P.A.C. No. 2

PUBLIC ACCOUNTS COMMITTEE (1969-70)

(FOURTH LOK SABHA)

NINETIETH REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 55th Report (Fourth Lok Sabha) on Finance Accounts of Central Government, 1966-67—Chapters I and II of Audit Report (Civil), 1968.]

LOK SABHA SECRETARIAT
NEW DELHI

January, 1970/Pausa, 1891 (Saka)
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(1969-70)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Ninetieth Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 55th Report (Fourth Lok Sabha) on Finance Accounts of Central Government, 1966-67—Chapters I and II of Audit Report (Civil), 1968.

2. On the 7th June, 1969, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

1. Shri N. R. M. Swamy—*Convenor*.

2. Shri H. N. Mukerjee 3. Shri K. M. Koushik 4. Shri Tayappa Hari Sonavane 5. Prof. Shanti Kothari 6. Shrimati Sushila Rohatgi	Members.

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on 17th December, 1969 and finally adopted by the Public Accounts Committee on the 7th January, 1970.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations/Observations of the Committee is appended to the Report (Appendix).

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller & Auditor General of India.

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

NEW DELHI;
January 9, 1970/*Pausa* 19, 1891, (*Saka*).

CHAPTER I

REPORT

The Report of the Committee deals with action taken by Government on the recommendations contained in their Fifty-fifth Report (Fourth Lok Sabha) on Finance Accounts of Central Government, 1966-67—Chapters I and II of Audit Report (Civil), 1968, which was presented to Lok Sabha on the 1st April, 1969.

1.2. Action-taken notes on all the 30 recommendations contained in the Report have been received. These have been categorised* under the following heads:

(i) *Recommendations/observations that have been accepted by Government:*

S. Nos. 1, 2, 3, 4, 5, 6, 7, 9, 11, 13, 14, 15, 16, 18, 19, 21, 22, 23, 24, 26, 27, 28 and 29.

(ii) *Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government*

S. No. 20.

(iii) *Recommendations/observations in respect of which Government have furnished interim replies:*

S. Nos. 8, 10, 12, 17 and 25.

1.3. The Sub-committee will now deal with action-taken notes on some of the recommendations.

Expenditure on General Administration—Paragraph 1.11 (*S. No.* 2).

1.4. In paragraph 1.11, the Committee made the following observation:

"The Committee would like Government to keep under constant watch the expenditure on 'General Administration'

*The recommendation of the Committee contained in para 5.24 of their 55th Report (Fourth Lok Sabha)—S. No. 30—regarding fixation of statutory limits on the guaranteeing power of Government has not been categorised, as the matter is still under consideration of the Committee.

and to explore the scope for further economies. A systematic study of the staffing pattern in the major departments of Government should be undertaken by the Staff Inspection Unit of the Ministry of Finance on a phased programme and posts found surplus as a result of the study should be surrendered."

1.5. In their reply dated 30-9-1969, the Ministry of Finance stated as follows:

"The observations of the Committee have been noted. The Staff Inspection Unit reviews the staff position in Ministries/Officers through a regular programme of work measurement studies. It also undertakes *ad hoc* reviews on special requests from Ministries/Offices not included in the programme. Since the inception of the Unit in April, 1964, there has been progressive increase in the number of reviews and the resultant economy achieved, as may be seen from the following figures:

	No. of reviews conducted	No. of posts studied	No. of posts found surplus			Economies (per annum)		
			Direct	Denied	Total	Direct	Preventive	Total
						(Rs. in lakhs)		
1964-65 .	32	5796	1192	726	1918	43·02	31·43	74·45
1965-66 .	35	6006	1083	1450	2533	38·20	56·54	94·74
1966-67 .	53	15511	2523	2450	4973	106·11	105·45	211·56
1967-68 .	62	19901	2936	2052	4988	130·80	119·20	250·00
1968-69 .	96	28031	3930	3163	7148	164·58	140·28	304·86

The economies indicated above do not include the economies consequent on norms studies conducted by the Staff Inspection Unit. Such studies in respect of certain major sectors—Divisions of the P. & T. Department, Income-tax Department, Central Excise and All India Radio—are currently on hand. When completed, the application of the norms is likely to result in substantial economy in expenditure.

1.7. The Ministry of Finance furnished the following information on these points on 2-12-1969:

"(i) & (ii): Two statements* are attached. Statement I is a complete list showing the Ministries|Departments as well as the attached and subordinate offices and public undertakings under them. It is also inclusive of some Union Territories administration. In Statement II, the information relating to public undertakings|autonomous bodies as included in statement I has been separately indicated.

(iii) & (iv): The information is not centrally available with the Ministry of Finance. This will be available only with the respective administrative authorities.

(v): This information also is not available with the Ministry of Finance. The details of the surplus posts reported to the Ministry of Home Affairs from time to time by various Ministries|Departments will be available only with that Ministry.

(vi): The presumption is confirmed.

(vii): No periodicity has been prescribed."

1.8. The Committee observe that as a result of studies of the staff position in various organisations conducted by the Staff Inspection Unit of the Ministry of Finance between 1964-65 and 1968-69, as many as 11,664 posts were found surplus. This constitutes over a seventh of the total number of posts studied. Another interesting fact that emerges is that the number of surplus posts detected has tended to increase over the years. All these facts suggest the need for a periodical assessment of the staff position in Government departments and undertakings. The Committee would prefer such studies to be undertaken by the Staff Inspection Unit or an independent body rather than the Internal Work Study Unit of a Ministry.

The Committee note from the information furnished to them that no periodicity has been prescribed for the reviews to be conducted by the Staff Inspection Unit. The Committee would like Government to go into this matter and issue suitable instructions.

1.9. Another point that needs mention is the need to maintain co-ordination between the Staff Inspection Unit which conducts the review and the Ministry of Home Affairs which is administering the

*See Pages 48-62.

pool of staff reported surplus after such reviews. The Committee would like Government to evolve a procedure to ensure that all posts found surplus after review by the Staff Inspection Unit are promptly reported to the Ministry of Home Affairs.

External Debt servicing—Paragraphs 2.9-2.10 (S. Nos. 6-7).

1.10. In paragraphs 2.9—2.10, the Public Accounts Committee (1968-69) made the following observations on the problem of external debt servicing:

"The Committee note that servicing of external debt has become a problem of major dimensions and that payments on this account 'rose from about 15 per cent of merchandise exports in 1961 to about 28 per cent in 1967, adding to the severe constraints on the balance of payments'. As pointed out by the World Bank in its annual report for 1968, this situation is the legacy of past years in which the country incurred 'large amounts of debt on terms that were inappropriate to the country's economic position'. The Committee are glad to observe that, as a result of efforts initiated by Government, it has been possible to reschedule debt obligations affecting about 25 per cent of the debt service payments due in 1968-69 and that the prospects of re-scheduling of debt obligations for the next two years are promising. The Committee would, however, like to point out that this can at best be only a palliative. In the ultimate analysis, as pointed out by the World Bank, the solution to the problem has to be found by making the 'overall economic policies' effective and expanding exports by a series of bold and forward looking measures. The Committee note in this connection that the export performance of public sector undertakings, in which large amounts of foreign capital have been channelised, has not been impressive. Out of 25 undertakings in which foreign exchange utilised upto end of 1966-67 was Rs. 1021 crores, the export earnings that materialised were only Rs. 26 crores in 1965-66 and Rs. 53 crores in 1966-67. These were accounted for by 7 out of the 25 undertakings, Air India alone accounting for Rs. 19 crores in 1965-66 and Rs. 30 crores in 1966-67. The Committee would like Government to examine how best the performance of these undertakings could in this respect be geared up."

"In view of the growing burden of external debt, the Committee would also like Government to bear in mind the salutary principles enunciated by the Estimates Committee in their Eleventh Report (Fourth Lok Sabha). The effort should be to secure as much of foreign loan as possible 'on long-term and non-project basis' so that 'in their anxiety to fill the gap in their resources', Government do not 'rush into loans for short-term periods on commercial rates which the present state of India's economy can hardly bear'. Where loans are tied to projects 'Government should ensure that, as far as possible, they generate the resources to repay the instalments of principal and interest on loans contracted for as and when they fall due'."

1.11. In their reply dated 30.9.1969, the Ministry of Finance stated:

"The Consortium members agreed at the meeting held on May 23—24, 1968 to provide, in the first instance, debt relief of $100 million for 1968-69. The members also agreed to consider favourably a similar amount of debt relief for the following two years. Of this, the Consortium members have already agreed at the meeting held on May 22—23, 1969, to provide approximately $100 million of debt relief for 1969-70."

"The Public Sector Undertakings have been continuously examining the possibility of exporting their products. The export performance of the undertakings has shown an upward trend. Their export earnings have gone up from Rs. 26 crores in 1965-66 to Rs. 53 crores in 1966-67 and Rs. 93 crores in 1967-68. The actual figures for exports in 1968-69 are not yet available but it is estimated that the export earnings will be to the tune of about Rs. 100 crores of which the share of Hindustan Steel Ltd., alone will be Rs. 41 crores (Rs. 30.96 crores in 1967-68)."

"While every endavour is being made to gear up the export performance of these undertakings, great emphasis is being laid on import substitution also. A price preference is allowed in respect of materials obtained from indigenous sources. To the extent import substitution is resorted to there is corresponding release of foreign exchange which could be utilised for other purposes."

"During bilateral and multilateral discussions, Government have been emphasising the need for aid in non-project form and on long term basis. The position in this respect in recent years is shown in the statement below:

Statement showing the percentage shares of

(i) non-project loans.

(ii) loans with 3 per cent or less rate of interest, and

(iii) loans with 20 years or more maturity periods, to the total loan commitments during the Second and Third Plans and 1966-67 to 1968-69.

During	Non-project loan commitments as percentage of total loans commitments	Percentage amount of loans having interest rates of 3 per cent or less to total amount of loans	Percentage amount of loans having repayment period of 20 years or more to the total amoun of loans
Second Plan	22%	26%	28%
Third Plan	41%	60%	66%
Annual Plans			
1966-67 to 1968-69	67%	81%	73% ,,

1.12. At the instance of the Committee, the following further information has been furnished by the Ministry in notes dated 1-12-1969|2-12-1969:

"(i): The annual payments towards servicing of external debt during each of the last five years are as under:

Years	Principal	Interest ($Million)	Total
1964-65	123	123	246
1965-66	120	124	244
1966-67	150	125	275
1967-68	208	153	361
1968-69	185	139	324

(ii) & (iii): The following table indicates the foreign exhange requirements as estimated in the Draft Fourth Plan :

	Rs. crores	$ Million
I. Payments :		
(*i*) Imports	9,628	12,837
(*ii*) IMF Repurchases	279	372
(*iii*) Other Invisibles (net)	143	191
Sub-total (*i*) to (*iii*)	10,050	13,400
(*iv*) Estimated external debt servicing charges including Govt., Public Sector, Private Sector. Supplier Credits etc.	2,280	3,040
Total Payments	12,330	16,440
II. Receipts : Exports	8,300	11,067
III. Gap to be covered by foreign aid (gross aid) (I minus II)	4,030	5,375
IV. Net Aid [III minus I (iv)]	1,750	2,333

The above table indicates that the external debt servicing charges would amount to Rs. 2,280 crores ($3040 million). These payments would be met out of our export earnings.

(iv) *export performance of Public Sector Undertakings.*

So far as the Bureau of Public Enterprises is aware, although certain individual Public Enterprises might have laid down some targets for exports on their own, no targets as such appear to have been laid down for exports by the Public Enterprises as a whole. Ministry of Foreign Trade has also been addressed and any further material that may be received will be forwarded in due course.

(v) *Import Substitution.*

The country's import bill and import requirements have been studied and analysed in their different aspects from time to time by the Government departments and agencies concerned. In connection with the formulation of the Fourth Five Year Plan, for instance, a sub-Group on Maintenance Imports was constituted which held a number of meetings to discuss the methodology and to prepare the estimates of maintenance imports item by item. The Directorate General of Technical Development of the Ministry of Industrial Development also studied this aspect especially from the stand-point of import substitution. They have recently brought out a review entitled, 'Import Substitution and Its Impact', wherein they have analysed the statistics of production and industrial development during the 7-year period 1961 to 1967 in the context of foreign exchange savings accruing during the said period.

It may, however, be stated in this context that the concept of import substitution is really a facet of our national economic policy which aims at achieving the maximum possible degree of self-reliance in the industrial field. The industrial activities of the country have, therefore, been directed through our programme of economic development towards the achievements of this goal. In a wider sense, therefore, the execution of our development programmes in the industrial and related fields constitutes an integral part of the process of import substitution.

Import substitution has thus to be viewed as a continuous and complex process involving not only import policy and expansion of indigenous capacities but also technological aspects and material utilisation. The work in connection with import substitution acquired greater momentum after the Chinese aggression and again towards the end of 1965 following the conflict with Pakistan. Immediately after the conflict with Pakistan, a special *ad hoc* Committee was appointed under the Chairmanship of the Secretary of the former Ministry of Supply and Technical Development with representatives of Defence, Finance, CSIR and DGTD to take stock of country's requirements of imported commodities for sustaining the defence efforts as also for maintaining the economy of the country and to devise ways and means of bringing the import requirements to the inescapable minimum. This Committee held a number of meetings and organised a series of studies to identify items which were being imported as items of traditional imports and to examine whether developmental action could not be organised to produce them indigenously. The co-operation of the industry was also sought through the agency of the Directorate General of Technical Development in making these developmental efforts yield the maximum results. The Directorate General of Technical Development is also utilising the various Development Councils and the panels appointed by them for conducting special studies in the field of import substitution and for giving effect to the decisions taken in the matter from time to time.

