13

STANDING COMMITTEE ON FINANCE
(2019-20)

SEVENTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE,
FINANCIAL SERVICES & INVESTMENT AND PUBLIC ASSET MANAGEMENT)

[Action taken by the Government on the recommendations contained in First Report of the Standing Committee on Finance on **'Demands for Grants (2019-20)']**

THIRTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

September, 2020 / Bhadrapada, 1942 (Saka)

THIRTEENTH REPORT

STANDING COMMITTEE ON FINANCE
(2019-2020)

(SEVENTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENTS OF ECONOMIC AFFAIRS, EXPENDITURE, FINANCIAL SERVICES & INVESTMENT AND PUBLIC ASSET MANAGEMENT)

***[Action taken by the Government on the recommendations contained in First Report of the Standing Committee on Finance on* 'Demands for Grants (2019-20)']**

Presented to Hon'ble Speaker on 9 September, 2020

Presented to Lok Sabha on ____________, 2020

Laid in Rajya Sabha on ______________, 2020

LOK SABHA SECRETARIAT
NEW DELHI

September, 2020 / Bhadrapada, 1942 (Saka)

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* *Not appended in the cyclostyled copy*

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2019-2020)

Shri Jayant Sinha - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Shri Vallabhaneni Balashowry
5. Shri Shrirang Appa Barne
6. Dr. Subhash Ramrao Bhamre
7. Smt. Sunita Duggal
8. Shri Gaurav Gogoi
9. Shri Sudheer Gupta
10. Smt. Darshana Vikram Jardosh
11. Shri Manoj Kishorbhai Kotak
12. Shri Pinaki Misra
13. Shri P.V Midhun Reddy
14. Prof. Saugata Roy
15. Shri Gopal Chinayya Shetty
16. Dr. (Prof.) Kirit Premjibhai Solanki
17. Shri Manish Tewari
18. Shri P. Velusamy
19. Shri Parvesh Sahib Singh Verma
20. Shri Rajesh Verma
21. Shri Giridhari Yadav

RAJYA SABHA

22. Shri Rajeev Chandrasekhar
23. Shri A. Navaneethakrishnan
24. Shri Praful Patel
25. Shri Amar Patnaik
26. Shri Mahesh Poddar
27. Shri C.M. Ramesh
28. Shri Bikash Ranjan
29. Shri G.V.L Narasimha Rao
30. Dr. Manmohan Singh
31. Smt. Ambika Soni

SECRETARIAT

1. Shri V.K. Tripathi - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Director
3. Shri Kulmohan Singh Arora - Additional Director
4. Kh. Ginlal Chung - Under Secretary

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Thirteenth Report on action taken by Government on the Observations / Recommendations contained in the First Report of the Committee (Seventeenth Lok Sabha) on Demands for Grants (2019-20) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment and Public Asset Management).

2. The First Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 10 December, 2019. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 3 March, 2020.

3. The Committee considered and adopted this Report at their sitting held on 8 September, 2020.

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

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

NEW DELHI
08 September, 2020
17 Bhadrapada, 1942 (Saka)

SHRI JAYANT SINHA,
Chairperson,
Standing Committee on Finance

REPORT
CHAPTER – I

This Report of the Standing Committee on Finance deals with action taken by Government on the recommendations/observations contained in their 1st Report (Seventeenth Lok Sabha) on Demands for Grants (2019-20) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment and Public Asset Management) which was presented to Lok Sabha / Laid in Rajya Sabha on 10 December, 2019.

2. The Action Taken Notes have been received from the Government in respect of all the 4 recommendations contained in the Report. The replies have been analyzed and categorized as follows:

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

Recommendation Nos. 1,2,3 and 4

(Total 4)
(Chapter- II)

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

NIL

(Total NIL)
(Chapter- III)

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

NIL

(Total NIL)
(Chapter- III)

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

(Total NIL)
(Chapter- III)

3. The Committee desire that the replies to the observations/recommendations contained in Chapter-I may be furnished to them expeditiously.

4. The Committee will now deal with and comment upon the action taken by the Government on some of their recommendations.

