6

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

STRUCTURAL CHANGES IN UNION BUDGET

[Action taken by Government on the Observations/ Recommendations contained in the Twenty-First Report (16th Lok Sabha) of the Committee on Estimates]

COMMITTEE ON ESTIMATES
(2020-21)

(SEVENTEENTH LOK SABHA)

LOK SABHA SECRETARIAT
NEW DELHI

COMMITTEE ON ESTIMATES
(2020-21)

(SEVENTEENTH LOK SABHA)

DEPARTMENT OF ECONOMIC AFFAIRS

[Action taken by Government on the Observations/ Recommendations contained in the Twenty-First Report (16th Lok Sabha) of the Committee on Estimates]

(Presented to Lok Sabha on 9.2.2021 **)**

LOK SABHA SECRETARIAT

NEW DELHI

CONTENTS

COMPOSITION OF THE COMMITTEE ON ESTIMATES (2020-21)

Shri Girish Bhalchandra Bapat – Chairperson

Members

2. Kunwar Danish Ali
3. Shri Kalyan Banerjee
4. Shri Pradan Baruah
5. Shri Sudharshan Bhagat
6. Shri Ajay Bhatt
7. Shri P.P. Chaudhary
8. Shri Nand Kumar Singh Chauhan
9. Shri Nihal Chand Chauhan
10. Shri Parvatagouda Chandanagouda Gaddigoudar
11. Dr. Sanjay Jaiswal
12. Shri Dharmendra Kumar Kashyap
13. Shri Mohanbhai Kalyanji Kundariya
14. Shri Dayanidhi Maran
15. Shri K. Muraleedharan
16. Shri S.S. Palanimanickam
17. Shri Kamlesh Paswan
18. Dr. K.C. Patel
19. Col. Rajyavardhan Singh Rathore
20. Shri Vinayak Bhaurao Raut
21. Shri Ashok Kumar Rawat
22. Shri Magunta Srinivasulu Reddy
23. Shri Rajiv Pratap Rudy
24. Shri Francisco Sardinha
25. Shri Jugal Kishore Sharma
26. Shri Prathap Simha
27. Shri Dharambir Singh
28. Smt. Sangeeta Kumari Singh Deo
29. Shri Kesineni Srinivas
30. Shri Parvesh Sahib Singh Verma

SECRETARIAT

1.	Smt. B. Visala	-	Director
2.	Smt. A. Jyothirmayi	-	Additional Director
3.	Dr. Sheetal Kapoor	-	Committee Officer

INTRODUCTION

I, the Chairperson of the Committee on Estimates (2020-21) having been authorized by the Committee to submit the Report on their behalf, do present this Sixth Report on the action taken by the Government on the Observations/Recommendations contained in the Twenty-First Report (16th Lok Sabha) of the Committee on the subject '"Structural Changes in Union Budget."

2. The Twenty-First Report (16th Lok Sabha) of the Committee on Estimates was presented to Lok Sabha on 09.12.2016. Action Taken Notes on the Observations/Recommendations were received from the Ministry of Finance, Department of Economic Affairs on 10.07.2020. The draft Report was considered and adopted by the Committee (2020-2021) at their sitting held on 4th February, 2021.

3. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Twenty-First Report of the Committee is given in Appendix-II.

NEW DELHI;
9 February, 2021
Magha 20, 1942 (Saka)

GIRISH BHALCHANDRA BAPAT,
CHAIRPERSON,
ESTIMATES COMMITTEE.

CHAPTER - I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the Twenty First Report (Sixteenth Lok Sabha) of the Committee on Estimates on the subject 'Structural Changes in Union Budget' pertaining to the Ministry of Finance(Department of Economic Affairs).

1.2 The Twenty First Report was presented to Lok Sabha on 09.12.2016. It contained 04 Observations/Recommendations. Action Taken Replies on all these Observations/Recommendations were received from the Ministry of Finance(Department of Economic Affairs) on 10.07.2020.