Since the programmes of import substitution cover the entire gamut of industry as also a wide range of measures it is difficult to attempt a comprehensive enumeration of the various measures which have been instituted in several industries under this programme. In broad terms, however, it could be stated that it has been possible to pursue import substitution in one or more of the following:

(a) substitution of imported raw materials, components and spare parts with indigenously manufactured materials and components of same specifications or of comparable specifications and according priority for the rapid development;

(b) reduction in the consumption of imported raw materials and components per unit of production;

(c) change over of production of chemicals and chemical products from intermediate to their production from basic raw materials;

(d) substitution of imported raw material or components by suitable alternative with consequential changes in the specification of the end product; and

(e) acceleration of phased manufacturing programmes to achieve a greater indigenous content in the shortest possible time.

Last year the Federation of Indian Chambers of Commerce and Industry had organised a seminar on the subject of import substitution. One of the recommendations made by this Seminar was that a high level agency be appointed for evolving a positive and deliberate programme for import substitution and co-ordination. The Government appreciate that the work relating to import substitution has to be attended to in a practical manner on industry by industry basis and only through technical agencies. A high level Committee on Import Substitution was appointed early this year with Secretary, Department of Industrial Development as the Chairman and Secretaries of all the economic Ministries and also the DGTD and D.C. (SSI) as its members. The composition of the high level Committee was later enlarged to include representatives from the Federation of Indian Chambers of Commerce and Industry and All India Manufacturers Organisation and Federation of Associations of Small Industries in India. This high level Committee has already held two meetings and has taken some important decisions in regard to matters which come within the purview of import substitution."

1.13. The Committee observe that in the draft outline of the Fourth Five Year Plan, the following assessment of the position regarding external debt servicing and resource availability for this purpose has been made:

> "The total debt service payments (amortisation plus interest on foreign loans) are estimated at Rs. 2280 crores. In addition there would be repayments due to the International Monetary Fund amounting to Rs. 280 crores during the Fourth Plan............. Exclusive of debt servicing, the total requirement of foreign exchange during the Fourth Five Year Plan will ...... be Rs. 10,050 crores. This will have to be met out of the net receipts from external assistance plus export earnings .... In accordance with the policy objective of the Plan, the aggregate external assistance, net of debt servicing, required during the Fourth Plan is estimated to be Rs. 1750 crores .... The balance of foreign exchange requirement amounting to Rs. 8300 crores will have to be met out of export earnings. This will require export earnings to go up from the expected level of Rs. 1340 crores in 1968-69 to around Rs. 1900 crores in 1973-74, or at a compound rate of about 7 per cent per annum as indicated in the Approach document."

1.14. The estimates of exports by major groups which form the basis of the assessment by the Planning Commission is indicated in the following table:

Sl. No.	Group of commodities	1967-68	1968-69	1973-74
1	agriculture and allied products	445	475	667
2	tea	180	180	205
3	all other products	265	295	462
4	minerals	119	130	193
5	iron ore	75	86	145
6	manufactures	581	675	959
7	cotton textiles and jute manufactures	294	276	336
8	all other manufactures	287	399	623
9	other exports—unspecified	54	60	81
10	total exports	1199	1340	1900

1.15. The Annual Report (1969) of the World Bank—International Development Association—gives the following figures of service payments on external debt made by India (exclusive of supplier's credits) expressed as a percentage of exports of goods and services:

	Percent
1961	12·6
1962	10·7
1963	9·8
1964	15·2
1965	13·2
1966	16·3
1967	18·5*
1968	21·6*

*taking exports of goods only.

1.16. The report has the following to say about India's debt servicing position:

> "India has the largest external public debt among developing countries. While debt service charges as a proportion of total outstanding debt (about 5 per cent) are no higher than the average for all developing countries, they amount to about 18 per cent of foreign exchange earnings, as compared with an average of less than 10 per cent for all developing countries. Debt charges have increased steadily in relation to exports of goods and services since 1964."

Commenting on the debt servicing problem of developing countries in general, the report draws attention to the following position:

> "The developing countries are heavily dependent on primary products for most of their exports: currently, 88 per cent of their export earnings are derived from primary product sales. Furthermore, these exports are concentrated on a narrow range of products: almost one-half of these countries depend on one commodity for more than 50 per cent of their total exports and as many as three-quarters derive more than 60 per cent of their total exports from three primary commodities. As a result, the export earnings of the developing countries, with their crucial influence on

import capacity and development potential, are heavily dependent on the prices and trading opportunities prevailing in world commodity markets. With limited but important exceptions these markets have shown two major unfavourable characteristics. First, their absorptive capacity has grown only slowly, so that increased sales have often been possible only at falling prices. Second, these markets have been subject to particularly wide price fluctuations, which have themselves sometimes contributed to adverse longer-term price trends. Demand for most primary products is growing relatively slowly as a result of both technological developments and changes in consumer spending patterns. Moreover, world trade in primary products, and particularly in agricultural products, has been held back by the protection given by industrial countries to their own primary producers. As a result, world commodity markets have in some cases taken on the characteristic of unstable residual markets bearing a disproportionate share of attempted adjustments between production and consumption in domestic as well as international markets."

"No panacea or simple, single solution to this complex problem exists. It is greatly exacerbated by developing countries' low level of economic development; improvements in the situation can only result from sustained economic growth, carrying with it expansion and diversification of their export trade. This in turn, however, requires measures to correct the structural imbalances in countries' economies, to secure diversified production, and to improve productive efficiency. Part of the diversification effort may occur in the agricultural sphere itself, and be aimed especially at raising food output in developing countries; but diversification should also include industrialisation efforts."

1.17. The Committee note that in reply to Starred Question No. 365 answered in the Lok Sabha on 3rd December, 1969, it was stated that "India's export of engineering goods amounted to Rs. 84.97 crores in 1968-69 as against 41.47 crores in 1967-68 and Rs. 31.13 crores in 1966-67. The target of exports in this Sector for 1969-70 is Rs. 100 crores." In reply to supplementaries it was further stated that "it is true that even though there is unutilised capacity (in the engineering goods industry) we are not able to fully exploit it because there is the shortage of critical raw materials for these exportable items

......At the moment.....the country's problem is that even for a target of Rs. 110 crores, we have to create capacities in the country and have critical raw materials for that. What is the use of getting more orders? We are asking them not to book new orders because we cannot supply them steel and other critical raw materials."

1.18. The Committee had in their Fifty-Fifth Report (Fourth Lok Sabha) drawn attention to the growing burden of the country's external debt. The data now furnished to the Committee indicates that the burden will continue to grow. The debt service ratio of the country or the ratio of amortisation and interest payments to the country's exports of goods, services etc., has shown a sharp increase in recent years. The annual report of the World Bank for 1969 indicates that it has increased from 16.3 per cent in 1966 to 21.6 per cent in 1968 and is the highest amongst the developing countries in the world. Over the Fourth Five Year Plan period the total debt service payments are expected to amount to Rs. 2,559 crores ($3,412 million) inclusive of repayments to the International Monetary Fund. This will amount to well over a sixth of the country's total foreign exchange outgo of Rs. 12,330 crores ($16,440 million). These figures speak for themselves.

1.19. The Committee note that to meet the country's liability on this and other accounts during the period of the Fourth Plan, a massive export effort is called for. The anticipations in this regard are that the country's exports will fetch a total of Rs. 8,300 crores during the Fourth Plan. This postulates a compound rate of growth of exports of 7 per cent per annum, or increase in export earnings from Rs. 1,340 crores in 1968-69 to Rs. 1,900 crores in 1973-74.

It seems to the Committee that this targeted rate of growth of export is ambitious. The data at page 11 of this Report would indicate that traditional exports would continue to form the major portion of the country's exports during the Fourth Plan period. Considering the recent trends in the international markets for primary products, to which the World Bank has referred, it is a doubtful whether the prescribed rate of growth of exports can be achieved. In any case, if the postulated rate of growth is to be achieved, particular efforts in the following directions are called for:

(i) A programme has to be drawn for identification of units which have to be expanded, if necessary, to meet export obligations and an export obligation made a condition precedent for sanctioning expansion.

(ii) Units with export obligation will have to be assured of essential imports and domestic inputs. The experience of engineering goods industry should serve as a pointer in this regard.

(iii) Incentives given to exporters by way of drawbacks, rebates etc., will have to be speedily provided, cutting through irritating procedural delays.

1.20. No less important in the Committee's opinion from the point of view of mitigating debt burden is a pragmatic and practical approach to the problem of import substitution. The Committee note that Government are undertaking for this purpose a study industry-wise and that another high level committee has been set up for going into this problem in depth. The Committee hope that the labours of this high level committee will provide guidelines for a well-conceived programme for import substitution in different sectors of the economy. The best judge as to what replacement of plant, machinery and their parts can be done indigenously are the engineers and workers who run them. Their cooperation and continuous exhortation for suggestions in this direction will go a long way in achieving this object. The Committee suggest proper efforts be made in this direction.

Shortfall in drawal of External Assistance—Para 2.23—S. No. 9.

1.21. In paragraph 2.23, the Committee made the following observations about the progress of utilisation of external assistance:

"The Committee cannot help feeling that the pace of utilisation of external assistance has been rather slow. This is exemplified by the fact that in respect of the Hungarian credit for Rs. 25 crores obtained under an agreement signed on 15th June, 1966, 'to finance projects mutually agreed upon', 'the projects have not yet been chosen', though the terminal date for 'contracting' under the agreement is 31st December 1970. It is also regrettable that the Ministry of Finance has yet no information whether, in respect of credits amounting to Rs. 250 crores for Fourth Plan Projects negotiated with the U.S.S.R. in December, 1966, and the Second Polish credit for Rs. 15.50 crores obtained in November, 1962, the projects concerned have been investigated and cleared for implementation. These instances of delay in utilisation of credit are not exhaustive but illustrative and no attribution of blame to any particular party is intended. While the Committee appreciate the Government's anxiety to be circumspect about the choice of projects to be financed out of foreign assistance they are unable to understand why the choice of projects and other preliminaries to be gone through for utilisation of external credits should take so much time. The Committee would like Government to investigate the reasons for non-utilisation of external credits and to take remedial action. They would also like to emphasise the need for advance preparatory action on projects to be financed out of foreign credits."

1.22. In their reply, dated the 30th September, 1969, the Ministry of Finance stated:

> "The Government are continuously reviewing the position about the utilisation of external assistance. Slow utilisation of external aid available for imports, while at the same time there are unsatisfied demands for such imports may give an impression that available external resources are not put to the best use. However, there are instances where the requirements of the economy and the availability of the resources do not match. The instances cited by the Committee are cases where investment needs of the economy have not matched the available resources. When in 1966 the agreement with the U.S.S.R. Government was signed, it was in the nature of formalising an offer for assistance to such projects as may be taken up in the Fourth Plan. However, the Fourth Plan did not come into being, as originally intended, in 1966-67. Also, due to constraints in internal resources no large project was taken up during the three annual plans. The Fourth Five Year Plan has now been finalised and a review is being made to see what requirements of the Fourth Plan can be met out of the external assistance pledged in these agreements. Because we do not want to import much more than we necessarily have to, despite external assistance being available, because the types of imports that we have to make as a matter of priority do not fit with what can be financed with these credits and because we still have a big constraint in internal resources which would stand in the way of our taking up projects and investments over and above those envisaged in the Plan, there will be problems in committing these amounts fully. Government and the Planning Commission are aware of the desirability of putting to use as much as possible and in as profitable a manner as can be done, the resources promised to us, consistent with the Plan priorities and optimum utilisation of our own industrial capacity. Subject to these considerations continuous attention is being

paid to the question of prompt utilisation of external assistance."

1.23. At the instance of the Committee, the Ministry of Finance have furnished the following further note dated 2-12-1969:

"In order to ensure the utilisation of the credits available from Hungary, Poland and USSR to the maximum extent possible, consistent with the requirements of the economy and with full regard to the larger availability of equipment from domestic sources, the Ministry is actively exploring, in consultation with the user Ministries, the possibilities of utilising these credits for projects which have already been approved for implementation or are expected to be taken up for implementation during the Fourth Plan period. Based on the tentative projects which are included in the draft Fourth Plan, the Ministries are reviewing to what extent these balance credits can be utilised. A clear picture is expected to emerge at the time of the finalisation of the Fourth Plan in the next few months.

Meanwhile, certain possible fields have been tentatively identified and detailed discussions at the technical level are in progress with the respective foreign Government authorities. Thus, for example, in the case of Polish credit, a Technical Team had recently visited Poland and had discussed the possibilities of Polish collaboration for the fertiliser industry. Certain other fields were discussed during the visit of the Hungarian technical experts. Possibilities of Soviet collaboration in the field of fertilisers, in particular coal based fertiliser projects, petrochemicals and paper and pulp industry are also being examined in detail at the technical level.

There are no commitment charges with respect to the credits from these three countries."

1.24. The Committee note the Ministry's explanation that in respect of slow utilisation of credit amounting to Rs. 290 crores cited in the 55th Report, the credit available could not be matched to the investment needs of the economy. Now that the Fourth Five Year Plan is being finalised, the Committee hope that the possibilities of utilising these credits will be explored and appropriate action initiated thereafter. The Committee would in this context like to re-emphasise the need for advance preparatory action on

projects to be financed out of foreign credits so that the time-lag between the pledging of assistance and its utilisation is reduced to the barest minimum.