Recommendations (Serial No. 3)

<u>Demand No. 27, MH: 3465</u>

5. The Committee understand that under Demand No. 27, MH: 3465 budget meant for activities of National Investment and Infrastructure i.e. payment of management fee to National Investment and Infrastructure Fund (NIIF) Ltd. purchase of equity, payment towards contribution to NIIF for investment etc. was undertaken. There has been persistent shortfall in utilization of budgetary allocation of Rs. 3985.00 crore in 2016-17 and Rs. 857.62 crore in 2017-18; there was 'nil' expenditure against budget allocation of Rs. 1999.99 crore in 2018-19. The Department has not been able to justify the occurrence of shortfall year after year. The Committee would expect the Department to formulate their Demands in a more realistic manner so that such shortfalls are avoided once and for all. Persistent shortfalls in utilization of budgeted funds will apart from causing avoidable delays/lags in Implementation of government programmes/schemes, would also derail the budgetary objectives. The Committee would also like clarification on how NIIF will be treated in Budget accounting going forward. If it is meant to be a separate entity, then it should be able to fund its own operations and simply have an annual drawdown from the CFI.

6. In their action taken reply, the Ministry of Finance has furnished the following written submission:

A. NIIF was established in August 2015 with an objective to catalyse international and domestic commercial capital to invest in commercially viable infrastructure projects. Among the first steps to operationalize NIIF were to recruit a strong team of experts, set up its governance structures and to raise capital from non-government investors prior to making investments. The process of recruitment of CEO and staff were being done in FY 2016-17 & 2017-18. Further, negotiations with various investors, such as Sovereign Wealth Funds (SWFs) and international pension funds were at the initial stage during FY 16-17 & 17-18, resulting in under-utilization of the funds allotted. NIIF made its first investment by partnering with DP World to create a JV Company to investment in port and logistics sector. Consequently, funds of Rs 347.42 crore were utilized during the FY 2017-18.

B. In the FY 2018-19, an accounting procedure was framed for NIIF on directions of C&AG and a new account under the Capital Head viz 5465–01-

190-46.00.54 was created for making releases for NIIF as expenditure on releases made for NIIF was a Capital Expenditure. In the Second supplementary for the year 2018-19, the entire amount provided under the Head 3465 (Revenue Head) was transferred to the Capital Head 5465. The amount of Rs.1000 crorewas provided in RE 2018-19 under the Head 3465 after transferred to the head 5465 was utilized and an additional amount of Rs.196 crore was also sought to meet the expenditure during the year 2018-19. Thus, a total amount of Rs.1196 core was utilized during the year 2018-19. The expenditure under Major Head 3465 under Demand No.27 is showing as 'nil' in 2018-19 because the amount provided under this Head was transferred MH 5465.

C. The demand sought for NIIF in the annual budget is made on the basis of anticipated investments depending on negotiations being made with various funds at that point of time. The timing and quantum of investments by NIIF are difficult to predict as several factors are taken into account to ensure commercial viability of an investment. In spite of this, attempts are made to present a realistic demand in the budget for NIIF. While doing so the fact that that shortage of funds in the budget should not come in the way of investments is also taken into consideration.

D. Government of India has committed an amount of Rs.20,000crore for NIIF. As per the contribution agreement for NIIF, the Final Closing of the Master Fund is required to be held within 24 months from the date of the First Closing. The Final Closing may be extended by additional 12 month from the date of Final Closing with the prior written consent of the 75% of the Advisory Board . The amount committed by various investors, including Government of India (share of 49%) on the day of the final close of fund will be drawn by NIIFL, the investor manager of NIIF from the investors in the next five-six years depending on the investment opportunity. To release Government of India's share (49%), provision will have to be made in the annual budget for NIIF every year. Further, management fees will also have to be paid to the investment manager of NIIF from the date of First Closing until the date of expiry of the Term (after a period of 15 years from the date of the Final Closing subject to an extension thrice for an additional period of one year each), for which also provision will have to be kept in the annual budget till that period.

7. The Committee are informed that National Investment and Infrastructure Fund (NIIF) was established in August, 2015 with an objective to catalyse international and domestic capital to invest in commercially viable infrastructure projects. As for the shortfall in utilization of funds allocated, the Ministry have explained that this occurred 'due to negotiations with

various investors such as Sovereign Wealth Funds (SWF) and international pension funds which were in the initial stage during FY 2016-17 and 2017-18'. The Committee do not find the reasons convincing and are of the view that proper parameters could have been formulated and estimates made accordingly while making allocations for any financial year to avoid such huge and persistent shortfalls in funds utilization. The Committee urge the Government to ascertain the viability and tenability of projects before making large budgetary allocations under this head.

