarded by the concerned Embassy on a prescribed proforma, is exhaustively scrutinized before a purchase is further processed for approval of the competent authority. A statement showing the yearly savings accruing on rentals as a result of a total expenditure of Rs. 72.50 crore on the purchases of properties in the last four years was as follows:

(Rs. in crore)

Name of the Property	Purchase Price Saving	Average yearly Rental
Johannesburg, Chancery	3.24	0.56

Johannesburg, Embassy Residence	1.31	0.23
Berlin, Embassy Residence	19.64	1.50
Frankfurt, Chancery	18.98	2.34
Panama, Chancery	3.42	0.42
Prague, Embassy Residence	3.75	0.75
Port Morseby, Embassy Residence	2.60	0.51
Sao Paulo, Chancery	3.06	0.23
Edinburgh, Chancery	7.75	0.67
Budapest, Counsellor's Residence	2.37	0.30
Seoul (7 staff flats)	6.38	0.70
<hr/>		
Total	72.50	8.21
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23. However, the Ministry also informed that savings accrued by the above investments in real estate abroad are offset by increased rental rates/obligatory annual rental increase as per local Lease Agreement as also the opening of additional offices in the last four years as, for example, in the CIS countries. Another significant factor for the increased outlay in rupee terms is a consequence of the increased exchange rate of the rupee against hard currency. These factors, along with expenditure on maintenance of Government of India properties have led to an increased outgo under this head.

24. With regard to Akbar Bhawan, the Ministry stated that it was taken over by the Ministry of External Affairs on 1st April, 1986 with the approval of the then Prime Minister. The Ministry occupied Akbar Bhawan from the ITDC on terms and conditions, including payment of rent as per Central Public Works Department (CPWD) recommended rates, decided by a Committee of Secretaries. It was further informed that the annual rent currently being paid for Akbar Bhawan, as per rates determined by the CPWD, is Rs. 7.40 crore and that the total amount paid as rent so far by the Ministry from 1st April, 1986 till date is Rs. 64.39 crore. In addition, Ministry have also been incurring an annual expenditure of Rs. 68 lakh on the maintenance of Akbar Bhawan. The NDMC has now been demanding rental as market rates, stating that under the NDMC Act, 1994 all NDMC properties can be rented/licensed/leased only at market rent.

25. In a subsequent note, the Ministry stated that as per the information obtained from CPWD, the monthly market rent of Akbar Bhawan works out as Rs. 90.66 lakh. This rent is applicable upto 31.8.2002.

26. The Ministry informed that the lease agreement signed between ITDC and NDMC expired on 31st October, 2000. Terms and conditions including the issue of payment of rent at market rate, as demanded by NDMC, for a fresh license deed for a period of 5 years *w.e.f.* November 1, 2000 for Akbar Bhawan were being negotiated with the NDMC in consultation with Ministry of Urban Development.

27. When asked whether the Ministry have examined the possibility of purchasing a suitable building for Ministry of External Affairs offices, the Ministry replied in negative stating that their intention is to construct Videsh Bhawan to house Ministry of External Affairs offices. The Committee further enquired whether it would have been much cost effective at that time to construct a building instead of renting Akbar Bhawan, the Ministry agreed yet stated that the land for the Videsh Bhawan project was allotted to the Ministry of External Affairs only during the period 1992-94 (in two adjacent plots). Therefore, the question of constructing the office at the time of renting Akbar Bhawan did not arise.

28. The Ministry also stated that they propose to return Akbar Bhawan to NDMC after completion of Videsh Bhawan. On the Videsh Bhawan project in New Delhi, the Ministry had informed that procedures for the selection of the Architectural design are in progress. It was also informed that for the proposed Videsh Bhawan project the floor area ratio (FAR) allowed for the plot in question will enable the Ministry

to construct total built-up area of 31,504 sq. nits. which will yield a net carpet area of 18,901 sq. mts. However, the net carpet area requirement of the Ministry is 23,965 sq. mts. Therefore, the proposed Videsh Bhawan construction will largely meet the space requirements of the Ministry. On completion of the project, the Ministry hoped to be able to reduce the number of buildings with MEA offices from the existing six buildings (South Block, Akbar Bhawan, Shastri Bhawan, Patiala House, ISIL Building & Vigyan Bhawan).