Switch Deals—Paras 2.34—2.28—*S. No.* 10

1.25. In paragraphs 2.24—2.26, the Committee dealt with cases of diversion of goods meant for export against rupee payments under bilateral Trade and Payments Agreements to convertible currency areas.

1.26. In paragraph 2.28, the Committee made the following observation:

"The Committee are disturbed to learn that goods valued at Rs. 2.6 crores meant for export against rupee payments under Trade and Payments Agreements executed with Yugoslavia, Hungary, East Germany, Czechoslovakia and Tunisia were diverted or attempted to be diverted to convertible currency areas. As the cases are at various stages of adjudication, the Committee would like to reserve their comments at this stage. They would like to be apprised of the final outcome of the various proceedings now in progress. The Committee would also urge Government to study carefully, in the light of the findings now available, the *modus operandi* adopted by the parties so that loopholes in the existing regulations and procedures could be plugged. Government would also do well to consider how best they could make a more realistic assessment of the import requirements of countries with whom rupee payment arrangements are executed, so that the scope for diversion of exports is eliminated."

1.27. In their reply dated 18-10-1969, the Ministry of Finance stated as follows:

"The recommendation of the Public Accounts Committee that the Government should study carefully, in the light of the findings now available, the *modus operandi* adopted by the parties so that loopholes in the existing regulations and procedures could be plugged, has been noted.

As regards the proceedings involving diversion to convertible currency areas of goods meant for export against rupee payments under Trade and Payments Agreements executed with certain countries, the parties have in many cases filed writ petitions in Courts which have restrained the Government from passing any final orders.

As the Committee would appreciate, adjudication proceedings either by the Customs authorities or by the Director of Enforcement, Foreign Exchange Regulation Act, are time-consuming and further proceedings like appeals are likely to follow the orders passed in adjudication. It will, therefore, be sometime before the final outcome in all the cases will be known. A report on the final outcome of the proceedings in these cases will be sent to the Public Accounts Committee, as and when the proceedings have been concluded.

At the time of Annual Trade talks with countries with whom rupee payment arrangements exist, assessment is made of the import requirements of the country concerned in respect of particular commodities and accordingly the quantum of export is determined. Bilateral understanding is also incorporated in the documents concerning the Trade Plan that the two bilateral trading partners will not re-export the goods to third country destinations. At international forums like UNCTAD I & II, socialist countries have also subscribed to the resolutions undertaking not to re-export goods purchased by them from developing countries.

Generally speaking, re-exports take place either on high seas or at third country ports by manipulation of shipping documents. It is not always possible to get completely vertifiable information on all the cases about which reports may reach the Government through its Trade Representatives. However, whenever verifiable evidence of deliberate diversion is available, the matter is taken up with the Government of the country concerned. Whenever their attention has been drawn to such cases, they have assured that they have taken necessary action against the firm involved and are also taking action on further recurrence of such cases which go against the bilateral understanding between the two countries.

Port and Customs authorities have been instructed to check the bills of lading and other shipping documents carefully to ensure that in respect of goods shipped to destinations where Switch Trading is likely, the final destination is clearly mentioned in these documents. This check is particularly done where the goods are likely to pass through a third country port in the case of land-locked countries like those in East Europe. Shipments meant for such countries are not being allowed to be exported to the address of a third party in a third country. Similarly, at regular intervals statistics are being compiled by Port and Customs authorities of the quantum of exports to destinations where Switch Trading is likely of such commodities which may be prone to diversion. This information enables the Government to keep a check of the actual quantity being exported to a particular country and act in time to ensure that excess quantity is not being exported."

1.28. In a note dated 2-12-1969, the Ministry of Finance furnished the following further information:—

"In the cases of diversion which have been investigated by the Customs authorities and the Enforcement Directorate, it is seen that 'there was an elaborate arrangement for financing the exports out of rupees from the bilateral accounts with the rupee payment countries, whereas the goods were intended for countries in the Western Europe, exports to which could not be financed from the rupee accounts'. Broadly, the arrangements followed by the different exporters involved in these cases are similar and can be briefly summarised as follows:—

(1) On the basis of offers and acceptance, the goods were sold to a firm in Western Europe;

(2) Contracts were made out between the Indian exporters and such firms in Western Europe;

(3) A duplicate contract was made out subsequently showing the name of a firm in the East European country concerned as the ultimate buyer;

(4) Letters of Credit were opened by the East European firm concerned providing for payment in rupees;

(5) Penalties on account of late shipment, inferior quality, short quantity, etc., were paid to the West European firm concerned; and

(6) Interest charges on account of delay in shipment for the absence of quota, delay in negotiations for want of fund or defects in Letters of Credit etc., were charged to the West European firms.

The West European firms have been posing as intermediaries and they are situated in U.K., West Germany, Holland, Switzerland and Italy.

The recommendation contained in para 2.28 of the 55th Report of the Public Accounts Committee has been brought to the notice of the Customs Authorities, Enforcement Directorate, the Reserve Bank of India, the Directorate of Revenue Intelligence and the Central Bureau of Investigation.

In all cases the diversion may not be the result of conspiracy with or connivance of the Indian exporter; diversion may also take place at the instance or initiative of the consignee in the rupee payment countries, who may be an independent party, without the Indian exporter being in the picture. Action can be taken only in those cases where the Indian party is found to have violated the provisions of our law."

> "As regards the outcome of the proceedings in the cases of switch deals pending adjudication|appeal, it has already been explained in the action-taken statement in regard to the recommendation in question that the adjudication proceedings by the Customs authorities and by the Director of Enforcement, Foreign Exchange Regulation Act, are time-consuming and further proceedings like appeals are likely to follow the orders passed in adjudication and, therefore, it will be some time before the final outcome in all the cases is known. The report on the final outcome of the proceedings already promised will be furnished to the Public Accounts Committee as soon as the pending proceedings are concluded."

1.29. The Committee observe that investigations by Government into some of the 'Switch deals' have brought to light the existence of "duplicate contracts" between exporters in India and parties in rupees payment countries in respect of goods which were in fact sold in free foreign exchange areas. To obviate recurrence of such instances, the Committee hope that adequate procedures would be evolved to ensure that the Enforcement Directorate, the Directorate of Revenue Intelligence and other concerned authorities keep track of contracts executed with foreign parties involving rupee accounts and investigate all suspicious cases promptly, in liaison with our Government's overseas trade representatives.

1.30. The Committee observe that there have also been instances of overseas consignees diverting exports, without the knowledge of Indian exporters. Legal action in such cases may not be possible. However, the Committee hope that Government's overseas trade representatives have instructions to gather data about the standing and reliability of parties in the commercial field who enter into contracts with us and feed the information to enforcement agencies in this country.

1.31. The Committee note that adjudication proceedings are still in progress in respect of the cases mentioned by them in the 55th Report. The Committee would like Government to examine whether the law as it now stands delays effective and timely action against known delinquents and if so, how best the situation can be remedied.

Adjustment of Central Assistance to State Governments for Plan Schemes—Para 3.9—*S. No.* 12

1.32. In paragraph 3.9, the Committee observed as follows:

"The Committee are concerned over the fact that ways and means advances given to the State Governments to defray expenditure on Plan schemes during 1965-66 have still not been finally adjusted on the basis of audited figures of expenditure on the schemes. According to the procedure prescribed by Government, the adjustment was to be completed by 30th September, 1967 on th basis of audit certificates to be furnished by the State Accountants-General,. However, due to difficulties experienced by the State Governments in supplying expenditure statements to the Accountants-General, the issue of audit certificates has been held up. The Committee would in this connection like Government to take note of the observations of the Finance Commission about the need for State Governments to arrange for 'speedy reconciliation' of their expenditure figures with those of the Accountants-General and initiate necessary action in this respect. The Committee would also like Government to consider, in consultation with the Comptroller and Auditor General, how far the existing pattern of assistance renders final accounting of Plan expenditure incurred by the State Governments a time-consuming and cumbersome process and whether a simplification of the scheme for assistance on the lines suggested by the Administrative Reforms Commission would facilitate speedier accounting and more expeditious adjustment of the advances given to State Governments."

1.33. In their reply dated 30-9-1969, the Ministry have stated as follows:

"The observations in paragraph 41 of the Interim Report of the Fifth Finance Commission, to which the Public Accounts Committee have referred, were made in the context of the discussion of the problem of unauthorised overdrafts of the State Governments.

Government share the concern expressed by the Public Accounts Committee over the delay in the final adjustment of Central assistance provided to the State Governments on the basis of audited figures of expenditure on Plan schemes during 1965-66. Government also agree with the view that a simplification of the procedure and patterns of assistance for State Plan schemes would be desirable from the point of view of facilitating speedier accounting and more expeditious adjustments of the advances given to State Governments. The observations of the Administrative Reforms Commission in their Report on 'Machinery for Planning' quoted by the Public Accounts in paragraphs 3.7 and 3.8 of their Report as well as the Commission's final recommendations in this regard have been examined. These recommendations have also been discussed by the National Development Council. Following these discussions and taking into account the views of the Administrative Reforms Commission, Government have already taken decisions as indicated below regarding the channelling of assistance for State Plan and Centrally sponsored schemes during the Fourth Five Year Plan period beginning with the current financial year.

Under the new procedure adopted for the Fourth Five Year Plan period, Central assistance will be provided to the State Government for their Plan schemes in the form of block loans and grants, 70 per cent being loan and the balance as grant. This proportion will remain fixed during each of the five years of the Plan and will apply uniformly to all States. Patterns of assistance for individual schemes or for Heads and Sub-Heads of Development have been dispensed with so that no portion of the Central assistance will be relatable to specific schemes and programmes. The comments of this Ministry furnished in respect of paragraphs 3.23 and 3.24 of the Report of the Public Accounts Committee may also be referred to in this connection.

As far as Centrally sponsored schemes are concerned, it has been decided that their number will be reduced to the minimum necessary and further that the outlay on these schemes will not exceed one-sixth to one-seventh of the total Central assistance available for the State Plans. All Centrally sponsored schemes will henceforth be financed on a 100 per cent basis by the Government of India and

State Governments will not be required to contribute any resources of their own towards such schemes.

The above procedure will, it is expected, bring about considerable simplification in the matter of auditing of expenditure on the plan schemes for purposes of finalisation of Central assistance. Since patterns of assistance based on varying standards of matching contribution from the States have been done away with, it will now not be necessary to work out separately the shares of the Central and State Governments in the expenditure on individual schemes or Heads of Development. Similarly, it will not be necessary to work out the loan and grant components of the Central assistance payable to the State Governments. The only programmes|schemes for which expenditure figures will need to be verified separately for the purpose of final adjustments would be those in respect of which outlays are earmarked by the Planning Commission; for all other programmes, it would be adequate to obtain total expenditure figures. The auditing of expenditure on Centrally sponsored schemes too will be rendered much easier than in the past on account of the fact that the number of these schemes would be substantially reduced and they will all be fully financed by the Centre. It may accordingly be expected that, both in respect of State Plan and Centrally sponsored schemes, the work of reconciling the departmental expenditure figures with those of the State Accountants General will now be considerably simplified and should take much less time than in the past. It is proposed to issue detailed instructions on the subject to the State Governments in consultation with the Comptroller and Auditor General."

"As regards the question of the finalisation of Central assistance on the basis of the audited figures of expenditure on the State Plan and Centrally sponsored schemes in 1965-66 and 1966-67, efforts are continuing to expedite the progress in the matter. The State Governments and the State Accountants General are being periodically reminded on the subject. However, from the reports received so far, it appears that the State Governments are experiencing certain difficulties in finalising their expenditure statements, specially as regards the share of the State Governments in certain Centrally sponsored schemes met from their own resources and included in the State Plans, the expenditure incurred by the local bodies and such statutory bodies as the State Electricity Boards and classification of schemes in certain cases. The matter has already been taken up with the State Governments concerned. Reference is also being made to the Comptroller and Auditor General seeking his advice on the various difficulties that have come to notice.

The Public Accounts Committee will be informed in due course of the progress in finalising the Central assistance paid to State Governments on the basis of audited figures of expenditure."

1.34. At the instance of the Committee, the Ministry of Finance have furnished the following further information in a note dated 1st December, 1969:

"The revised procedure of Central assistance for the State Plan schemes and the reduction in the number of Centrally sponsored Schemes coupled with the fact that these Centrally sponsored schemes will now be financed fully by the Centre, would facilitate easier auditing of expenditure and reconciliation of departmental figures with the Accountant General's figures. However, as pointed out in para 6 of this Ministry's earlier note, the basic problem of the certification of expenditure incurred on Plan schemes by the local bodies and autonomous Corporations like the State Electricity Boards and State Road Transport Corporations still remains. As the expenditure incurred by these institutions would not be booked by the Accountant General, he can at best certify only the loans and grants released by the State Government to them. This would not reflect the actual expenditure incurred by these institutions on the Plan Schemes. As a number of State Plan schemes and Centrally sponsored schemes are being implemented through the local bodies and autonomous corporations, the Central assistance to the States for Plan schemes cannot be finalised without solving this basic problem. Once this problem is solved, auditing of expenditure and reconciliation of figures would be easier under the revised procedure of Central assistance for State Plan schemes than before and detailed instructions would be issued to the State Government to secure this result.