1.3 Replies to the Observations and Recommendations contained in the Report have broadly been categorized as under:-

(i) Observations/Recommendations which have been accepted by the Government:
Sl. Nos. 1,2,3,4

(Total 04)
(Chapter-II)

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of Government's reply:
Sl. Nos. Nil

(Total Nil)
(Chapter-III)

(iii) Observations/Recommendations in respect of which Government's replies have not been accepted by the Committee:
Sl. Nos.Nil

(Total Nil)
(Chapter-IV)

(iv) Observations/Recommendations in respect of which final reply of Government is still awaited:
Sl. Nos. -Nil-

(Total Nil)
(Chapter-V)

1.4 The Committee desire that the response to comments contained in Chapter I of this Report should be furnished to them expeditiously.

1.5 The Committee will now deal with the action taken by the Government on their recommendations.

A. Merger of Railway Budget with the Union Budget

(Observation/Recommendation No.1)

1.6 The Committee considered the proposal of the Government to merge the Railway Budget with the Union Budget and present a single budget starting with the budget of 2017-18. The Committee note that the need for a separate Railway Budget was felt as early as 1921 when the Railways appointed an Expert Committee known as Ackworth Committee. The Ackworth Committee recommended for separation of the railways finances from general finances of the Government of India. The recommendation was placed in the Legislative Assembly which passed a resolution on 24 Sept. 1924 for separation of the Railway Budget from the General Budget known as Separation Convention. The First Railway Budget was presented on 20 th February 1925. The Committee take note of the submission of the Government that the Constitution provides for presentation of Annual Financial Statement showing the estimated receipts and expenditure of the GOI for the ensuing financial year known as the Budget. Notably, there is no constitutional provision for presenting a separate Railway Budget. The Ministry of Finance also testified that the practice of separate budget essentially creates an unnecessary legislative and bureaucratic exercise and therefore, submitted that presentation of a single budget would enhance good governance. Allaying the apprehension that the merger of the Railway Budget with General Budget will impinge on the autonomy of the Railways which is a departmental commercial undertaking of the Government, the representative of the Ministry of Finance assured the Committee that the Ministry of Railways will continue to enjoy the same functional and operational autonomy without any external interference. The Committee were also assured that the Chairman Railway Board, Railway Board Members and the General Managers will continue to enjoy same financial powers. The Chairman Railway Board, in his independent testimony, submitted categorically that with the merger of Railway Budget with the General Budget, the financial autonomy of the railways will remain intact as per the decision of the Cabinet. The representatives of both the Ministries of Railways and Finance also assured the Committee that the railway component of the Budget including allocation of resources will continue to be prepared by the Railway Ministry which will be incorporated by the Ministry of Finance in the one consolidated Budget. Further, the Railways will present their detailed Demands for Grants and the key highlights of the Railways will form an integral part of the expenditure Budget vol.II. Besides, the Committee were apprised that with the presentation of a single consolidated Budget for the Union of India , there will be a single Appropriation Bill which will save the time of Legislature for passing separate Appropriation Bills.

Taking note of the assurance of the Ministry of Finance and the affirmation of the Railway Board that there will be no dilution of the operational, functional and financial autonomy of the Railways and the Railway Board will continue to prepare the railway components of the Union Budget based on their professional expertise, proven experience and the need for constant improvement in the Railways, the Committee accord their concurrence to the proposed merger of the Railway Budget with the General Budget subject to the conditions contained in the subsequent recommendations.

1.7 The Department of Economic Affairs vide its Action Taken Replies has stated that the concurrence of the Committee on Estimates to the proposed merger of Railway Budget with the General Budget has been noted. The Department has also stated that the Union Government Budget for 2017-2018 was presented to Parliament on 1.2.2017 after merger of Railways' estimates (both receipts and expenditure) as part of General Budget.

1.8 The Committee appreciate that the Department has implemented the concurrence of the Committee on Estimates to the then proposed merger of the Railway Budget with the General Budget and presented the Union Government Budget for 2017-2018 to Parliament on 01.02.2017 after merger of Railways' estimates (both receipts and expenditure) as part of General Budget. The Committee, however, are highly dismayed to note that the Department has not furnished the Action Taken Replies within the stipulated time period of six months and took more than 3½ years in furnishing Action Taken Replies. The Committee are further dismayed to note that despite taking so much time in furnishing Action Taken Replies, the Department has not mentioned anything about the presentation of Union Government Budget in the subsequent years (i.e. 2018-2019, 2019-2020 & 2020-2021) as well as the compliance of assurances of the Ministry of Finance and affirmation of Railway Board for not diluting the operational, functional and financial autonomy of the Railways and also continuing of the Railway Board to prepare the railway components of the Union Budget based on their professional expertise, proven experience and the need for constant improvement in the Railways. The Committee take serious view of such an indifferent attitude of the Department and desire that the Department furnish the information regarding the presentation of Union Government Budget in the subsequent years (i.e. 2018-2019, 2019-2020 & 2020-2021) as well as the compliance of assurances of the Ministry of Finance and affirmation of Railway Board for not diluting the operational, functional and financial autonomy of the Railways and continuing of the Railway Board to prepare the railway components of the Union Budget based on their professional expertise, proven experience and the need for constant improvement in the Railways. The Committee desire that in future, the Department furnish the information sought within the stipulated period.