Recommendations (Serial No. 4)

<u>Demand no. 28, Major Head 3475-Other General Economic Services</u>

8. The Committee note that the Major Head 3475 is used for working expenditure incurred on Other Economic Services of Government of India. The Public Financial Management System (PFMS) is a Central Sector Scheme of the Department of Expenditure, Ministry of Finance which aims at providing Management Information System (MIS) and Decision Support System for tracking of funds released under Central Sector (CS)/Centrally Sponsored (CSS)/Direct Benefit Transfer (DBT) Schemes. Under Demand no. 28, Major Head 3475, Minor Head:00.80 there was an excess utilization of Rs. 48.75 crore against BE of Rs. 60.80 crore in 2016-17; followed by Rs. 234.52 crore and Rs. 132.54 crore shortfall in 2017-18 and 2018-19 respectively. The reasons for the shortfall as submitted by the Ministry include delay in procurement of hardware and software for upgradation of PFMS, delay in hiring technical manpower, vacant posts in PFMS, delay in operationalization of training programme for State Government officials etc. The Committee are not convinced by the reasons adduced by the Ministry for the occurrence of shortfall in utilization of funds allocated for a major scheme. It appears to the Committee that budget allocations were made under this Head without ascertaining the status/tenability of the programmes/activities etc. The Committee would expect greater financial prudence and discipline while making budgetary allocations. The Committee would like to further urge that Government payments to vendors and contractors should be expedited so that private sector

participants doing business with the Government are not placed under financial stress. In addition, timely payments are necessary to maintain transaction velocity in the economy.

9. In their action taken reply, the Ministry of Finance has furnished the following written submission:

> "As regards the Committee's recommendations pertaining to financial prudence while making budgetary allocations, it may be pointed out that bearing in mind the shortfall in expenditure incurred during 2017-18 & 2018-19, the budget allocations under MH 3475 (PFMS) for the Financial Year 2019-20 were curtailed accordingly. The expenditure profile has been reviewed for more realistic budget estimation for coming financial year. During this exercise, the factors relating to actual expenditure during the previous financial years have also been considered. It has been ensured that the Budget Estimates and Revised Estimates will be prepared with reference to the monitorable commitments as far as possible. Budget Division of Ministry of Finance has issued instructions to all departments to put in place effective mechanism for realistic assessing the requirement of fund in such a way that would ward off the occurrence of unwarranted surrender of savings at a last moment of the financial year. In this regard the departments have been directed to adhere to the provisions contained in Rule 230(7), 232(v) etc. of GFR 2017.
>
> Further, with regard to the Committee's recommendation that Government payments to vendors/contractors should be expedited so that private sector participants are not placed under financial stress, it is stated that in order to ensure that no vendor payments which are due, get delayed, a system of internal review of all pending liabilities has been implemented, so that no vendor is at any disadvantage for want of timely release of due payments. Further, a Dashboard for the buyers has been created on GeM for monitoring and timely release of payments for Goods and Services procured from GeM Vendors. The Department procures all the goods/services from GeM, if available as per GFRs, 2017. As per the latest GeM provisions, the payment for all Goods & Services is to be released within 10 days of issue of consignee receipt-cum-acceptance certificate (CRAC) and submission of bills."

10. The Ministry of Finance in their reply informed the Committee that in view of shortfall in the expenditure occurring under this Head of account, the expenditure profile has been reviewed for more realistic budget estimation for the coming financial year. The submission of the Ministry of Finance has also stated that "Budget Estimates and Revised Estimates will be prepared with reference to the monitorable commitments as far as possible". With regard to payment to vendors/contractors, the Ministry have informed that a "system of

internal review of all pending liabilities has been implemented so that no vendor is at any disadvantage for want of timely release of due payments". Further, a system has been put in place by way of Government eMarket Place (GeM) for monitoring and timely release of payments for Goods and Services procured from GeM Vendors. In view of the submissions/replies made by the Government, the Committee expect that there would be no more mismatch in the budgetary allocations under MH 3475 (PFMS) in future and that private vendors/contractors will not suffer any financial stress while doing business with the Government. The Committee desire to be apprised of the outcomes of these budgetary measures taken by the Government.