In response to this Ministry's requests to expedite the furnishing of audited certificates of 1965-66, 1966-67 etc., seven States, i.e., Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Mysore and Tamil Nadu have pointed out certain difficulties faced by them in the finalisation of Central assistance for State Plan and Centrally sponsored schemes on the basis of audited figures of expenditure. The main difficulty experienced by them is the one referred to in the preceding paragraph. The other States from which replies have not been received so far have also been reminded to send us detailed information regarding the progress of the matter and the difficulties being faced by them so that, if necessary, the matter could be taken up with the Comptroller and Auditor General. The basic problem referred to in the preceding paragraph has, however, already been taken up with the C.&A.G. and it is expected that it would be possible to sort out the matter at an early date.

For the reasons mentioned above, it has not been possible to finalise the Central assistance to States for State Plan and Centrally Sponsored Schemes from the year 1965-66. However, it is felt that as soon as the difficulties relating to the auditing of expenditure in respect of the earlier years are resolved, it would be possible to settle the procedure relating to the finalisation of Central assistance during the Fourth Five Year Plan period also."

1.35. The Committee are not very happy that the question of final adjustment of Central assistance to States for the years 1965-66, 1966-67 and 1967-68 is still hanging fire. The difficulty has been stated to be the question of determining the Plan expenditure incurred by autonomous corporations like the State Road Transport Corporations and Electricity Boards and the local bodies. The autonomous bodies mentioned above maintain accounts on commercial lines which are subject to audit and the expenditure incurred by local bodies is likewise audited by examiners of Local Fund Accounts in the States. It should not, therefore, be very difficult to arrive at some kind of a working arrangement for the certification of the expenditure incurred by these authorities with the good offices of the Comptroller and Auditor General. The Committee note that the matter has been referred by Government now to the Comptroller and Auditor General and hope that a system to secure speedy adjustment of Central assistance would be worked out not only in respect of the past years but for the future as well.

Expenditure on Industrial and Economic Development (Public Undertakings)—Paras 4.31-4.32 (S. Nos. 21.22)

1.36. In paragraphs 4.31-4.32, the Committee made the following observations on the financial working of Public Undertakings:

"The Committee are concerned over the fact that the return on investments in public sector undertakings has been progressively diminishing. According to the figures given by Government, the capital investment in these undertakings increased from Rs. 2,037 crores in 1964-65 to Rs. 2,841 crores in 1966-67. The capital employed in production also correspondingly rose from Rs. 1,266 crores in 1964-65 to Rs. 2,057 crores in 1966-67. However, the profits of these undertakings in terms of capital employed declined from 3.7 per cent (Rs. 46.3 crores) in 1964-65 to 2.8 per cent (Rs. 57.8 crores) in 1966-67. As the Secretary, Ministry of Finance himself conceded during evidence, this performance is 'very unsatisfactory'. If the performance is judged by the actual dividends paid to Government, instead of the profits made, a more depressing picture emerges. Considering the need pointed out by the Administrative Reforms Commission for these undertakings to 'generate surpluses and augment the resources of the State' to 'provide resources for further development', the Committee feel that the performance of these undertakings needs to be greatly and continuously improved."

"The Committee note from the analysis of the performance of Governmental undertakings that a major reason for their poor performance was the existence of unutilised surplus capacity in the undertakings, which burdened the units with heavy over-capitalisation. The figures given by Government in this respect are very revealing. The installed capacity of Hindustan Steel was 5.9 million tonnes, against which the Plant 'was able to make and sell only 2.4 million tonnes'. Likewise, the National Coal Development Corporation 'had originally envisaged a target of 26 million tonnes, ...later reduced to 15.5 million tonnes, but their actual sales have been only 9.6 million tonnes'. As pointed out by the Administrative Reforms Commission, this situation has resulted from 'the execution of projects on the basis of incompletely conceived plans and estimates' and 'a lack of proper assessment of the demand for the products'. The warning note struck by the Administrative Reforms Commission in this respect is also significant. 'The damage to the national economy as a result of miscalculation or mismanagement of these enterprises cannot be tolerated with equanimity by the people who have to bear the burden of not only providing the capital but also of having to pay high prices for their products'."

"The Committee note that the Administrative Reforms Commission have made a number of suggestions for ensuring that additional capacity is not planned for in future without proper 'feasibility studies'. They hope that this drill will be rigorously followed by Government. The Committee would also like Government to take steps to have surplus capacity in the undertakings mopped up by appropriate diversification of production or through measures to step up exports. Elsewhere in the Report, the Committee have stressed the need for gearing up the export performance of Governmental undertakings in the context of the heavy debt servicing burden faced by the country. The Committee hope the matter will receive the urgent attention of Government. The Committee need hardly add that without a conscious and sustained effort to keep up quality and control costs to make products competitive, the country's export drive can hardly succeed."

1.37. In their reply dated 30th September, 1969, the Ministry stated as follows:

"The performance of the Public Sector Undertakings is being continuously studied by the Bureau of Public Enterprises in the Ministry of Finance. The Bureau receives monthly and quarterly reports from these undertakings which are critically examined and corrective action taken, where necessary. If the performance of an undertaking is found to be consistently poor, a detailed study is undertaken along with the representatives of the administrative Ministry concerned. So far detailed studies have been undertaken of 8 undertakings and the recommendations of the Study Teams are being implemented by the undertakings concerned.

Diversification of production and export promotion are being undertaken for ensuring proper utilisation of existing capacities. The attention of the Management is specifically drawn to the need for identifying the real surplus capacity in various sections of the production unit, assessing short and long range market demands and trends and taking necessary steps for reorienting and reorganising production activities to suit the changes in product-mix and production volume.

The use of modern techniques of business management and cost accounts and cost control such as the introduction of comprehensive budgetary control system, standard cost, study of variances and integrated cost-cum-financial accounts have been recommended with a view to improving the overall performance of public sector undertakings.

Detailed instructions have been issued in regard to the preparation of feasibility studies and detailed project reports. The feasibility studies and detailed project reports are examined critically and the economic, technical, commercial and financial aspects of the project are studied in depth before according financial sanction to the project.

As a result of the pre-execution scrutiny of demand estimates, rationalisation of production and product-mix, material and financial resources utilisation, construction etc., and advice and guidance rendered by the Finance Ministry, a number of projects were either modified or postponed and some abandoned resulting in substantial economies."

1.38. In reply to Starred Question No. 732, the following statement regarding the installed capacity, actual production and percentage utilisation of ten major public enterprises during the year 1968-69 was furnished to the Lok Sabha on 25th August, 1969:

Name of the Project	Installed capacity	Actual production	Percentage utilisation
1. *HINDUSTAN STEEL LTD.*			
(i) *Rourkela Steel Plant* Total ingot steel . .	1·8 million tonnes	1·162 million tonnes	64
(ii) *Durgapur Steel Plant* Total ingot steel .	1·6 million tonnes	0·823 million tonnes	51
(iii) *Bhilai Steel Plant* Total ingot steel . .	2.5 million tonnes	1.735 million tonnes	69
2. *HEAVY ENGINEERING CORPORATION*			
(i) Heavy Machine Building Project (tonnes) . . .	1,05,000	14,109	13
(ii) Foundry Forge Project (tonnes)	1,43,112	10,062	7
(iii) Heavy Machine Tools Project (tonnes)	10,000	348	3

Name of the Project	Installed capacity	Actual production	Percentage utilisation
3. *MINING AND ALLIED MACHINERY CORPORATION*			
Coal Mining & Allied Machinery (tonnes)	26,000	4 099	16
4. *HEAVY ELECTRICALS (I) LTD.*			
(i) Switchgear (Nos.) .	2,400	1,405	50
(ii) Power Transformers (MVA)	6,000 (by 1970-71)	1 534	26
(iii) Capacitors (KVAR) . .	1,08,000	1,01,113	94
(iv) Traction Motors (Nos.) .	2,000	653	33
5. *BHARAT HEAVY ELECTRICALS LTD.*			
(i) *Heavy Power Equipment Plant Hyderabad.*			
(a) Turbo sets . . .	630	180	29
(ii) *Switchgear Unit, Hyderabad*			
(a) Air blast circuit breakers (Nos.)	240	65	27
(b) Minimum oil circuit breakers (Nos.)	930	59	6
(iii) *High Pressure Boiler Plant Trichy*			
(a) High Pressure Boiler components (tonnes) . . .	30,000	14,940	50
(b) Fittings (tonnes) . .	2,500	413	17
(iv) *Heavy Electrical Equipment Plant, Hardwar*			
(a) Motors (Nos.) . . .	Not yet assessed for the full range of products.	178	..
6. *NEYVELI LIGNITE CORPORATION LTD.*			
(a) Lignite (million tonnes) . . .	4.5	4.0	89
(b) Power Generation (MW) .	600	207	34
7. *HINDUSTAN MACHINE TOOLS LTD.*			
(i) Bangalore Units I & II (Nos.)	2,000	969	48
(ii) Pinjore Unit (Nos.) . .	1,000	452	45
(iii) Kalamassery Unit (Nos.) .	1,000	322	32
(iv) Hyderabad Unit (Nos.) .	1,000	82	8
(v) Watch Factory (Nos.)	3,60,000	3,00,000	83

Name of the Project	Installed capacity	Actual production	Percentage utilisation
8. *FERTILIZER CORPORATION OF INDIA LTD.*			
(*i*) *Trombay Unit*			
(a) Ammonia (tonnes) . .	1,15,500	77,799	67
(b) Nitric Acid (tonnes) . .	1,05,600	49,217	47
(c) Urea (tonnes) . . .	99,000	68,508	69
(*ii*) *Sindri Unit*			
(a) Ammonium Sulphate (tonnes)	3,55,000	2,65,830	75
(b) Double Salt (tonnes) . .	1,21,920	49,167	40
(c) Urea (tonnes) . . .	23,470	15,543	66
(*iii*) *Nangal Unit*			
(a) Calcium Ammonia Nitrate (tonnes)	3,14,880	3,09,241	98
(b) Nitric Acid (tonnes) . .	1,80,864	1,78,856	99
(c) Ammonia (tonnes) . .	1,00,224	1,00,296	100
9. *INDIAN DRUGS PHARMACEUTICALS LTD.*			
(*i*) *Surgical Instruments Plant*			
(a) Surgical Instruments (Nos.) and Family Planning Instruments.	24,00,000 Surgical Instruments or 3,96,000 Family Planning instruments	1,82,572*	*
(*ii*) *Synthetic Drugs Plant*			
(a) Tablets (1000 tablets) (target)	5,70,252	2,72,261	48
(b) Bulk Drugs (Kgs.) . .	10,72,668	4,65,916	43
(*iii*) *Antibiotics Plant*			
(a) Sodium Procaine Penicillin (Kgs.)	64,630	4,224	7
(b) Streptomycin Sulphate (Kgs.)	52,497	5,095	10
10. *NATIONAL COAL DEVELOPMENT CORP.*			
Coal (million tonnes) . .	17.00	12.60	74

*Since the production figure includes both the Surgical and Family Planning instruments, percentage utilisation has not been worked out.

1.39. At the instance of the Committee, the Ministry of Finance furnished the following further information on 1st December, 1969:

"The installed capacity, actual production in 1968-69 and the level of utilisation of capacity in 1968-69 of the major (those exceeding Rs. 30 crores of investment) Public Sector Undertakings are in the statement attached*.

"From the statement it will be seen that utilisation of capacity in respect of HEC, MAMC, HMT and IDPL is considerably below 50 per cent. The diversification of production and export efforts in these undertakings, as far as information is available in the Bureau, are indicated below:

"1. *Heavy Engineering Corporation.*

(a) *Heavy Machine Building Plant.*—The existing orders will keep the HMBP fully occupied in 1970-71 and partly in 1971-72 and 1972-73. In 1973-74 a large surplus capacity may emerge for a quantity of 32,000 tonnes of mechanical equipment. To utilise this idle capacity it will not only be necessary to proceed without interruption with the Bokaro Project up to 4 million tonnes but also to take action in regard to new steel plants which may be approved for the fifth plan. A decision has to be taken on this point as early as possible. Another decision also will have to be taken as to whether the Bokaro Steel Project, which is now programmed for 1.7 million tonnes should be expanded to 4 million tonnes or not. In making these two decisions there will be an increased workload on this unit and the intermediate period will be taken up by the preparation of designs and drawings for the fabrication work. The time required for the preparation of drawings and designs would be of the order of 18 months to 2 years."

"(b) *Foundry Forge Plant.*—The capacity of this unit will be utilised up to 1970-71. There are no orders for the period 1971-72 and onwards. The manufacture of gun barrels, pipe moulds, components for marine diesel engines and crank shafts have been taken up to provide a regular flow of orders for the plant. The load on this plant will increase proportionately with the increase of load on the HMBP. In other words, the decisions taken on the

*Please see pages 92—96.

Bokaro Expansion and on a fifth steel plant, referred to in the para above on HMBP, may have a direct impact on the workload of this plant."

"(c) *Heavy Machine Tools Plant.*—At present orders are sufficient for 1969-70. The entire capacity for 1970-71 and onwards is available. The capacity of this plant will be heavily under-utilised. The steel plants programme has no direct relevance to this plant. This is an area of under-utilisation which will have to be dealt with separately by encouraging export or otherwise. It is understood that HMTP have now taken up the manufacture of a number of machine tools and traction gearboxes required by the Railways."

"2. *Mining & Allied Machinery Corporation (Coal Washery)*

An important item of diversification is the development of capabilities to manufacture and supply coal washeries. The National Coal Development Corporation has placed orders for four coal washeries.