B. Advantages to accrue to the Railways

(Observation/Recommendation No.2)

1.9 The Committee noted that the Rail Budget gave full opportunity to the Members Of Parliament to highlight the inadequacies of the Railways and make concrete suggestion for expansion, modernisation, safety and security of the Railways. The Committee also note that the Rail Budget is discussed threadbare in the Lok Sabha for at least 2/3 days. For instance, during 2015-16, the Rail budget was discussed thoroughly on 11&12 March and 21 April, 2015 and 298 Members participated in the discussions. Further, the Committee were assured by the representatives of the Ministry of Finance that after the merger of Railway Budget with General Budget (i) Ministry of Railways will continue to function as a departmentally run commercial undertaking, (ii) Railways will meet all their revenue expenditure including ordinary working expenses
and pay and allowances, pensions payable to employees, from their revenue receipts, (iii) Railways will get exemption from payment of dividend to general revenues, and its capital at large would stand wiped off, (iv) Ministry of Finance will provide Gross Budgetary Support (GBS) to Ministry of Railways towards meeting part of capital expenditure; (v) Railways may continue to raise resources from the market through extra budgetary Resources at present to finance its capital expenditure, (vi) With capital-at-charge wiped off and the need for dividend payment by railways being done away with, the subsidy payment to Railways (towards dividend relief and other concessions, including reimbursement of losses on operation of stratregic lines) will be discontinued.

Considering the solemn assurance of the government that the Railway would continue to function as a departmentally run commercial undertaking; with its full functional and financial autonomy; that the Railways will get exemption from payment of dividend and that the Ministry of Finance will provide gross budgetary support to the Ministry of Railways for making part of capital expenditure, the Committee approve the proposal of the merger of Rail Budget with the General Budget with the fulfillment of these undertakings but subject to the rider that the Ministry of Finance will extend adequate budgetary support given the dire conditions of the Railways and its socio-economic and strategic contribution in nation building. Further, the Committee reiterate that the Railways shall continue to get reimbursement of losses on operation of strategic lines. The Committee are sanguine that the working and finances of the Railways would continue to be discussed in the House for adequate duration so that the rights of the Members to discuss the Railways Demands for Grants and to call the Railways to account are not infringed or diluted in any manner.

1.10 The Department of Economic Affairs vide its Action Taken Replies have stated that the views/observations of Committee on Estimates have been noted and the Ministry of Railways would continue to function as a departmentally run commercial undertaking with full functional autonomy even after merger of Railway Budget with General Budget. The Department has also stated that the Railways continued to receive adequate gross budgetary support towards meeting part of its capital expenditure. Railways were also provided reimbursement of losses on operation of strategic lines. The Table given below shows the budget support and reimbursement of losses on operation of 'strategic lines' to Railways:

(`in *crore*)

Year	Gross Budget Support to Railways	Reimbursement of operation of strategic lines
2017-18	43418	1734
2018-19	52838	1940
2019-20 (RE)	67837	2098
2020-21 (BE)	70000	2216

1.11 The Committee note from the Action Taken Replies that the Department has noted the views/observations of the Committee that the Ministry of Railways would continue to function as a departmentally run commercial undertaking with full functional autonomy even after merger of Railway Budget with General Budget. The Committee also note that the Department will extend adequate budgetary support towards meeting part of its capital expenditure. The Committee further note that the Railways were also provided reimbursement of losses on operation of strategic lines. However, the Committee express their displeasure that the Department in its Action Taken Replies has not dealt with issues such as the financial autonomy, exemption from payment of dividend, discussion on working and finances of Railways in the House. The Committee urge upon the Department to furnish complete information as sought by the Committee.