29. When enquired about the proposed Videsh Bhawan project in Calcutta, the Ministry informed that it is proposed to construct Videsh Bhawan at 2, Ballygunge Road, Calcutta over a plot of land measuring 0.627 acres acquired during 1997 and 1998 from the Government of West Bengal. The project envisages construction of Passport Office, Branch Secretariat and residences. The building will be a five storied R.C.C. construction, estimated by CPWD to cost Rs. 8.53 crore. Finance Ministry has been requested to convene the meeting of Committee of Non-Plan Expenditure to consider the estimates and accord financial approval.

30. The Ministry also stated that once the financial approval is received, CPWD will take up preparation of detailed estimates, bill of quantities, tender papers, short listing of contractors and floating of tenders, while simultaneously obtaining the necessary local body approval for the project. These pre-construction activities will take 9-12 months, and the actual time for construction will be about 18 months from the date of award of work to the contractor. Therefore, after receiving financial approvals, the date of completion could be set for 30 months later.

31. The Committee note that the land for the Videsh Bhawan Project in New Delhi was allotted to the Ministry of External Affairs during the period 1992-94 and that the floor area ratio (FAR) allowed for the plot would yield a net carpet area of 18,901 sq. mts. Against the net carpet area requirements of 23,965 sq. mts. of the Ministry. The Committee also note that the Ministry proposed to return Akbar Bhawan to NDMC after completion of Videsh Bhawan and that they don't intend to purchase any building for MEA Offices. The Committee further note that Ministry had taken over Akbar Bhawan on 1st April, 1986 and the annual rent currently being paid for the same as per the rates determined by the CPWD, is Rs. 7.40 crore per annum apart from an annual expenditure of Rs. 68 lakh on maintenance of building. The Ministry also informed that terms and conditions including the issue of payment of land at market rate, as demanded by NDMC, for a fresh leasing deed for the period of 5 years *w.e.f.* November, 2000 for Akbar Bhawan, were being negotiated with the NDMC in consultation with the Ministry of Urban Development. The Ministry further informed that proposed rent for Akbar Bhawan is likely to be Rs. 10.87 crore per annum upto August, 2002.

32. The Committee have, time and again, emphasized upon the importance of MEA taking proper steps to reduce their rental liabilities both at home and abroad and have, therefore, been keen for an early commencement of work on Videsh Bhawan in New Delhi which has seen no progress even though the plot of land was allotted in 1992-94. The Committee would like the Ministry to set a detailed time frame for the completion of the Project with stringent monitoring of the pace of progress as to avoid cost overruns and apprise the Committee of the same. The Committee are surprised to find that though the Videsh Bhawan Project once completed would neither meet the total present carpet area requirement of the Ministry nor the anticipated and unforeseen future requirements, the Ministry have not given any thought to purchase an additional building. The Ministry have, on the contrary, proposed to return Akbar Bhawan to NDMC after completion of Videsh Bhawan, New Delhi. The Committee would like the Ministry to again examine the issue of purchase of Akbar Bhawan or any other suitable building to meet the future requirement of MEA as the proposed Videsh Bhawan Project will fall short of meeting their requirements and the fact that the Ministry will be spending more than 54 crores in the next 5 years on rentals alone for the Akbar, Bhawan provided there is no further enhancement in the rentals. The Committee further observe that even by the yardstick of the Ministry of External Affairs themselves for purchase of buildings, the actual rental savings amply justifies the purchase of Akbar Bhawan.

33. The Committee are glad to learn that the Ministry have proposed to construct Videsh Bhawan in Calcutta to solve space shortage faced by the Passport Office as well as to house Branch Secretariat and residences. The Committee desire that the work on the project should be pursued with right earnest so that it is completed within the target date.

Actuals 1999-2000	10.01
BE 2000-2001	17.50
RE 2000-2001	13.00
BE 2001-2002	17.50

34. The Ministry informed that during the financial year 1999-2000, the Ministry was faced with the exceptional circumstances and unanticipated developments relating to the Pakistani aggression in Kargil and the hijacking of IA flight IC-814 from Nepal. These developments necessitated a shift in focus from routine external publicity activity to the Government's larger objective of winning international support for India. As a result, the infrastructure and manpower devoted to external publicity in the Ministry was geared to meeting these crises. Specific areas of activity affected by these developments were as follows:

- (i) Familiarisation visits of foreign journalists to India on Gol hospitality.
- (ii) Commissioning of documentary films
- (iii) Creation of audio-visual library
- (iv) Renovation of premises of External Publicity Division
- (v) Procurement of books and audio visual material (CDs) and (CD ROMs) for dissemination among Missions abroad.