D.S.M. Cyclones.—This also constitutes an integral and important part of washery. An order for supply of D.S.M. cyclones is expected to be placed on M.A.M.C. by Sudamdih coal mine.

Mechanical Handling Plant: MAMC's capabilities for manufacture of Mechanical Handling Plants for ports are also being explored. M.A.M.C. has entered into collaboration agreement with Demag, West Germany and Government have given their approval for this agreement.

Manufacture of Hydraulic Props: The agreement entered into by M.A.M.C. with M/s Dowty of U.K. for manufacture of this item has been approved by Government

Tractors: The National Industrial Development Corporation has been commissioned to prepare a feasibility-cum-project report for manufacture of 20 H.P. tractors utilising the spare capacity at HMT, Pinjore and MAMC. MAMC have, in collaboration with Central Mechanical Engineering Research Institute, developed their own design of a proto-type tractor which is under trial now. Nine more proto-types are expected to be produced very shortly and will be tried in the various parts of the country and under various environments including vigorous tests at Budni.

The NIDC's report has since been received and is under examination both by the M.A.M.C. and H.M.T., Kalamassary."

"3. *Hindustan Machine Tools*

This unit has plans to take up the progressive manufacture of new machine tools like Gear Shapers, Gear Hobbers, Size 4 All-electric Milling Machines, Multi-spindle Automatics, Single Spindle Automatics, Heavy Duty Surface Grinders, Heavy Duty Lathes, Turret type Milling Machines, Copying Lathes, Drum Turret Lathes, Multi-Tool Automatics, Horizontal Boring Machines and Broaching Machines. Of these, the company has already commenced production of Horizontal Boring Machines, Single Spindle Automatics, Multi-spindle Automatics, Gear Hobbers and Gear Shapers. Other proposals will take time. In the meantime the manufacture of the following is under their consideration:

(i) Die Casting Machine in Bangalore Unit.

(ii) Printing Machinery in Kalamassery Unit.

(iii) Heavy Duty Presses in Hyderabad Unit; and

(iv) Tractors in the Pinjore Unit.

The progress in respect of these items of manufacture is given below:

"(a) *H.M.T. Kalamassery Unit*—Printing Machinery: The negotiations with the foreign collaborators M/s. Nebiole, Turin, Holy have been taken up for manufacture of printing machinery.

"(b) *H.M.T. Bangalore Unit*—Die Casting Machines: Collaboration agreement with M/s. Inter Fonda, Switzerland, has been approved by Government. Production of these items is expected to be taken up in 1969-70.

"(c) *H.M.T. Pinjore Unit*—Tractors: The National Industrial Development Corporation was commissioned by H.M.T. and Mining and Allied Machinery Corporation to examine the feasibility of manufacture of tractors by utilising the spare capacity at the Pinjore Unit of the H.M.T. and the factory of the HAMC at Durgapur. The report of the

NIDC has since been received and it is currently being examined by HMT and MAMC. The detailed proposals from these companies for tractor manufacture after consideration of report of the NIDC are still awaited.

"(d) *H.M.T. Hyderabad Unit*—Heavy Duty Presses: An agreement with an American party M/s. Verson All Steel Co., U.S.A. has been approved by Government. Production is likely to be of the value of Rs. 50 lakhs in 1969-70. When full production is reached, the production will be for value of Rs. 300 lakhs per year.

Joint Ventures in Third Countries: The H.M.T. have agreed to provide technical assistance to undertake manufacture and setting up of a machine tool factory in Ceylon. The agreement has been entered into with the Ceylon Government Public Sector Corporation. The Government of India have approved this agreement.

"4. *Indian Drugs and Pharmaceutical Ltd.*

In the case of Surgical Instruments Plant in Madras the diversification of production is being established by producing Family Planning instruments of 21 different types. The latest figures indicate that the capacity presently developed is being utilised to the extent of about 80 per cent. of actual production. This is being progressively stepped up to reach about 400,000 Nos. per annum which more or less completely occupy the present installed capacity in the plant.

In the case of synthetic drugs plant at Hyderabad the present utilisation is about 50 per cent of capacity and this is progressively on the increase as their techniques and quality of production stabilises.

In the case of Antibiotics Plant, Rishikesh, the phased programme for development of production capacity will take the plant upto 1970-71 for achieving full capacity for the items originally planned. At present the production is about 50 per cent of the phased target.

"5. *Heavy Electrical (India) Ltd.*

(i) *Heavy Power Equipment Plant*: The achievement of full capacity is expected by 1971-72 as per the original programme. Whereas last year the production was about 20 per cent of the ultimate planned capacity but in the first six months of the current year the production has been about 80 per cent of the installed capacity.

(ii) *Switchgear Plant*: Although the full capacity has been installed last year, actual production was about 21 per cent of the Air Blast Circuit Breakers and 26 per cent in respect of Minimum Oil Circuit Breakers. No diversification programme has been taken up.

(iii) *High Pressure Boiler Plant*: Full production is expected to be achieved in 1971-72 as per original programme. Actual production is over 50 per cent of the ultimate capacity.

These three units are now being studied in depth.

(iv) *Heavy Electrical Equipment Plant*: The undertaking expects to achieve about 50 per cent development of the ultimate capacity by 1972-73, *i.e.*, 800 MW of Turbo sets and 465 MW of Hydro sets as against ultimate capacity of 1,500 MW and 1,200 MW respectively. Last year production was only 178 of medium and large size electrical machines and there was no production in respect of power generating sets. This year also in the first six months 73 medium and large size electrical machines have been turned out against the planned of 108 medium and large size electrical machines. There has not been any output of completed power generating sets.

So far no diversification plan has yet been drawn up by the undertaking although they anticipate considerable under-utilisation of capacity even after the complete picture of the Fourth Five Year Plan's requirement of power generating sets is firmly established."

On the expected contribution for Plan financing expected out of the surpluses to be generated by public sector units during the Fourth Plan and the steps being taken to ensure that these surpluses are realised, the Ministry of Finance have stated as follows:

"The gross internal resources to be generated by the Public Sector enterprises during the Fourth Plan period were estimated at Rs. 1,205 crores. The net resources after allowing for payment of dividends and repayment of loans etc. would be of the order of Rs. 685 crores.

The major steps that have been taken and are being taken, to ensure that these surpluses are released, by increasing the profitability of the enterprises, are summarised briefly in 'A Memorandum—Public Sector Enterprises' circulated along with the budget documents on 28th February, 1969."

1.40. The Committee are concerned to observe that capacities in major public sector undertakings built up at tremendous public cost have remained largely unutilised because of lack of demand and inability to export their products. The position has not improved in any tangible way since they reviewed the matter last. The data furnished to the Committee shows that during 1968-69, a number of major undertakings ran at less than half their capacity. The position was particularly disappointing in the Heavy Machine Tool Project of the Heavy Engineering Corporation where utilisation was barely 3 per cent. It was only a little better with the Mining and Allied Machinery Corporation which ran to 16 per cent of its capacity. Bharat Heavy Electricals and Indian Drugs and Pharmaceuticals did not appreciably fare better. Some undertakings as a makeshift arrangement have started manufacturing products with plant and machinery meant for more sophisticated items. This has provided some work for the idle men and machinery. In this situation, the Committee have cause for serious doubt whether public sector enterprises would be able to contribute towards Plan financing resources of the order of Rs. 685 crores, which is expected of them.

1.41. The Committee observe that Government are themselves seized of the problem and hope that imaginative measures for export promotion and diversification of production would help to improve the position. In their anxiety to generate demand for existing idle units Government should not allow themselves to be hustled into accepting new projects or expansion schemes, without adequate feasibility studies. The experience of the working of public sector units all along suggests the need for extreme circumspection on this account.

NATIONAL DEFENCE FUND

Non-submission of certified annual statements of collections by the authorised banks to the Accountants-General—Para 5.6 (*S. No.* 24)

1.42. In paragraph 5.6, the Committee made the following observation:

"The Committee take a serious view of the fact that a number of banks or branches of banks which were authorised to accept donations to the National Defence Fund have failed to render certified annual statements of collections to the Accountants-General. The information furnished by Government shows that 5,992 banks or Branches of banks had not submitted statements of collections till 30th April, 1968, the statements dating from 1963 onwards. 139 of these banks/branches had not submitted the statements in any year since 1963. The Committee note that instructions issued by the Reserve Bank to the collecting banks in December, 1966 and again in February, 1968 have not brought about any perceptible improvement in the situation and that Government have now suggested to the Reserve Bank a time-limit of three months for the submission of the pending statements. The Committee trust that the matter will be vigorously followed up so as to ensure that no collection remains unaccounted for.".

1.43. In their reply dated 30th September, 1969, the Ministry stated as follows:

"The matter was taken up with the Reserve Bank and by the latter with the banks concerned. According to the information furnished by the A.G.C.R. in March, 1969, there has been a marked improvement in the receipt by the Accountants General of the statements from the banks. The number of banks from whom the statements are still wanting, has come down to almost half as compared to the figures furnished to the Committee in June, 1968. Nevertheless, the Reserve Bank has again issued instructions to the banks on the 7th May, 1969 asking them to send immediately the wanting statements to the Accountant General concerned duly signed by the branch Agent| Manager and Accountant to be followed up by audited statements. It is expected that as a result thereof, the number of wanting statements would be further reduced."

1.44. In a further reply dated the 1st December, 1969, the Ministry of Finance stated as follows:

"According to the latest information received from the Accountant General, Central Revenues, the number of banks from whom the statements are wanting, has further come down by about 700 after March, 1969. The number of banks and their branches, as at the end of June, 1969 (in few cases as at the end of July, 1969 and August, 1969), is now of the order of 2,300 only against nearly 6,000 in June, 1968."

1.45. While the Committee note that the number of banks| branches which have not rendered certified annual statements of collections to the National Defence Fund has come down to 2,300 or about one-third of that in June, 1968, they feel that the position is still unsatisfactory. The Committee note that the Reserve Bank have again issued instructions to the banks on the 7th May, 1969 asking them to send immediately the wanting statements to the Accountants General concerned duly signed by the branch Agent| Manager and Accountant to be followed by audited statements. The Committee would like the matter to be closely followed up by Government.

Accounting of collections for the National Defence Fund by non-official organisations—Para 5.15 *(S. No.* 26).

1.46. In paragraph 5.15, the Committee made the following observation regarding accounting of collections for the National Defence Fund by non-official organisations:

> "The Committee cannot help feeling that the present position in regard to accounting of collections for the National Defence Fund made by non-official organisations is not wholly satisfactory. This is evident from the fact that, apart from 908 receipt books issued to several organisations yet to be 'accounted for', 'proof of remittance of collections in 83 cases amounting to Rs. 41.87 lakhs was not forthcoming' from one State. 'Short remittances' of Rs. 95,600 had also come to notice from reports received from the State Governments so far. Besides, arrangements for audit of collections is still to be made in some cases.
>
> The Committee note the plea put forward during evidence that the non-accounting of the collections 'will not necessarily establish any misappropriation'. The Committee consider that, as bulk of the fund was raised about six years ago, it should have been possible by now to have the accounts of collections audited and settle all matters relating to short realisations, short remittances and non-return of receipt books. The Committee would like concerted efforts to be made to ensure that money which was contributed by the people in the name of a national cause is brought to account."

1.47. In their reply dated 30th September, 1969, the Ministry stated as follows:

"The observations of the Committee have been noted and also brought to the notice of the Chief Secretaries of the State Governments. The State Governments have again been urged to ensure that the contributions to the Fund have been properly accounted for by arranging for necessary audits."

1.48. In a further note dated 1st December, 1969, furnished at the instance of the Committee, the following position has been reported by Ministry of Finance:

"In the note submitted to the Committee in January, 1969, it was *inter alia* indicated that as the State Governments had to collect information from a large number of agencies spread all over the States, the collection of the data inevitably took time. However, the matter has, from time to time, been taken up with the Chief Secretaries impressing upon them the need for the settlement of matters relating to short realisations, non-return of receipt books etc. According to the latest available information, 1718 receipt books are to be accounted for in 12 States including Union Territories against 908 in 9 States including Union Territories last reported to the Committee. The amount to be accounted for is now reported to be Rs. 43.95 lakhs, including the sum of Rs. 41.87 lakhs referred to in the penultimate sentence in para 3 of the note dated the 14th January, 1969. The matter is being pursued."

1.49. The Committee are dissatisfied with the position in regard to accounting of collections for the National Defence Fund made by non-official organisations. It was reported by the Ministry in January, 1969 that 908 receipt books in 9 States had not been 'accounted for'. According to the information now furnished by them, the number of receipt books yet to be 'accounted for' was 1,718 in 12 States. According to the previous report, 'proof of remittance of collections' amounting to Rs. 41.87 lakhs was 'not forthcoming'. The amount in this respect has now been reported to be Rs. 43.95 lakhs. Not much headway has also apparently been made in the audit of collections. The Committee are distressed over this state of affairs and strongly feel that Government should pursue and settle these accounts with greater zest and determination.

Overdrafts of State Governments with the Reserve Bank—Para 3.47 (S. No. 19).