C. <u>Merger of Plan and non-Plan classification</u>

(Observation/Recommendation No.3)

1.12 The Committee noted that the Expenditure Budget of the Government comprises of Plan and Non-Plan expenditure. According to the General Financial Rules(Rule 78), plan expenditure representing expenditure on plan outlays approved for each scheme or organisation by the Planning Commission (erstwhile) and indicating the extent to which such outlays are met out of budgetary provisions shall be shown distinctly from the other (Non-Plan) expenditure in the accounts as well as in the budget documents. The Committee were apprised that following the decision of the Union Cabinet on 21 September,2016, the Plan and Non-Plan distinct heads of accounts would be done away with from the Union Budget from the Budget 2017-18 as also announced by the Finance Minister in the Budget Speech of 2016-17. The Committee were further informed that the decision was taken after indepth examination of the recommendations

of the high level expert Committee, (Dr. C. Rangarajan Committee), the Administrative Reforms Commission (Shri Veerappa Moily) as well as by the Expenditure

Management Commission (EMC) (Shri Bimal Jalan Committee). The representative of the Ministry of Finance submitted that the bifurcation of expenditure as Plan and Non-Plan expenditure gave a fragmented view of the resource allocation creating difficulty in ascertaining the cost of delivery of services and the link between financial outlays and outcomes. Further, with the abolition of the Planning Commission and with the removal of plan and non-plan distinction, the focus of budgeting and expenditure classification will shift to a revenue and capital expenditure as envisaged in the Constitution. However, notably, with the abolition of Planning Commission and its replacement by NITI Ayog and doing away with the plan and non-plan expenditure, the Committee note that the entire resource allocation would be done by the Ministry of Finance. The Secretary, Deptt of Economic Affairs testified that the single financial control in the nodal Ministry of Finance would bring greater efficiency in resource allocation and lead to rigorous
financial control. Taking note of the testimony of the Secretary DEA, Ministry of Finance, that doing away with the plan and non-plan classification of expenditure will help bring a clear distinction between capital and revenue expenditure which is essential for analytical purposes, transparency and efficient policy decision making, and help in better assessment of the operating cost of Government, the investments made and measuring the efficiency of governmental activities, the committee concur in the proposal of the Ministry of finance with respect to abolition of plan and non-plan expenditure classification. The Committee however would like to be apprised of the impact of the decision on developmental programmes and activities of the Government in course of time. Further, the Committee recommend that the expert advice of the NITI Ayog ought to be given full weightage and consideration in the matter of allocation of resources for developmental programmes so that there is more judicious allocation of resources despite concentration of excessive financial powers in a single Ministry. Further, and more importantly, suitable instructions/guidelines be issued to ensure that the classification of expenditure as revenue and capital is done with fidelity and rationally so as to overcome wrongful booking of expenditure and to promote transparency and efficiency.

1.13 The Department of Economic Affairs vide its Action Taken Replies has stated that the concurrence of Committee on Estimates on the proposal of Ministry of Finance for abolition of Plan and Non Plan expenditure classification has been noted. The Department has also stated that the NITI Aayog has been providing strategic policy vision for the government and for evolving a shared vision of national development priorities, sectors and strategies with the active involvement of States. NITI is entrusted with development Monitoring and Evaluation (M&E) functions including: (i) to monitor progress and efficacy of strategic and long term policy and programme frameworks and initiatives to help innovative improvements, including necessary mid-course corrections; and (ii) to actively monitor and evaluate the implementation of programmes and initiatives, including the identification of the needed resources so as to strengthen the probability of success and scope of delivery. The Department has further stated that its Ministry has been reviewing constantly the quality of expenditure, with more emphasis on revenue-capital perspective at the time of devising the schemes/programmes. It has been the endeavour of the Ministry to maintain transparency and efficiency on the classification of expenditure.

1.14 The Committee note that the Department has implemented the proposal for abolition of Plan and Non-Plan Expenditure Classification. The Committee also note that the Department has informed about giving of full weightage and consideration to the expert advice of NITI Ayog in the matter of allocation of resources for developmental programmes. However, the Committee are dismayed to note that the Department has not mentioned anything about the impact of the decision on developmental programmes and activities of the Government, in course of time and the Department has also not provided any information as to whether suitable instructions/guidelines have been issued to ensure proper classification of expenditure as revenue and capital. The Committee, therefore, desire to be apprised of the requisite information in the matter at the earliest, as this would ensure to overcome incorrect classification of expenditure and also to promote transparency and efficiency.