CHAPTER - II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendations Serial No.1

Appropriation No. 35-Interest Payments

1. The Committee note that the expenditure included in the appropriation-interest payment is classified as Non-plan expenditure of the Government and is 'charged' on the Consolidated Fund of India in terms of article (3)(c) of the Constitution of India. The Appropriation provides for interest charges on Central Government's debt obligations, both internal and external, provident fund etc. From the details submitted by the Ministry of Finance, the Committee note that there have been an increase in interest payment by Rs. 39195.53 crore in 2017-18 (Actual) over the year 2016-17 (Actual); Rs. 56281.53 crore in 2018-19 (RE) over the year 2017-18 (Actual); the budget allocation BE for 2019-20 registered an increase by Rs. 826755.65crore over the BE (Rs. 590794.95 crore) for 2018-19 i.e. an increase by 14% in 2019-20, which is higher than the trend. The Ministry has not elaborated the reasons for steep increase in interest payment obligation by the Government in their submission to the Committee. The Committee apprehend that such a huge interest liability which has been increasing over the years may put fiscal stability to stress. The Committee desire to be apprised of the reasons for the sudden spurt in the interest payments by the Government, while seeking to ensure that this does not derail the path of fiscal stability and elbow out the scope for private investment.

Reply of the Government

1. The higher provision of Rs.6,73,470 crore towards debt servicing was primarily on account of higher volume of borrowing to meet the fiscal deficit and short- term mismatches. For the financial year 2019-20, borrowing through dated securities were estimated at Rs. 7.10 lakh crore as against actual borrowing of Rs. 5.71 lakh crore in 2018-19. Apart from the higher borrowing there was a substantial increase in weighted average cost of borrowing in the year 2018-19 i.e. 7.77% as against 6.97% in 2017-18 and 7.16% in 2016-17.

2. While computing interest estimates for the financial year 2019-20,the interest

rate was factored in at 7.90%. In the BE 2019-20, an additional quantum jump of 11,000 crore as interest incidental arises due to issuance of Securities to PSBs and EXIM Bank for capital infusion by Government to enable them to maintain their regulatory capital requirements and PCA capital requirement.

3. It is stated that it is always an endeavor of the Government to include realistic provision, however, sufficient funds need to be made available to eliminate any scope of sovereign default. Now the year 2019-20 has nearly come to an end and the actual expenditure is likely to be known, the position emerges has shown a substantial reduction in expenditure due to subsequent cuts in REPO rates by RBI on last 5 consecutive occasions resulting in softening of G-sec yields in thesecondary market. Reissuance of Government securities fetched a sizeable amount of premium resulting in a substantial reduction in interest incidence/debt servicing during FY 2019-20.

4. The interest expenditure incurred is in tune with enhanced government borrowing through Market in FY 2019-20 in comparison to FY 2018-19. On the back of frequent reduction of repo rate by RBI, the 10 year Benchmark G-sec yield, a reflection of market and private institutional investment sentiments, is broadly trading in expected range resulting into reduction of weighted average cost of Government of India borrowing in FY 2019-20.

[Ministry of Finance (Departments of Economic Affairs)O.M.No.9(1)-B(W&M)/2019 dated 17.02.2020]

Recommendations Serial No.2

Major Head Wise-Department of Economic Affairs (Revenue Section)

The Committee are surprised to notice wide variations between the BE and Actual Expenditure in the 'Statement showing increase/decrease (Major Headwise) over the last three years' (revenue section) furnished by the Department of Economic Affairs. The total BE in 2016-17 was Rs. 12335.39 crore, while the Actual Expenditure was onlyRs. 6721.23 crore, and the shortfall in utilization was Rs. 5614.16 crore; the total BE in 2017-18 was Rs. 4302.79 and the Actual Expenditure was again only Rs. 3477.31 crore, and the shortfall was Rs. 825.48 crore; and once again the BE in 2018-19 was Rs. 4871.23 crore and the total expenditure was only Rs. 2806.17, the shortfall in utilization being as much as Rs. 2065.06 crore. The Committee are thus inclined to conclude that there is an urgent need to exercise greater "due diligence" in carrying out the budgetary exercise by the Department of Economic Affairs, Ministry of Finance, which is the nodal department for preparation of the entire budget for the government.

Reply of the Government

During 2016-17, the savings occurred mainly on account of (i) administrative delay in creation and transfer of fund in Senior Citizen Welfare Fund for implementation of Welfare Schemes for Senior Citizens; (ii) consequent upon the merger of Railway Budget with general Budget, transfer of Dividend Relief and other concessions were not paid to Railways due to exemption granted for payment of dividend to General Revenues; (iii) Administrative delay in setting up of National Investment and Infrastructure Fund (NIIF) and (iv) Shifting of release of contribution to ADF-12 from 2016-17 to 2017-18.