1.50. In paragraph 3.47, the Committee made the following observation:

"The Committee are greatly perturbed over the persistence and the size of overdrafts run up by some of the State Governments with the Reserve Bank of India. Consequently, the Government of India have had to advance loans to the State Governments on a progressively increasing scale to help them clear their overdrafts. Some idea of the magnitude of the problem can be had from the fact that such loans rose from Rs. 51 crores in 1965-66 to Rs. 108 crores in 1966-67 and Rs. 118 crores in 1967-68. Apart from this, some of the State Governments had 'unauthorised overdrafts', totalling Rs. 31.53 crores as at the end of March, 1968. As pointed out by the Finance Commission in their Interim Report, 'the occurrence of such overdrafts and their practically automatic clearance by the Centre through *ad hoc* loans have grave effects on the national economy'. They diffuse the responsibility for decisions affecting money supply and 'violate' a 'fundamental principle of sound monetary management' that a country with a unified currency system cannot afford 'to have more than one independent authority taking measures which result in increase of money supply'. Besides, as pointed out by the Finance Commission, 'the benefits of this violation go to a few States which draw on the national resources at their own will without any scrutiny of their needs at the national level; while the burdens are borne by all, including the States which are less prosperous'. The Committee hope that the various measures recommended by the Finance Commission to overcome this situation will be rigorously enforced by the Government of India."

1.51. In their reply dated 30th September, 1969, the Ministry stated as follows:

"The observations of the Committee have been noted."

1.52. At the instance of the Committee, the Ministry furnished the following further information dated 1st December, 1969:

"The details of State Governments' overdrafts on the Reserve Bank as on 31st March, 1969 and 30th September, 1969 are as under:

(In round lakhs of rupees)

State	Overdrafts as on			
	31-3-1969		30-9-1969	
	Unauthorised	Authorised	Unauthorised	Authorised
Andhra Pradesh	53	6,50	5,80	6,50
Assam	17,65	3,20	—	2,48
Bihar	—	39	—	1,74
Kerala	5,52	5,40	—	2,22
Mysore	19,78	3,98	—	—
Orissa	15,61	2,70	—	—
Rajasthan	32,27	1,31	27,90	1,31
Tamil Nadu	25,11	4,95	1,89	4,95
Uttar Pradesh	28,21	12,55	—	—
West Bengal	—	—	1,39	2,35
	144,68	40,95	36,98	21,55

The recommendations of the Fifth Finance Commission regarding avoidance of unauthorised overdrafts have been brought to the notice of State Governments. Requests for ways and means assistance received from State Governments which run into overdrafts are considered by the Government of India sympathetically on merits. The Central Government also deputed a Central Team of officers of the Finance Ministry and the Planning Commission, in May/June, 1969 to Assam, Orissa and Rajasthan which had been running overdrafts for long periods to discuss their financial problems. The Team's recommendations have been communicated to the State Governments concerned for necessary action."

1.53. While the Committee note that there has been a substantial reduction in the size of overdrafts run up by the State Governments with the Reserve Bank of India, they feel that the position still leaves a lot to be desired. The amount of such overdrafts as on 30th September, 1969 was over Rs. 58 crores, unauthorised overdrafts accounting for nearly Rs. 37 crores. The Committee hope that the Government of India will be able to evolve a procedure to further minimise, if not avoid, such overdrafts.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

While the Committee are glad to note that over-all revenue receipts during the year 1966-67 approximated closely to the budget estimates, they find that there were wide variations during that year between the estimates and actuals under some of the Principal Heads of Tax Revenues. Under the head 'Corporation Tax', the realisation was less than the estimates by Rs. 41.27 crores (11.09 per cent of the estimates) while, under the head 'Customs', the realisation exceeded the estimates by Rs. 25.17 crores (4.49 per cent of the estimates). In regard to some of the individual direct taxes, the variations were still wider, being 473.33 per cent, 23.36 per cent and 35,66 per cent under the Estate Duty, Wealth Tax and Gift Tax respectively. This indicates that there is scope for improvement in the technique of estimation by the Tax Planning Cells in the Boards of Direct Taxes and Indirect Taxes.

The Committee hope that the recent trend toward realistic estimation of revenues would be not only sustained but improved upon so that the estimates under the different heads correspond more closely to the actual. (Sl. No. 1 of Appendix VIII to 55th Report 4th Lok Sabha).

Action Taken

The observations of the Committee have been noted. Every effort is made to make as accurate estimation of revenues as possible. Steps are also taken continuously to improve the technique of budget estimation. These include regular collection of statistical data and improvement of its accuracy and coverage, study of economic trends and analysis of arrear demands etc.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F.8(3)-B/69, dated 30-9-69].

Recommendation

The Committee would like Government to keep under constant watch the expenditure on 'General Administration' and to explore the scope for further economies. A systematic study of the staffing pattern in the major departments of Government should be undertaken by the Staff Inspection Unit of the Ministry of Finance on a phased programme and posts found surplus as a result of the study should be surrendered.

(S. No. 2 of Appendix VIII to 55th Report—4th Lok Sabha).

Action Taken

The observations of the Committee have been noted. The Staff Inspection Unit reviews the staff position in Ministries/Offices through a regular programme of work measurement studies. It also undertakes *ad hoc* reviews on special requests from Ministries/Offices not included in the programme. Since the inception of the Unit in April, 1964, there has been progressive increase in the number of reviews and the resultant economy achieved, as may be seen from the following figures:—

Year	No. of reviews conducted	No. of posts studied	No. of posts found surplus			Economies (per annum) (Rs. in lakhs)		
			Direct	Denied	Total	Direct	Preventive	Total
1964-65	32	5796	1192	726	1918	43·02	31.43	74.45
1965-66	35	6006	1083	1450	2533	38.20	56.54	94·74
1966-67	53	15511	2523	2450	4973	106·11	105.45	211.56
1967-68	62	19901	2936	2052	4988	130·80	119.20	250.00
1968-69	96	28031	3985	3163	7148	164.58	140.28	304.86

The economies indicated above do not include the economies consequent on norms studies conducted by the Staff Inspection Unit. Such studies in respect of certain major sectors—Divisions of the P&T Department, Income-tax Department, Central Excise and All India Radio—are currently on hand. When completed, the application of the norms is likely to result in substantial economy in expenditure.

As it is not possible for a single unit like the Staff Inspection Unit to complete the study of all Central Government establishments within a reasonable period, it has recently been decided to enlist the assistance of Internal Work Study Units of the Ministries in the matter. They are required to draw up regular programmes of work measurement studies within the Ministries and copies of these programmes as well as the reports issued by them are required to be sent to the Staff Inspection Unit of the Ministry of Finance who may, if considered necessary, carry out supplementary checks to satisfy themselves with respect of the soundness of their recommendations.

It is hoped that these measures will help achieve maximum economies in the field of "General Administration" consistent with the needs of efficiency within a reasonable period.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F.8(3)-B/69, dated 30-9-69].

Further Information desired by the Action—Taken Sub-Committee

Please state:

(i) which of the Departments/public sector undertakings were covered by the review, shown in the table, indicating the name of the Department|undertaking and the number of surveys relating thereto in each of the years mentioned in the table.

(ii) the number of posts found surplus, department-wise/undertaking-wise in each of the years mentioned in the table (under the category "Direct").

(iii) the number of surplus posts vide (ii) above which were surrendered.

(iv) whether all the surplus posts were intimated to the Ministry of Home Affairs which is understood to be administering the surplus pool.

(v) the number of surplus posts borne on the pool administered by the Home Ministry year-wise since 1964-65.

(vi) the precise implication of 'denied' posts—whether this means that posts the creation of which was contemplated by the Department concerned were actually not created as a result of review by the Staff Inspection Unit.

(vii) what period has been prescribed for review to be carried out by Staff Inspection Unit of various Departments and on what criteria this periodicity has been fixed.

Government's Reply

REPLIES

(i) & (ii) Two statements are attached. Statement I is a complete list showing the Ministries/Deptts, as well as the attached and subordinate offices and public undertakings under them. It is also inclusive of some Union Territories administration. In Statement II, the information relating to public undertakings/autonomous bodies as included in Statement I has been separately indicated.

(iii) & (iv). The information is not centrally available with the Ministry of Finance. This will be available only with the respective administrative authorities.

(v) This information also is not available with the Ministry of Finance. The details of the surplus posts reported to the M.H.A. from time to time by various Ministries/Departments will be available only with that Ministry.

(vi) The presumption is confirmed.

(vii) No periodicity has been prescribed.

STATEMENT I

Statement showing names of Ministries/Offices revised by the Staff Inspection Unit and the number of Posts found Surplus in each case

Sl. No.	Name of the Organisation	No. of posts recommended and agreed to be reduced from sanctioned strength	Remarks
1	2	3	4
	1964-65		
	MINISTRIES|OFFICES		
1	Deptt. of Supply & Technical Development	4	
2	Department of Legal Affairs . .	11	
3	Ministry of Works & Housing . .	32	
4	Deptt. of Revenue (Central Board of Excise & Customs) . . .	31	
5	Department of Mines & Metals .	21	
6	Department of Co-operation . .	17	
7	Department of Food . . .	126	
8	Department of Petroleum . . .	6	
9	Ministry of Information & Broadcasting	40	
10	Ministry of Civil Aviation . . .	4	
11	Ministry of Transport . . .	19	
12	Ministry of Commerce . . .	51	
13	Department of Chemicals . . .	..	
14	Department of Economic Affairs .	..	
	Attached and Subordinate Offices		
15.	Directorate General of Supplies & Disposal (3 Directorates) . . .	40	
16.	Directorate of General of Technical Development	127	
17.	Directorate General of Exp. & Training	11	
18.	Office of the National Savings Commissioner, Nagpur . . .	14	

1	2	3	4
19	Office of the Collector of Customs, Bombay	255	
20	Directorate of Inspection, Income Tax (Research, Statistics & Publication)	22	
21	Office of the Registrar General of India	92	
22	Directorate of Military Regulation & Forms	6	
23	Indian Bureau of Mines	85	
24	Directorate of Sugar & Vanaspati	27	
25	Song & Drama Division (Min. of I & B)	..	
26	Office of the Agricultural Marketing Adviser, Nagpur	67	
27	Rehabilitation Finance Administration	3	
28	Regional Passport Office, New Delhi	1	
29	Directorate of Military Lands & Cantt.	17	
30	Office of the Development Commissioner, Small Scale Industries	57	
	Other Organisations		
31	Office of the Chief Commissioner, Andaman & Nicobar Islands	..	
32	Delhi Electric Supply Undertaking (Admn. & Stores Department) —	16	Autonomous bodies shown separately in Statement II.
	TOTAL	1192	
	1965-66		
	Ministries/Departments		
1	Min. of I & P (Ganga Basin Orgn.)	13	
2	Deptt. of Heavy Engineering	4	
3	Department of Chemicals	2	
4	Min. of Works & Housing (Arbitration Cell)	..	
5	Ministry of Civil Aviation	14	
6	Ministry of Health	13	

1	2	3	4
7	Deptt. of Expenditure (Selected 3 Branches)	1	
8	Ministry of Transport . . .	22	
9	Planning Commission (Admn. & Housing keeping Sections) . .	44	
	Attached/Subordinate Offices		
10	Directorate of Inspection, Customs and Central Excise	14	
11	Dte. of Advertising & Vusual Publicity	92	
12	C.P.W.D. (Office of the Chief Engineer)	71	
13	India Aid Mission, Nepal . . .	89	
14	Dte. of Economics & Statistics (Min. of F,&A.)	59	
15	Controller of Aerodromes, Delhi .	3	
16	Controller of Communications, Delhi .	3	
17	Controller of Aeronautical Inspection, Delhi	9	
18	Controller of Aerodrome, Bombay .	7	
19	Controller of Aeronautical Inspection, Bombay	11	
20	Regional Meterological Centre, Bombay	16	
21	Regional Metrological Centre, Delhi	16	
22	Seamen's Employment Office, Calcutta	26	
23	Salary and Refund Circles of Income Tax Department, Delhi . . .	4	
24	D.G.S. & D. (H. Qrs.) (some sections)	175	
25	*Delhi State Division (Budget) Section)	..	
26	Commissioner for Scheduled Castes and S.T.	5	
27	*Deptt. of Expenditure (Hindi Translation)	..	
28	*Controller of Defence Accounts (Funds) Meerut	..	
29	Jute Commissioners' Office, Calcutta .	8	

*Only preventive economy effected.

1	2	3	4
30	Silver Refinery, Calcutta . . .	11	
31	Coal Controllers' Office . . .	81	
32	Mines & Metals Trading Corporation .	15	
33	*Central Social Welfare Board . .	54	
34	Kolar Gold Mines Undertaking (Non. industrial monthly rated staff). .	117	
35	Manipur Administration (Secretariat)	84	
	TOTAL :	1083	
	1966-67		
1	Min. of Fin. (Deptt. of Rev. & Ins.) Central Board of Direct Taxes & Hindi Section	4	
2	Min. of Finance, Supply Finance Divn. Calcutta	3	
3	Planning Commission Headquarters .	46	
4	Department of Social Welfare . .	27	
5	Min. of Law, Branch Secretariat, Bombay	3	
6	Department of Communications .	13	
7	Deptt. of Communications (Hqrs. of Monitoring Orgn.)	4	
8	Ministry of Industry . . .	74	
9	Department of Rehabilitation . .	43	
10	Department of Community Development	54	
11	Ministry of Education (Non-gazetted Staff)	65	
12	Ministry of Transport & Shipping (Roads Wing Sectt. staff) (Roads Wing Tech. Staff)	53	
	Attached & Subordinate Offices		
13	Financial Adviser & Chief Accounts Officer, Farakka Barrage . . .	3	

*Autonomous Bodies shown separately in Statement II.