D. Reorganization of the number of Demands for Grants:

(Observation/Recommendation No.4)

1.15 It may be recalled that based on the 12th report of the Committee on Estimates (16th Lok Sabha), the Ministry of Finance reduced the number of Demands for Grants from 109 to 98 (excluding the 16 DFGs of the Railways) starting with the fiscal year 2016-17. Notably, with the merger of both the Union Budget and Railways Budget, the Ministry of Finance also propose to merge the 16 DFGs of the Railways into one single DFG, with the result, the Ministry of Railways will have only one DFG instead of 16. Consequently, the total number of DFGs for Government of India will change. The Committee have no objection to the proposed reorganization of the Demands for Grants in the context of merger of both the Budgets and abolition of Plan – Non-Plan classification in the budget documents provided the same is approved by the C&AG in terms of article 150 of the Constitution. Further, the Committee would like the Ministry of Finance to amend the GFR suitably so that, while doing away with the plan and non-plan expenditure classification, suitable amendments are effected to the GFR to facilitate booking of expenditure correctly under the revenue and capital heads based on intelligible rules.

1.16 The Department of Economic Affairs vide its Action Taken Replies has stated that the merger of Plan and Non Plan classification in budget and accounts has the concurrence of Comptroller & Auditor General of india. Further, the General Financial Rules, 2005 have been comprehensively reviewed with the aim of promoting simplicity and transparency in the Government financial system and procedures subsequent to merger of Plan and Non Plan classification in budget and accounts. The revised GFRs, viz. General Financial Rules, 2017 have been published on 11.2.2017.

The recommendations of the Committee on Estimates made in its 21st Report (2016-2017) (16 th Lok Sabha) have been considered and implemented in full.

1.17 The Committee note that the Comptroller & Auditor General of India has given concurrence for the merger of Plan and Non Plan classification in budget and accounts. The Committee also note that the Department has comprehensively reviewed the General Financial Rules, 2005 with the aim of promoting simplicity and transparency in the Government financial system and procedures subsequent to merger of Plan and Non Plan classification in budget and accounts and the revised GFRs, viz. General Financial Rules, 2017 have been published on 11.2.2017. However, the Committee observe that the Department has neither clearly indicated the amendments made in General Financial Rules, 2005 nor furnished the amended portions of General Financial Rules, 2017 for ready reference of the Committee. The Committee, therefore, desire that the Department apprise the Committee of the amendments made in General Financial Rules, 2005 and forward the same to the Committee at the earliest.

Chapter-II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Merger of Railway Budget with the Union Budget

(Observation/Recommendation No.1)

The Committee considered the proposal of the Government to merge the Railway Budget with the Union Budget and present a single budget starting with the budget of 2017-18. The Committee note that the need for a separate Railway Budget was felt as early as 1921 when the Railways appointed an Expert Committee known as Ackworth Committee. The Ackworth Committee recommended for separation of the railways finances from general finances of the Government of India. The recommendation was placed in the Legislative Assembly which passed a resolution on 24 Sept. 1924 for separation of the Railway Budget from the General Budget known as Separation Convention. The First Railway Budget was presented on 20 th February 1925. The Committee take note of the submission of the Government that the Constitution provides for presentation of Annual Financial Statement showing the estimated receipts and expenditure of the GOI for the ensuing financial year known as the Budget. Notably, there is no constitutional provision for presenting a separate Railway Budget. The Ministry of Finance also testified that the practice of separate budget essentially creates an unnecessary legislative and bureaucratic exercise and therefore, submitted that presentation of a single budget would enhance good governance. Allaying the apprehension that the merger of the Railway Budget with General Budget will impinge on the autonomy of the Railways which is a departmental commercial undertaking of the Government, the representative of the Ministry of Finance assured the Committee that the Ministry of Railways will continue to enjoy the same functional and operational autonomy without any external interference. The Committee were also assured that the Chairman Railway Board, Railway Board Members and the General Managers will continue to enjoy same financial powers. The Chairman Railway Board, in his independent testimony, submitted categorically that with the merger of Railway Budget with the General Budget, the financial autonomy of the railways will remain intact as per the decision of the Cabinet. The representatives of both the Ministries of Railways and Finance also assured the Committee that the railway component of the Budget including allocation of resources will continue to be prepared by the Railway Ministry which will be incorporated by the Ministry of Finance in the one consolidated Budget. Further, the Railways will present their detailed Demands for Grants and the key highlights of the Railways will form an integral part of the expenditure Budget vol.II. Besides, the Committee were apprised that with the presentation of a single consolidated Budget for the Union of India , there will be a single Appropriation Bill which will save the time of Legislature for passing separate Appropriation Bills.