35. According to the Ministry of External Affairs, it has been their endeavour to utilize allocated funds in an effective and cost-efficient manner through a comprehensive media and publicity strategy. During the financial year 2000-2001, the budgetary allocation for external publicity was reduced from Rs. 17.5 crore at BE stage to Rs. 13 crore at RE stage. The reduction in the allocation was made on account of the austerity drive and the directives received from the Ministry of Finance. In fact, towards the end of the financial year, additional funds were sought in order to complete ongoing activities. In response to the Ministry's demand for restoration of funds allocated at the BE stage, the additional funds that were made available for external publicity amounted to Rs. 1.5 crore, thereby taking the total budget to Rs. 14.5 crore. Lack of funds in the financial year 2000-2001 has resulted in a spill-over of ongoing projects and payments into the next financial year. The Ministry's Action Plan for External Publicity in the financial year 2000-2001 included the following:

- (i) Daily briefings and other special background briefings conducted and information disseminated on all important visits, events and issues during the period.
- (ii) Monitoring and retrieval system strengthened through greater use of e-mail and the Internet.
- (iii) Ministry's website strengthened through updating on a daily basis. Contents now include important sections on foreign policy and international security, disarmament, international terrorism, speeches, interviews, spokesman's statements, press releases, bilateral briefs and treaties. Parliament questions, etc.
- (iv) Website hyper-linked with CNN, BBC, Economist and other important media and Government departments.
- (v) New film policy finalised with special emphasis on commissioning of films on subjects that dovetail into the country's foreign policy objectives.
- (vi) 95 senior journalists from different countries invited to India for familiarization visits.
- (vii) 300 foreign resident correspondents provided accreditation and other facilities etc.
- (viii) Twelve 2-minute capsules titled "Indian Legends" commissioned for Discovery Channel.

36. According to the Ministry, an amount of Rs. 3.60 crore is projected under BE 2001-2002 for the production and printing of the magazine 'India Perspectives'. The allocation included the following:

Rs. in lakh

Printing	225
Payment to contributors	6
Air freight	100
Pending bills	29
Total	3.6 crore

37. The Committee note that several steps have been taken by the Government to effectively improve its external publicity efforts. However, the Committee feel that the results achieved so far have not been satisfactory. The Committee feel that an intensive publicity campaign should also be initiated to counter the adverse propaganda by a neighbouring country and also to project a positive image of the country abroad about Indian point of view on national as well as international issues. The Committee also desire the Ministry to examine whether the projected expenditure of Rs. 3.60 crore under BE 2001-2002 for the production and printing of 'India Perspectives', would be commensurate with the benefits accruing therefrom.

Embassies & Missions

Rs. in crore

Actuals 1999-2000	660.01
BE 2000-2001	664.75
RE 2000-2001	727.01
BE 2001-2002	756.08

Fraudulent Transfer of Money by Embassy of India, Kiev

38. During the discussion held on Demands for Grants, the Committee referred to the C&AG Report No. 2 (Civil), 2000 in which the Comptroller & Auditor-General of India, pointed out fraudulent transfer of Government money as well as mismanaged acquisition of property and consequent leasing by failing to take possession of the plot allotted by the Ukraine Government to the Embassy of India at Kiev, Ukraine.

39. The Ministry informed that the Comptroller and Auditor General of India, in his report No. 2 (Civil), 2000 pointed out that the Embassy of India, Kiev, in violation of prescribed rules and regulations, opened a US Dollar account with the SBI, New York on August 17, 1995, in addition to a US Dollar account in a local bank in Kiev. The HOC in E/I, Kiev also authorized the SBI, New York on August 28, 1995, through an agreement, to accept the Mission's instructions through fax/telephone for transfer for funds from Mission's account in New York to their account with the local bank in Kiev.

40. On April 15, 1998 the Mission noticed from the bank statement from the SBI, New York that US\$, 86,300 (Rs. 34.27 lakh) had been withdrawn from their account on April 7, 1998 through fax instructions dated April 6, 1998. The money was transferred to a third party's anonymous bank account in Kiev from which it was withdrawn on April 8, 1998 before the fraudulent drawal came to the notice of the Mission. On being asked about action taken by the Ministry on the matter, the Ministry of External Affairs informed that, efforts made after the detection of fraud included launching investigation by the local

police, Indian Ambassador taking up the matter with Ukrainian Deputy Foreign Minister and the Governor of Ukrainian National Bank as well as investigation done by senior officers of the Ministry of External Affairs. The Foreign Secretary further stated that the matter has been handed over to the CBI for investigations, which started in September, 1998. These are still going on.