1	2	3	4
14	Spare Parts Distribution Centre, Indian Navy	160	
15	Deptt. of Light Houses & Light Ships .	9	
16	Aeronautical Communication Station, Palam	9	
17	Controller of Defence Accounts (Officers), Poona	17	
18	Collectorate of Customs, Madras .	49	
19	National Museum	59	
20	Central Hindi Directorate . . .	46	
21	Research & Dev. Organ. (Deptt. of Defence Production) . . .	98	
22	Regional Offices of N.S.C., Bombay and Lucknow	6	
23	Aerodrome Office, Palam . .	70	
24	Directorate General of Archaelogy .	23	
25	Central Health Education Bureau .	27	
26	Directorate General of Health Services	126	
27	Kolar Gold Mining Undertaking .	602	
28	Dte. of Light Houses & Light Ships, Calcutta	1	
29	Chief Inspector of Mines, Dhanbad	37	
30	Indian Agriculture Research Institute	9	
31	Overseas Communications Service (Hqrs.) Bombay . . .	49	
32	Commission for Scientific & Technical, Termonology	28	
33	Office of the Director Labour Bureau, Simla	69	
34	Dte. General of Posts & Telegraphs (Directors)	6	
35	Shipping Office, Calcutta . . .	21	
36	Dandakaranya Development Authority (1st Phase)	72	
37	Safdarjung Hospital (non-medical Staff)	9	

1	2	3	4
38	National Institute of Communicable Diseases	12	
39	National Fillaria Control Programme	4	
40	Office of the Controller of Printing & Stationery	82	
41	Directorate General of Health Services (Stenos)	4	
42	Office of the Controller of Defence Accounts (Pens.)	97	
43	Planning Commission Committee on Plan Projects and Programme Evaluation Organisation	37	
44	Directorate of Supplies & Disposal, Bombay	32	
45	Directorate of Extension (Non-gazetted Staff)	60	
46	Small Industries Service Institute, Bombay	30	
47	Dte. of Tecnnical Development and Production (Air)	..	
48	Delhi Admn.-Housing Commissioner & Financial Adviser	7	
49	Pondichery Secretariat	37	
50	Pharmacy Council of India . .	6	
51	Delhi Administration-Land & Development Office	39	
52	Collector of Customs & Central Excise, Cochin	6	
53	Directorate General Shipping, Bombay	26	
	TOTAL .	2523	
	1967-68		
1	*Ministry of External Affairs* . .	154	
2	Progress & Inspection Wings, D.G.S. & D.	18	
3	Directorate General of Employment & Training	27	

1	2	3	4
4	C.W. & P. C. (Power Wing)	56	
5	C.W. & P. C. (Water Wing)	80	
6	Central Silk Board, Bombay (Hq.)	14	
7	Directorate General of All India Radio	90	
8	*Overseas* Communication Station, New Delhi	9	
9	Collectorate of Central Excise, Hyderabad	16	
10	Collectorate of Central Excise, Bombay	65	
11	Directorate General, Roads (Technical Wing)	62	
12	Directorate General of Supplies & Disposals (Disposals Wing)	21	
13	Rehabilitation Industries Corporation Ltd., Calcutta	72	Autonomous organisations shown separately in Statement II.
14	Geological Survey of India, Calcutta	42	
15	Small Industries Service Institute, Calcutta	21	
16	Office of the Director General, Department of Tourism	44	
17	Regional Offices of the Ministry of Education at Madras and Bombay	3	
18	Ministry of Education (Gazetted Officers & LDCs)	69	
19	Office of the Regional Director (Food), Western Region, Bombay	105	
20	Central Statistical Organisation, New Delhi	49	
21	Office of the Director General, Factory Advice Service & Labour Institute, Bombay	9	
22	Deptt. of Iron & Steel, New Delhi	6	
23	Central Statistical Organisation, New Delhi	7	

1	2	3	4
24	Office of the Settlement Commissioner, New Delhi	218	
25	Office of the Collector of Customs, Calcutta	23	
26	Directorate of Extension (Deptt. of Agriculture)	15	
27	Indian Airlines Corporation (Finance Hqrs. Deptt.)	30	Autonomous organisations shown seperately in Statement II.
28	Central Statistical Organisation . .	6	
29	National Archives of India, New Delhi	54	
30	Regional Settlement Commissioner, Delhi	182	
31	Civilian Personnel Directorate Naval Headquarters	11	
32	Trade Marks Registry, Bombay .	47	
33	Dandakaranya Development Authority	132	
34	Directorate General of Civil Aviation .	108	
35	Embassy of India, Rangoon . .	28	
36	Iron & Steel Controller, Calcutta .	..	
37	Director General Ordnance Factories, Calcutta	111	
38	Controller of Aerodromes, Dum Dum, Controller of Communications, Dum, Dum, Controller of Aeronautical Inspection, Calcutta . . .	38	
39	Trade Marks Registry, New Delhi .	6	
40	Directorate General, N.C.C. .	12	
41	High Commission, Ceylon (Excluding Commercial Section but including Asstt. H. C., Kandy.)	*	*Preventive economies effected in respect of additional requirements.
42	Films Division, Bombay .	44	

(1)	(2)	(3)	(4)
43	National Archives of India .	2	
44	National Stores Depot, Vishakhapatnam . . .	13	
45	Regional Passport Office, Bombay .	..	
46	Regional Passport Office, Delhi . .	..	
47	Collectorate of Central Excise, Baroda	18	
48	National Fire Service, Nagpur .	6	
49	Central Emergency Relief Traning Institute, Nagpur (Ministry of Home Affairs.)	3	
50	Liaison Cell of Heavy Vehicles Factory, New Delhi . . . (Ministry of Defence)	9	
51	Collectorate of Central Excise; Allahabad . . .	16	
52	Directorate of Extension (Deptt. of Agriculture) . . .	26	
53	Directorate General of National Cadet Corps, New Delhi .	7	
54	Dandakaranya Development Authority (III Phase)	254	
55	Indian Meteorological Department, New Delhi . . .	34	
56	International Airport, Santa Cruz, Bombay . .	33	
57	Controller of Communications, Bombay . . .	4	
58	Aeronautical Communication Station, Bombay . . .	23	
59	D.G.S.&D. (Purchase Dtes.) .	50	
60	D.G.S. & E. (Northern Inspection Circle), New Delhi .	6	
61	Publication Division, Delhi .	25	
62	Himachal Pradesh Government .	303	
	TOTAL .	2936	

(1)	(2)	(3)	(4)
1968-69			
	Ministries & Departments		
1	Ministry of Commerce (Dte. of Exhibitions) . . .	16	
2	Ministry of Commerce (Dte. of Commercial Publicity) . .	12	
3	Department of Company Affairs .	42	
4	Ministry of Commerce (Dtes. of Weights, Measures, Transport and Commissioner of Civil Supplies) .	14	
5	Department of Parliamentary Affairs	..	
6	Ministry of Labour & Rehabilitation .	40	
7	Department of Company Affairs .	10	
8	Deptt. of Rev. & Insurance (Hindi Section) . . .	1	
	Attached & Subordinate Offices		
9	Regional Dte. of Food, Western Region, Bombay . . .	108	
10	Publications Division, Delhi .	70	
11	Embassy of India, Kathmandu and its Attached Offices .	64	
12	Aerodrome Office, Jaipur .	12	
13	Aerodrome Communications Station, Jaipur . . .	3	
14	Controller General of Patents & Design, Calcutta . .	23	
15	Trade Marks Registry, Bombay .	15	
16	Office of Coal Controller, Calcutta .	100	
17	Farakka Barrage Project (Engg. & Technical) . . .	19	
18	Farakka Barrage Project (Non-Technical) . . .	140	
19	D.G.O.F., Calcutta . . .	39	
20	Regional Passport Office, Calcutta .	..	
21	Chief Labour Commissioner, (Central)	11	

(1)	(2)	(3)	(4)
22	All India Institute of Medical Sciences, New Delhi.	11	
23	India Security Press & Currency Press, Nasik	21	
24	Regional Dte. of Food (Western Region), (Engg. Unit), Bombay.	78	
25	External Affairs Hostel, New Delhi.	6	
26	Coal Superintendent, Calcutta.	135	
27	Regional Dte. of Food (Lab. Sec.) Western Region, Bombay.	..	
28	Office of the Chief Technical Examiner, Central Vigilance Commissioner, New Delhi.	4	
29	Dte. General of Civil Aviation.	1	
30	Rehabilitation Reclamation Organisation, Jeypore (Orissa)	10	
31	National Building Organisation, Delhi.	27	
32	Naval Store Depot, Cochin.	8	
33	Indian High Commission in Ceylon (Commercial Section)	2	
34	Indian Museum, Calcutta.	8	
35	Collectorate of Central Excise, Bangalore	11	
36	Collectorate of Central Excise, Poona.	13	
37	Dte. of Food, Southern Region, Madras (Madras Harbour—Shipping Office)	230	
38	Controller of Aeronautical Communication Station, Dum Dum, Calcutta.	29	
39	Film Institute of India, Poona.	21	
40	Regional Settlement Commissioner, U.P. Region.	128	
41	Dandakaranya Development Authority, Koraput, Orissa.	62	
42	Regional Directorate of Food, Southern Region, Madras.	63	
43	Regional Commissioner of Settlement, Rajasthan Region.	78	

(1)	(2)	(3)	(4)
44	International Airport, Dum Dum.	59	
45	Chief Inspectorate of Electronics, Bangalore.	..	
46	Govt. Shipping Office, Bombay.	..	
47	Joint Dte. of Food, Vishakhapatnam and Central Storage Depots Nagapattanam, Pondicherry etc.	104	
48	Trade Marks Registry, Madras.	3	
49	Regional Settlement Commissioner, Bombay.	75	
50	Controller of Aerodromes, Madras Region, Madras.	3	
51	International Aerodrome, Madras.	33	
52	D.G., AIR, (Hqrs. Office).	49	
53	Forest Research Institute, Dehra-Dun	77	
54	Controller of Communications, Madras Region, Madras.	4	
55	Aeronautical Communication Station, Madras.	15	
56	Office of the Controller of Defence Accounts (Air Force), Dehra-Dun.	..	
57	Dte. of Supplies & Disposals, Calcutta.	65	
58	Regional Settlement Commissioner, M.P. Region.	32	
59	Controller of Radio — Construction and Development Unit, New Delhi (Class III Technical & Class IV Staff)	3	
60	Ministry of Defence (Pension—Paying Office at Pokhra and Dharan in Nepal)	8	
61	Pay & Accounts Office, New Delhi (Supply).	49	
62	Training Ship "Dufferin", Bombay.	..	
63	All India Radio (Class III Tech. & Class IV Cleaners).	93	

(1)	(2)	(3)	(4)
64	Government of Himachal Pradesh, Simla (Dte. of Lands records and consolidation)	4	
65	—do— (Chief Engineer-cum-Secretary Deptt. of M.P. & Power) .	22	
66	—do— (Dte. of Health Services) .	24	
67	—do— (Dte. of Education) . .	23	
68	—do— (Dte. of Employment and Training)	4	
69	—do— (Dte. of Industries) . .	18	
70	—do— (Dte. of Tourism). . .	..	
71	—do— (Secretariat) . . .	6	
72	—do— (Inspector-General of Police) .	..	
73	—do— (Chief Conservator of Forest)	14	
74	Tripura Government (Sectt.) Agartala. .	79	
75	Tripura Government, Agartala, P.W.D. .	11	
76	—do— (Survey & Settlement Office)	62	
77	—do— (Deptts. of Industries, Agri. Cooperatives, Forests & Public Relations) . . .	120	
78	—do— (Dte. of Medical & Public Health).	31	
79	—do— (Deptt. of Statistics). . .	24	
80	—do— (Dist. Magistrate & Collector's Office). . . .	21	
81	—do— (Labour Directorate). . .	10	
82	—do— (Addl. Dist. Magistrate—Supplies).	19	
83	—do— (Dte. of Education). . .	53	
84	—do— (Animal Husbandry Deptt. & A.D.M. & Collector—Developments). . . .	55	

(1)	(2)	(3)	(4)
	Public Sector Undertakings|Autonomous Bodies		
85	Indian Airlines Corporation (Hqrs.) Delhi.	48	Shown separately in Statement.
86	Employees State Insurance Corpn., New Delhi.	31	
87	National Small Industries Corpn, New Delhi.	264	
88	Indian Council of Cultural Relations, New Delhi.	24	
89	University Grants Commission, Delhi	75	
90	Salarjung Museum, Hyderabad.	56	
91	Bokaro Steel.	..	
92	Rubber Board, Kottayam.	243	
93	Coffee Board, Bangalore.	82	
94	Indian Council of Medical Research, New Delhi.	9	
95	National Council of Education Research and Training, New Delhi.	105	
96	National Council of Educational Research and Training, New Delhi.	36	
	TOTAL	3930*	

**Note*: In the "action taken" note originally submitted the "Number of posts found surplus (direct)" was shown as 3985 against the year 1968-69. This should be read as 3930.

STATEMENT II

Statement showing the number of reports issued from 1964-65 to 1968-69 in respect of Public Undertakings|Autonomous Bodies etc.