Taking note of the assurance of the Ministry of Finance and the affirmation of the Railway Board that there will be no dilution of the operational, functional and financial autonomy of the Railways and the Railway Board will continue to prepare the railway components of the Union Budget based on their professional expertise, proven experience and the need for constant improvement in the Railways, the Committee accord their concurrence to the proposed merger of the Railway Budget with the General Budget subject to the conditions contained in the subsequent recommendations.

Reply by the Government

The Department of Economic Affairs vide its Action Taken Replies has stated that the concurrence of the Committee on Estimates to the proposed merger of Railway Budget with the General Budget has been noted. The Department has also stated that the Union Government Budget for 2017-2018 was presented to Parliament on 1.2.2017 after merger of Railways' estimates (both receipts and expenditure) as part of General Budget.

Comments of the Committee

(Please see Para No. 1.8 of Chapter-I)

Advantages to accrue to the Railways

(Observation/Recommendation No.2)

The Committee noted that the Rail Budget gave full opportunity to the Members Of Parliament to highlight the inadequacies of the Railways and make concrete suggestion for expansion, modernisation, safety and security of the Railways. The Committee also note that the Rail Budget is discussed threadbare in the Lok Sabha for at least 2/3 days. For instance, during 2015-16, the Rail budget was discussed thoroughly on 11&12 March and 21 April, 2015 and 298 Members participated in the discussions. Further, the Committee were assured by the representatives of the Ministry of Finance that after the merger of Railway Budget with General Budget (i) Ministry of Railways will continue to function as a departmentally run commercial undertaking, (ii) Railways will meet all their revenue expenditure including ordinary working expenses and pay and allowances, pensions payable to employees, from their revenue receipts, (iii) Railways will get exemption from payment of dividend to general revenues, and its capital at large would stand wiped off, (iv) Ministry of Finance will provide Gross Budgetary Support (GBS) to Ministry of Railways towards meeting part of capital expenditure; (v) Railways may continue to raise resources from the market through extra budgetary Resources at present to finance its capital expenditure, (vi) With capital-at-charge wiped off and the need for dividend payment by railways being done away with, the subsidy payment to Railways (towards dividend relief and other concessions, including reimbursement of losses on operation of stratregic lines) will be discontinued.

Considering the solemn assurance of the government that the Railway would continue to function as a departmentally run commercial undertaking; with its full functional and financial autonomy; that the Railways will get exemption from payment of dividend and that the Ministry of Finance will provide gross budgetary support to the Ministry of Railways for making part of capital expenditure, the Committee approve the proposal of the merger of Rail Budget with the General Budget with the fulfillment of these undertakings but subject to the rider that the Ministry of Finance will extend adequate budgetary support given the dire conditions of the Railways and its socio-economic and strategic contribution in nation building. Further, the Committee reiterate that the Railways shall continue to get reimbursement of losses on operation of strategic lines. The Committee are sanguine that the working and finances of the Railways would continue to be discussed in the House for adequate duration so that the rights of the Members to discuss the Railways Demands for Grants and to call the Railways to account are not infringed or diluted in any manner.

Reply by the Government

The Department of Economic Affairs vide its Action Taken Replies that the views/observations of Committee on Estimates have been noted and the Ministry of Railways would continue to function as departmentally run commercial undertaking with full functional autonomy, as hithertofore, even after merger of Railway Budget with General Budget. The Department has also stated that the Railways continued to receive adequate gross budgetary support towards meeting part of its capital expenditure. Railways were also provided reimbursement of losses on operation of strategic lines. The Table given below shows the budget support and reimbursement of losses on operation of 'strategic lines' to Railways:

(` *crore*)

Year	Gross Budget Support to Railways	Reimbursement of operation of strategic lines
2017-18	43418	1734
2018-19	52838	1940
2019-20 (RE)	67837	2098
2020-21 (BE)	70000	2216