2. In 2017-18, the savings occurred mainly due to (i) Shifting of provision of reimbursement of MDR Charges to Department of Financial Services(ii) Non-finalization of agreement with the potential international and domestic investors to invest in commercially viable infrastructure projects under National Investment and Infrastructure Fund (NIIF).

3. The savings occurred in Financial Year 2018-19, were primarily on account of (i) less expenditure incurred on establishment expenses under professional services, Advertisement and Publicity, Publication, Information Technology (Office Expenses), Medical, LTC leave encashment; (ii) Shifting of MDR Charges from DEA to Ministry of Electronics and Information Technology (Meity); (iii) Shifting of provision of National Investment and Infrastructure Fund (NIIF) from Revenue section to Capital section.

4. From the above explanations for F.Y. 2016-17, 2017-18 & 2018-19, it may be observed that funds were provisioned on genuine demands and most of the

savings were largely due to post budget decisions/non-finalization of schemes, which could not be visualized at the time of framing of Budget Estimates. However in view of above and keeping in view the observation of the Standing Committee on Finance, further efforts have been made to make the realistic estimation of budget requirement for FY 2020-21 so that the fund allocated are utilized to the maximum extent.

[Ministry of Finance (Department of Economic Affairs)O.M. No. 5/5/2020-IF.I dated24.02.2020.]

Recommendations Serial No.3

Demand No. 27, MH: 3465

The Committee understand that under Demand No. 27, MH: 3465 budget meant for activities of National Investment and Infrastructure i.e. payment of management fee to National Investment and Infrastructure Fund (NIIF) Ltd. purchase of equity, payment towards contribution to NIIF for investment etc. was undertaken. There has been persistent shortfall in utilization of budgetary allocation of Rs. 3985.00 crore in 2016-17 and Rs. 857.62 crore in 2017-18; there was 'nil' expenditure against budget allocation of Rs. 1999.99 crore in 2018-19. The Department has not been able to justify the occurrence of shortfall year after year. The Committee would expect the Department to formulate their Demands in a more realistic manner so that such shortfalls are avoided once and for all. Persistent shortfalls in utilization of budgeted funds will apart from causing avoidable delays/lags in Implementation of government programmes/schemes, would also derail the budgetary objectives. The Committee would also like clarification on how NIIF will be treated in Budget accounting going forward. If it is meant to be a separate entity, then it should be able to fund its own operations and simply have an annual drawdown from the CFI.

Reply of the Government

E. NIIF was established in August 2015 with an objective to catalyse international and domestic commercial capital to invest in commercially viable infrastructure projects. Among the first steps to operationalize NIIF were to recruit a strong team of experts, set up its governance structures and to raise capital from non-government investors prior to making investments. The process of recruitment of CEO and staff were being done in FY 2016-17 & 2017-18. Further, negotiations with various investors, such as Sovereign Wealth Funds (SWFs) and international pension funds were at the initial stage during FY 16-17 & 17-18, resulting in under-utilization of the funds allotted. NIIF made its first investment by partnering with DP World to create a JV Company to investment in port and logistics sector. Consequently, funds of Rs 347.42 crore were utilized during the FY 2017-18.

F. In the FY 2018-19, an accounting procedure was framed for NIIF on directions of C&AG and a new account under the Capital Head viz 5465–01-190-46.00.54 was created for making releases for NIIF as expenditure on releases made for NIIF was a Capital Expenditure. In the Second supplementary for the year 2018-19, the entire amount provided under the Head 3465 (Revenue Head) was transferred to the Capital Head 5465. The amount of Rs.1000 crorewas provided in RE 2018-19 under the Head 3465 after transferred to the head 5465 was utilized and an additional amount of Rs.196 crore was also sought to meet the expenditure during the year 2018-19. Thus, a total amount of Rs.1196 core was utilized during the year 2018-19. The expenditure under Major Head 3465 under Demand No.27 is showing as 'nil' in 2018-19 because the amount provided under this Head was transferred MH 5465.