41. The Ministry further informed that the Mission took immediate steps to avoid such occurrences in future by introducing a new procedure, whereby: (a) prior written permission of the HOM/HOC has to be obtained before any withdrawal/transfer of money;(b) bank transfer are affected by means of cheques; and (c) system of signing of cheques (except RBI drafts) jointly by HOM/HOC introduced. The Ministry issued relevant instruction *vide JS* (AD)'s circular No. Q/FE/ 786/3/98 dated June 17, 1998 to all Missions/Posts stressing the procedure that must be followed by them in order to avoid such occurrences.

42. In so far as the question of acquisition of property in Kiev is concerned, the position stated by the Ministry was that a plot of land was allotted to GOI by the erstwhile Soviet Union for construction of our Consulate in Kiev under the Inter-Governmental Agreement between the two Governments in 1989. After the disintegration of the Soviet Union in 1991, a full-fledged diplomatic Mission was opened in Kiev in May, 1992. However, construction on the allotted plot had to be deferred as the Ukrainian authorities decided to construct a metro line passing under the designated plot of land. In view of this. Embassy could neither complete the formalities for taking possession of this land nor commence any construction. No payment was made for this land nor any costs incurred.

43. In view of the high rentals in Kiev, a property at 4, Zably Street was purchased in September 1995, out of a shortlist of available built-up properties, after completing all formalities and confirming that legal title of the property was free from all encumbrances and that the building was structurally sound according to the survey report given by the local authorities. The property was purchased at a cost of US\$ 800,000 and an additional amount of US\$ 400,000 was sanctioned for repairs to the building to make the property usable. After detailed discussions with the Consultant, the final estimates were brought down to US\$ 826,061.

44. The Ministry further informed that there had been delay in carrying out the necessary renovation to this building due to difficulties encountered in getting required approvals, land registration etc., from the local authorities. Delays also occurred on account of sudden complications such as the local Government wanting to reduce the size of the plot.

45. At the time of purchase of the property, the survey report given by the local authorities in 1995 had certified that the building was structurally sound. However, the local authorities informed in November 1999 that the building needed reinforcement thus increasing the cost of the repairs by US\$ 188,125 and an additional amount of US\$ 15,000 payable to the Consultant. A Committee on Non-Plan Expenditure (CNE) on 3rd November, 1999 recommended that deteriorating structural soundness of the building needs to be consciously considered and that a view on the option to dispose of the property may also be taken.

46. A technical team visited Kiev during 2000 and recommended that it would be more cost effective to demolish the entire building and build a new structure to suit specific Indian requirements, at a cost of around US\$ I million. The Team's recommendation was based on the finding that the residual life of the building would be only about 30-40 years if only strengthening of the foundation and renovation is carried out, whereas it would be possible to rectify all drawbacks of the old building and have modern amenities and India specific architecture-with an expected residual life of around 100 years if a new building is constructed after demolishing the present structure.

47. Accordingly, the Mission was advised to obtain revised cost estimates for the option of demolishing the existing structure and reconstructing entire building. A rough cost construction is estimated to be around US\$ 1.45 million, excluding 20% VAT. Our mission in Kiev has also recommended the option to dispose of the building on security and functional grounds. The matter is under consideration of the Government of India.

48. As regard the leasing of the Chancery premises, Missions's clarifications were sought as this does not come under Mission's own delegated powers. Mission has clarified that shifting had become necessary in view of high rentals proposed to be charged for the present accommodation. Moreover, three other properties were analysed before deciding on the present Chancery premises which was the most economical proposition.

49. The Ministry have also informed that meanwhile, their instructions on property rentals have once again been reiterated to all Heads of Missions/Posts that in all future cases (i) all initial rentings should

only be done with the prior approval of the Ministry, (ii) cases involving payment of agency charges beyond the delegated powers should invariably be referred to the Ministry for a decision; and (iii) cases involving payment in hard currency, which is other than the local currency and in third country, should also be referred to the Ministry for prior approval.

50. When asked about the details of the functioning of internal control system in Missions/Embassies to ensure that the instructions issued by the Ministry are received and complied by them uniformly, the Ministry stated that under the overall supervision of the Head of Missions (HOM), the Personnel and Financial Administration is run by the Head of Chancery (HOC), who is an officer of the rank of Second Secretary or above. In Missions where specifically no officer is assigned to look after the property matters, -the Establishment related issues are also dealt with by the HOC. The HOC is assisted by a drawing and disbursing officer and Attache(s)/assistants in charge of Administration, Account and Property.

NEXT PAGE

TOP