Comments of the Committee

(Please see Para No. 1.11 of Chapter-I)

Merger of Plan and non-Plan classification

(Observation/Recommendation No.3)

The Committee noted that the Expenditure Budget of the Government comprises of Plan and Non-Plan expenditure. According to the General Financial Rules(Rule 78), plan expenditure representing expenditure on plan outlays approved for each scheme or organisation by the Planning Commission (erstwhile) and indicating the extent to which such outlays are met out of budgetary provisions shall be shown distinctly from the other (Non-Plan) expenditure in the accounts as well as in the budget documents. The Committee were apprised that following the decision of the Union Cabinet on 21 September,2016, the Plan and Non-Plan distinct heads of accounts would be done away with from the Union Budget from the Budget 2017-18 as also announced by the Finance Minister in the Budget Speech of 2016-17. The Committee were further informed that the decision was taken after indepth examination of the recommendations of the high level expert Committee, (Dr. C. Rangarajan Committee), the Administrative Reforms Commission (Shri Veerappa Moily) as well as by the Expenditure Management Commission (EMC) (Shri Bimal Jalan Committee). The representative of the Ministry of Finance submitted that the bifurcation of expenditure as Plan and Non-Plan expenditure gave a fragmented view of the resource allocation creating difficulty in ascertaining the cost of delivery of services and the link between financial outlays and outcomes. Further, with the abolition of the Planning Commission and with the removal of plan and non-plan distinction, the focus of budgeting and expenditure classification will shift to a revenue and capital expenditure as envisaged in the Constitution. However, notably, with the abolition of Planning Commission and its replacement by NITI Ayog and doing away with the plan and non-plan expenditure, the Committee note that the entire resource allocation would be done by the Ministry of Finance. The Secretary, Deptt of Economic Affairs testified that the single financial control in the nodal Ministry of Finance would bring greater efficiency in resource allocation and lead to rigorous financial control. Taking note of the testimony of the Secretary DEA, Ministry of Finance, that doing away with the plan and non-plan classification of expenditure will help bring a clear distinction between capital and revenue expenditure which is essential for analytical purposes, transparency and efficient policy decision making, and help in better assessment of the operating cost of Government, the investments made and measuring the efficiency of governmental activities, the committee concur in the proposal of the Ministry of finance with respect to abolition of plan and non-plan expenditure classification. The Committee however would like to be apprised of the impact of the decision on developmental programmes and activities of the Government in course of time. Further, the Committee recommend that the expert advice of the NITI Ayog ought to be given full weightage and consideration in the matter of allocation of resources for developmental programmes so that there is more judicious allocation of resources despite concentration of excessive financial powers in a single Ministry. Further, and more importantly, suitable instructions/guidelines be issued to ensure that the classification of expenditure as revenue and capital is done with fidelity and rationally so as to overcome wrongful booking of expenditure and to promote transparency and efficiency.

Reply by the Government

The Department of Economic Affairs vide its Action Taken Replies has stated that the concurrence of Committee on Estimates on the proposal of Ministry of Finance for abolition of Plan and Non Plan expenditure classification has been noted. The Department has also stated that the NITI Aayog has been providing strategic policy vision for the government and for evolving a shared vision of national development priorities, sectors and strategies with the active involvement of States. NITI is entrusted with development Monitoring and Evaluation (M&E) functions including: (i) to monitor progress and efficacy of strategic and long term policy and programme frameworks and initiatives to help innovative improvements, including necessary mid-course corrections; and (ii) to actively monitor and evaluate the implementation of programmes and initiatives, including the identification of the needed resources so as to strengthen the probability of success and scope of delivery. The Department has further stated that its Ministry has been reviewing constantly the quality of expenditure, with more emphasis on revenue-capital perspective at the time of devising the schemes/programmes. It has been the endeavour of the Ministry to maintain transparency and efficiency on the classification of expenditure.