G. The demand sought for NIIF in the annual budget is made on the basis of anticipated investments depending on negotiations being made with various funds at that point of time. The timing and quantum of investments by NIIF are difficult to predict as several factors are taken into account to ensure commercial viability of an investment. In spite of this, attempts are made to present a realistic demand in the budget for NIIF. While doing so the fact that that shortage of funds in the budget should not come in the way of investments is also taken into consideration.

H. Government of India has committed an amount of Rs.20,000crore for NIIF. As per the contribution agreement for NIIF, the Final Closing of the Master Fund is required to be held within 24 months from the date of the First Closing. The

Final Closing may be extended by additional 12 month from the date of Final Closing with the prior written consent of the 75% of the Advisory Board . The amount committed by various investors, including Government of India (share of 49%) on the day of the final close of fund will be drawn by NIIFL, the investor manager of NIIF from the investors in the next five-six years depending on the investment opportunity. To release Government of India's share (49%), provision will have to be made in the annual budget for NIIF every year. Further, management fees will also have to be paid to the investment manager of NIIF from the date of First Closing until the date of expiry of the Term (after a period of 15 years from the date of the Final Closing subject to an extension thrice for an additional period of one year each), for which also provision will have to be kept in the annual budget till that period.

[Ministry of Finance (Department of Economic Affairs) O.M. No. 18/8/2017-DI-Part(3) dated 26.02.2020.]

Comments of the Committee

(Please see Para No. 7 of Chapter I)

Recommendation Serial No.4

Demand no. 28, Major Head 3475-Other General Economic Services

The Committee note that the Major Head 3475 is used for working expenditure incurred on Other Economic Services of Government of India. The Public Financial Management System (PFMS) is a Central Sector Scheme of the Department of Expenditure, Ministry of Finance which aims at providing Management Information System (MIS) and Decision Support System for tracking of funds released under Central Sector (CS)/Centrally Sponsored (CSS)/Direct Benefit Transfer (DBT) Schemes. Under Demand no. 28, Major Head 3475, Minor Head:00.80 there was an excess utilization of Rs. 48.75 crore against BE of Rs. 60.80 crore in 2016-17; followed by Rs. 234.52 crore and Rs. 132.54 crore shortfall in 2017-18 and 2018-19 respectively. The reasons for the shortfall as submitted by the Ministry include delay in procurement of hardware and software for upgradation of PFMS, delay in hiring technical manpower, vacant posts in PFMS, delay in operationalization of training programme for State Government officials etc. The

Committee are not convinced by the reasons adduced by the Ministry for the occurrence of shortfall in utilization of funds allocated for a major scheme. It appears to the Committee that budget allocations were made under this Head without ascertaining the status/tenability of the programmes/activities etc. The Committee would expect greater financial prudence and discipline while making budgetary allocations. The Committee would like to further urge that Government payments to vendors and contractors should be expedited so that private sector participants doing business with the Government are not placed under financial stress. In addition, timely payments are necessary to maintain transaction velocity in the economy.

Reply of the Government

As regards the Committee's recommendations pertaining to financial prudence while making budgetary allocations, it may be pointed out that bearing in mind the shortfall in expenditure incurred during 2017-18 & 2018-19, the budget allocations under MH 3475 (PFMS) for the Financial Year 2019-20 were curtailed accordingly. The expenditure profile has been reviewed for more realistic budget estimation for coming financial year. During this exercise, the factors relating to actual expenditure during the previous financial years have also been considered. It has been ensured that the Budget Estimates and Revised Estimates will be prepared with reference to the monitorable commitments as far as possible. Budget Division of Ministry of Finance has issued instructions to all departments to put in place effective mechanism for realistic assessing the requirement of fund in such a way that would ward off the occurrence of unwarranted surrender of savings at a last moment of the financial year. In this regard the departments have been directed to adhere to the provisions contained in Rule 230(7), 232(v) etc. of GFR 2017.

Further, with regard to the Committee's recommendation that Government payments to vendors/contractors should be expedited so that private sector participants are not placed under financial stress, it is stated that in order to ensure that no vendor payments which are due, get delayed, a system of internal review of all pending liabilities has been implemented, so that no vendor is at any disadvantage for want of timely release of due payments. Further, a Dashboard for the buyers has been created on GeM for monitoring and timely release of payments for Goods and Services procured from GeM Vendors. The Department procures all the goods/services from GeM, if available as per GFRs, 2017. As per the latest GeM provisions, the payment for all Goods & Services is to be released within 10 days of issue of consignee receipt-cum-acceptance certificate (CRAC) and submission of bills.