Comments of the Committee
(Please see Para No. 1.14 of Chapter-I)

D. Reorganization of the number of Demands for Grants:

(Observation/Recommendation No.4)

It may be recalled that based on the 12th report of the Committee on Estimates (16th Lok Sabha), the Ministry of Finance reduced the number of Demands for Grants from 109 to 98 (excluding the 16 DFGs of the Railways) starting with the fiscal year 2016-17. Notably, with the merger of both the Union Budget and Railways Budget, the Ministry of Finance also propose to merge the 16 DFGs of the Railways into one single DFG, with the result, the Ministry of Railways will have only one DFG instead of 16. Consequently, the total number of DFGs for Government of India will change. The Committee have no objection to the proposed reorganization of the Demands for Grants in the context of merger of both the Budgets and abolition of Plan – Non-Plan classification in the budget documents provided the same is approved by the C&AG in terms of article 150 of the Constitution. Further, the Committee would like the Ministry of Finance to amend the GFR suitably so that, while doing away with the plan and non-plan expenditure classification, suitable amendments are effected to the GFR to facilitate booking of expenditure correctly under the revenue and capital heads based on intelligible rules.

Reply by the Government

The Department of Economic Affairs vide its Action Taken Replies has stated that the merger of Plan and Non Plan classification in budget and accounts has the concurrence of Comptroller & Auditor General of india. Further, the General Financial Rules, 2005 have been comprehensively reviewed with the aim of promoting simplicity and transparency in the Government financial system and procedures subsequent to merger of Plan and Non Plan classification in budget and accounts. The revised GFRs, viz. General Financial Rules, 2017 have been published on 11.2.2017.

The recommendations of the Committee on Estimates made in its 21 st Report (2016-2017) (16 th Lok Sabha) have been considered and implemented in full.

Comments of the Committee

(Please see Para No. 1.17 of Chapter-I)

CHAPTER-III

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

-Nil-

CHAPTER - IV

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

-Nil-

CHAPTER - V

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

-Nil-

NEW DELHI;
9 February, 2021
Magha 20, 1942 (Saka)

GIRISH BHALCHANDRA BAPAT,
CHAIRPERSON,
ESTIMATES COMMITTEE.

APPENDIX-I

MINUTES OF THE FOURTEENTH SITTING OF THE COMMITTEE ON ESTIMATES (2020-2021)

The Committee sat on Thursday, the 4th February, 2021 from 1100 hrs. to 1135 hrs. in Committee Room No. 3, Block-A, First Floor, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Girish Bhalchandra Bapat - **Chairperson**

Members

2. Shri Sudharshan Bhagat
3. Shri P.P. Chaudhary
4. Shri Parvatagouda Chandanagouda Gaddigoudar
5. Shri Nihal Chand Chauhan
6. Dr. Sanjay Jaiswal
7. Shri Dayanidhi Maran
8. Shri S.S. Palanimanickam
9. Col. Rajyavardhan Singh Rathore
10. Shri Vinayak Bhaurao Raut
11. Shri Magunta Srinivasulu Reddy
12. Shri Francisco Sardinha
13. Shri Jugal Kishore Sharma
14. Shri Prathap Simha
15. Smt. Sangeeta Kumari Singh Deo

SECRETARIAT

1. Smt. B. Visala - Director
2. Smt. A. Jyothirmayi - Additional Director
3. Shri R. S. Negi - Deputy Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. The Committee then took up for consideration and adoption of the following draft Reports:

(i) Action Taken Report on the Observations/Recommendations contained in the 21st Report (16th Lok Sabha) of the Committee on Estimates on the subject "Structural Changes in Union Budget" pertaining to the Ministry of Finance (Department of Economic Affairs).;

(ii) Report on the subject "Estimates and Functioning of National Highway Projects including Bharatmala Projects" pertaining to the Ministry of Road Transport & Highways; and

(iii) Report on the subject "Review of Performance of the scheme Khelo India" pertaining to the Ministry of Youth Affairs and Sports (Department of Sports).

3. After some deliberations, the Committee finalised and adopted the Draft Report at Sl. No (i) and (iii) above without any amendments. In respect of Draft Report on the subject "Estimates and Functioning of National Highway Projects including Bharatmala Projects" some Members gave suggestions which were agreed to by the Committee. The Committee authorised the Chairperson to make any consequential changes and finalize the draft Reports on the basis of factual verification by the concerned Ministry and present the same to Lok Sabha.

4. ****

The Committee, then, adjourned.

---

* does not pertain to this Report

APPENDIX - II

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWENTY-FIRST REPORT OF THE COMMITTEE ON ESTIMATES (SIXTEENTH LOK SABHA)

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