[Ministry of Finance (Department of Expenditure) O.M. No.G-20018/03/2019 dated 24th February, 2020.]

Comments of the Committee

(Please see Para No. 10 of Chapter I)

CHAPTER – III

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

NIL

CHAPTER – IV

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

NIL

CHAPTER- V

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

NIL

New Delhi;	**SHRI JAYANT SINHA,**
8 September 2020	**Chairperson,**
17 Bhadrapada, 1942 (Saka)	**Standing Committee on Finance**

Minutes of the Sixteenth sitting of the Standing Committee on Finance (2019-20)

The Committee sat on Tuesday, the 8th September, 2020 from 1500hrs. to 1600 hrs in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Vallabhaneni Balashowry
4. Smt. Sunita Duggal
5. Smt. Darshana Vikram Jardosh
6. Shri Manoj Kishorbhai Kotak
7. Shri Gopal Chinayya Shetty
8. Shri Manish Tewari
9. Shri Rajesh Verma

RAJYA SABHA

10. Shri Rajeev Chandrasekhar
11. Shri Amar Patnaik
12. Shri G.V.L Narasimha Rao
13. Smt. Ambika Soni

SECRETARIAT

1.	Shri V.K Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Kulmohan Singh Arora	-	Additional Director
4.	Shri Kh. Ginlal Chung	-	Under Secretary

PART I

(1500 hrs – 1545 hrs)

2. XX XX XX XX XX XX

XX XX XX XX XX XX.

PART II

(1545 hrs onwards)

3. The Committee thereafter took up the following draft reports for consideration and adoption:

(i) Draft Report on the subject 'Financing the startup ecosystem'.

(ii) Draft Action Taken Report on the recommendations contained in 1st Report on Demands for Grants (2019-20) of the Ministry of Finance (Departments of Economic Affairs, Financial Services, Expenditure and Investment and Public Asset Management).

(iii) Draft Action Taken Report on the recommendations contained in 2nd Report on Demands for Grants (2019-20) of the Ministry of Finance (Department of Revenue).

(iv) Draft Action Taken Report on the recommendations contained in 3rd Report on Demands for Grants (2019-20) of the Ministry of Corporate Affairs.

(v) Draft Action Taken Report on the recommendations contained in 4th Report on Demands for Grants (2019-20) of the Ministry of Planning (NITI)

(vi) Draft Action Taken Report on the recommendations contained in 5th Report on Demands for Grants (2019-20) of the Ministry of Statistics and Programme Implementation.

(vii) Draft Action Taken Report on the recommendations contained in 7th Report on Demands for Grants (2020-21) of the Ministry of Finance (Departments of Economic Affairs, Financial Services, Expenditure and Investment and Public Asset Management).

(viii) Draft Action Taken Report on the recommendations contained in 8th Report on Demands for Grants (2020-21) of the Ministry of Finance (Department of Revenue).

(ix) Draft Action Taken Report on the recommendations contained in 9th Report on Demands for Grants (2020-21) of the Ministry of Corporate Affairs.

(x) Draft Action Taken Report on the recommendations contained in 10th Report on Demands for Grants (2020-21) of the Ministry of Planning (NITI)

(xi) Draft Action Taken Report on the recommendations contained in 11th Report on Demands for Grants (2020-21) of the Ministry of Statistics and Programme Implementation.

(xii) Draft Action Taken Report on the 50th Report (16th Lok Sabha) on the subject ''Review of NSSO and CSO and Streamlining Of Statistics Collection Machinery in the Country, including Management Information System for Project Monitoring/Appraisal'

After some deliberations, the Committee adopted the above draft Reports and authorised the Chairperson to finalise them and present the Report to the Hon'ble Speaker / Parliament.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FIRST REPORT OF THE STANDING COMMITTEE ON FINANCE (SEVENTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2019-20) OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS, EXPENDITURE , FINANCIAL SERVICES & INVESTMENT AND PUBLIC ASSET MANAGEMENT).

		Total	% of total
(i)	Total number of Recommendations	04	
(ii)	Recommendations/Observations which have been accepted by the Government (vide Recommendation Nos. 1,2,3 & 4)	04	100%
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	NIL	--
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	NIL	--
(v)	Recommendations/Observations in respect of which final reply of the Government are still awaited	NIL	--