Sl. No.	Year	Name of the Organisation	Posts recommended for reduction
1.	1964-65 .	Delhi Electricity Supply Undertaking (Admn. & Stores Department) . .	16
2.	1965-66 .	Central Social Welfare Board . .	54
3.		Kolar Gold Mines Undertaking (Non-Industrial monthly rated staff)	117
4.	1966-67 .	Kolar Gold Mines Undertaking . .	602
5.	1967-68 .	Rehabilitation Industries Corporation Ltd., Calcutta	72
6.		Indian Airlines Corporation (Finance-Headquarters Departments)	30
7.	1968-69 .	Indian Airlines Corporation (Hqrs). Delhi	48
8.		Employees State Insurance Corporation, New Delhi .	31
9		National Small Industries Corpn., Delhi	264
10		Indian Council of Cultural Relations, New Delhi.	24
11.		University Grants Commission, Delhi .	75
12.		Salarjang Museum, Hyderabad . .	56
13.		Bokaro Steel	..
14.		Rubber Board, Kottayam	243
15.		Coffee Board, Bangalore . . .	82
16.		Indian Council of Medical Research, New Delhi	9
17.		National Council of Educational Research & Training, New Delhi . .	105
18.		National Council of Educational Research and Training, New Delhi .	36
		TOTAL . . .	1864

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(84)-B/69 dated 1-12-1969]

Recommendation

The Committee have been repeatedly impressing upon Ministries|Departments the need to frame realistic estimates. During the year 1966-67, the savings that occurred in 22 Grants exceeded 20 per cent of the total grant. Savings in seven Grants alone amounted to Rs. 184.12 crores. The Committee would like to reiterate that estimating on the safe side is as much open to objection as estimating on the low side. Indeed, from one point of view, 'safe' estimating is even more objectionable, as it inflates unnecessarily the requirements of resources, and, in the process, might well lead to needless additional taxation. The Committee trust that effective steps will be taken by the Ministry of Finance to ensure that the Ministries/Departments frame more realistic estimates.

The Committee would like to watch the results of the measures mentioned in paras 1.14-1.15 of the Report through future Audit Reports.

(*S. Nos.* 3 & 4 *of Appendix VIII to* 55*th Report—4th Lok Sabha*).

Action taken

The framing of realistic estimates depends upon the soundness of the basic data prepared by the administrative authorities and in this, their judgement has necessarily to play an important part. Instructions have been issued to the administrative Ministries from time to time emphasising the need for framing their budget proposals on a realistic basis. The latest in the series is dated the 29th April, 1969 and was issued with reference to the observations in paras 1.4 and 2.2 of the 31st Report of the Public Accounts Committee (4th Lok Sabha). In particular, the Ministries have been asked to include in the budget only such schemes/proposals as have been worked out in complete detail and have a reasonable prospect of being carried through during the financial year. In cases where the schemes are not fully worked out at the budget stage and a realistic estimate of the likely expenditure during the year is not found possible, provision for preliminary expenses and immediate requirements only should be included in the budget as far as possible subject to review later on during the financial year on the basis of the progress made in the planning and sanction of the scheme. Normally, making lump provisions in the budget on the basis of rough assessment is discouraged. Orders are proposed to be issued to the effect that they will be permitted only in the most exceptional cases e.g. where urgent measures are to be provided for meeting emergencies or where comparatively moderate amounts are to be incurred on items like preliminary expenses in a project for which only a rough estimate can be made and details cannot be furnished. Instructions have also been issued to the Financial Advisers that before accepting the inclusion of a provision in the Budget, they should satisfy themselves about the prospects of the amounts being utilised during the year. In order to enable the Ministry of Finance to make a thorough scrutiny of the budget proposals the administrative Ministries are required to ensure that the time schedules drawn up by them in consultation with their F.As. for the formulation of budget proposals are strictly adhered to and that the budget proposals reach the Finance Ministry in time and in sufficient detail.

2. To aid the process of budget scrutiny, the Ministry of Finance issued in 1962 a "Check List for Budget Scrutiny" to all Ministries indicating in detail the salient points to be looked into in connection with the preparation of budget estimates and the types of checks that should generally be exercised in the scrutiny of the budget.

3. The arrangements for budgetary and financial control in the Ministries have also been under constant review. The latest orders on this are contained in the Ministry of Finance O.M. No. F.10(3)-E(Coord)|67, dated the 18th October, 1968. According to these orders it is obligatory for each Ministry to have an Internal Financial Adviser who will be in charge of the Budget, Accounts and Internal Finance Cells. The need for organising these cells with suitably trained and qualified staff has been urged in the Instructions. It will be the duty of the Internal Financial Adviser *inter alia*, to keep himself closely associated with the formulation of schemes and important expenditure proposals from their initial stage, ensure proper maintenance of expenditure control registers and liability register and scrutinise budget proposals thoroughly before sending them to the Ministry of Finance.

4. Incidentally it is observed from the Audit Reports (Civil) relating to the last three financial years that there has been some improvement in the preparation of budget estimates and expenditure control as shown below:—

(Rs. Crors)

Year	Total Budget provision	Number of Grants/Appropriations in which savings/excesses occurred	Amount of savings (Net)	% of savings to budget provisions
1965-66 .	10538.44	178	237.44(242.38)	2.25
1966-67 .	13106.15	178	232.39(241.82)	1.77
1967-68 .	13451.03	174	167.32(172.98)	1·24

(*Note*: The figures in brackets indicate gross savings).

Though the total Budget provision has been increasing from year to year, the net savings have been coming down, both in absolute terms and as a percentage of the total budget provision. The picture of gross savings also shows a similar improvement.

5. While there are well-recognised limitations in achieving close approximation between the budget estimates and actual expenditure—*i.e.* the time gap between the preparation of budget estimates and the incurring of expenditure, emergence of unforeseen factors, variations due to other factors outside Government's control etc.—it is expected that the various measures referred to above together with the introduction of a system of forward looking budget as recommended by the Administrative Reforms Commission would help in the framing of more realistic Budget estimates in future years.

[Ministry of Finance (Department of Economic Affairs) O. M. No. F. 8(3)-B|69 dated 30-9-69].

Recommendation

The Committee have been repeatedly urging Ministries/Departments to surrender savings as soon as the possibility of such savings is envisaged without waiting till the end of the year. The Ministry of Finance had also issued instructions to this effect in October, 1962. The Committee are pained to observe that there has been no improvement in the matter, and there has hardly been a year in which practically the entire surrender was not made in the month of March. This shows that the instructions issued by the Ministry of Finance have had no effect on the Ministries. The Committee would like the Ministry of Finance to take effective steps to ensure that the provisions of the Rules in this regard are strictly complied with by the Ministries.

(*S. No.* 5 *of Appendix VIII to* 55*th Report of the Public Accounts Committee—4th Lok Sabha*).

Action taken

Necessary instructions have been issued to the Ministries, in consultation with the Comptroller and Auditor General of India, *vide* this Ministry's O.M. No. F. 8 (67)-B|69 dated the 27th September, 1969 (copy enclosed).

[Ministry of Finance (Department of Economic Affairs) O. M. No. F. 8(3)-B|69 dated 30-9-69].

No. F. 8(67)-B|69

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

New Delhi, the 27th September, 1969.

OFFICE MEMORANDUM

SUBJECT:—*Surrender of anticipated savings.*

The undersigned is directed to state that in para 1.21 of their 55th Report, the Public Accounts Committee (4th Lok Sabha) have observed as under:—

> "The Committee have been repeatedly urging Ministries/Departments to surrender savings as soon as the possibility of such savings is envisaged without waiting till the end of the year. The Ministry of Finance had also issued instructions to this effect in October, 1962. The Committee are pained to observe that there has been no improvement in the matter, and there has hardly been a year in which practically the entire surrender was not made in the month of March. This shows that the instructions issued by the Ministry of Finance have had no effect on the Ministries. The Committee would like the Ministry of Finance to take effective steps to ensure that the provisions of the Rules in this regard are strictly complied with by the Ministries."

Rule 69 of the GFRs (1963) and the Notes as well as the Government of India's decision thereunder require that all anticipated savings should be surrendered immediately they are foreseen without waiting till the end of the financial year and that no saving should be held in reserve for future possible excesses. The need for exercising strict budgetary control and of surrendering savings in the sanctioned Grants/Appropriations as soon as they are anticipated instead of postponing the same till the end of financial year has been stressed time and again. In this connection attention is invited to this Ministry's O.M. No. F.8(4)-B|..E dated the 21st October, 1967 with which earlier instructions in this regard were also circulated. Under the existing arrangements for budgeting and financial control and delegation of financial powers to Ministries, as revised in this Ministry's O.M. No. F.10 (3)-E (Coord.)|67 dated the 18th October, 1968, (*vide* App. I thereto) the Internal Financial Advisers are *inter alia* required to ensure that a month to month picture of the entire expenditure falling within the jurisdiction of the Ministry is available and that proper registers for watching liabilities, book debits etc. are maintained to facilitate systematic review of the progress of expenditure against sanctioned grants/appropriations. It is, therefore, requested that with the help of the expenditure control registers etc. required to be maintained, the administrative Ministries should review their Grants/Appropriations from time to time and report savings periodically to their accredited Finance Divisions in the Department of Expenditure in a statement in the form enclosed by the following dates:—

Period covered by the review	Date of submission to the Expenditure Department
(a) April-September . . .	5th November
(b) April-November . . .	5th January
(c) April-December . . .	5th February
(d) Final Review	15th March

On receipt of the statements, the Department of Expenditure will review the position with particular reference to the major provisions in the Grant/Appropriation and forward the statements, with their comments, to the Budget Division for necessary action.

The Ministry of Home Affairs etc. are requested to note these instructions carefully for compliance and also issue suitable instructions to their attached and subordinate offices.

Sd|- MANJIT SINGH,

Under Secretary to the Government of India.

To

All Ministries/Departments, etc.

No. F. 8 (67) -*B*|69

Copy forwarded for information and necessary action to:—

(i) All the Expenditure Divisions, EG I Branch and E-Coordination Branch of the Department of Expenditure.

(ii) Department of Revenue and Insurance.

(iii) Comptroller and Auditor General of India.

(iv) Lok Sabha Secretariat (Public Accounts Committee Branch).

Sd/- MANJIT SINGH,

Under Secretary to the Government of India.

Recommendation

The Committee note that servicing of external debt has become a problem of major dimensions and that payments on this account "rose from about 15 per cent of merchandise exports in 1961 to about 28 per cent in 1967, adding to the severe constraints on the balance of payments." As pointed out by the World Bank in its annual report for 1968, this situation is the legacy of past years in which the country incurred "large amounts of debt on terms that were inappropriate to the country's economic position." The Committee are glad to observe that, as a result of efforts initiated by Government, it has been possible to reschedule debt obligations affecting about 25 per cent of the debt service payments due in 1968-69 and that the prospects of re-scheduling of debt obligations for the next two years are promising. The Committee would, however, like to point out that this can at best be only a palliative. In the ultimate analysis, as pointed out by the World Bank, the solution to the problem has to be found by making the "overall economic policies" effective and expanding exports by a series of bold and forward looking measures. The Committee note in this connection that the export performance of public sector undertakings, in which large amounts of foreign capital have been channelised, has not been impressive. Out of 25 undertakings in which foreign exchange utilised upto end of 1966-67 was Rs. 1021 crores, the export earnings that materialised were only Rs. 26 crores in 1965-66 and Rs. 53 crores in 1966-67. These were accounted for by 7 out of the 25 undertakings, Air India alone accounting for Rs. 19 crores in 1965-66 and Rs. 30 crores in 1966-67. The Committee would like Government to examine how best the performance of these undertakings could in this respect be geared up.

(S. No. 6 of Appendix VIII to 55th Report—4th Lok Sabha)

Action taken

The Consortium members agreed at the meeting held on May 23-24, 1968 to provide, in the first instance, debt relief of $100 million for 1968-69. The members also agreed to consider favourably a similar amount of debt relief for the following two years. Of this, the Consortium members have already agreed at the meeting held on May 22-23, 1969, to provide approximately $100 million of debt relief for 1969-70.

2. The Public Sector Undertakings have been continuously examining the possibility of exporting their products. The export performance of the undertakings has shown an upward trend. Their export earnings have gone up from Rs. 26 crores in 1965-66 to Rs. 53 crores in 1966-67 and Rs. 93 crores in 1967-68. The actual figures for exports in 1968-69 are not yet available but it is estimated that the export earnings will be to the tune of about Rs. 100 crores of which the share of Hindustan Steel Ltd., alone will be Rs. 41 crores (Rs. 30.96 crores in 1967-68).

3. While every endeavour is being made to gear up the export performance of these undertakings, great emphasis is being laid on import substitution also. A price preference is allowed in respect of materials obtained from indigenous sources. To the extent import substitution is resorted to, there is corresponding release of foreign exchange which could be utilised for other purposes.

[Ministry of Finance (Department of Economic Affairs) O. M. No. F. 8(3)-B|69 dated 30-9-69].

Further Information desired by the Action-Taken Sub-Committee

Please state:

(i) the annual payments towards servicing of external debt during each of the last five years;

(ii) whether any assessment has been made of the amount that will have to be found during the Fourth Five-Year Plan for debt servicing;

(iii) how exactly it is proposed to meet the assessed liability;

(iv) what precise export Targets have been set, particularly in respect of public sector undertakings;

(v) whether the country's import bill has been analysed and any concrete programme drawn up for import substitution.

Directorate General of Technical Development in making these developmental efforts yield the maximum results. The Directorate General of Technical Development is also utilising the various Development Councils and the panels appointed by them for conducting special studies in the field of import substitution and for giving effect to the decisions taken in the matter from time to time

Since the programmes of import substitution cover the entire gamut of industry as also a wide range of measures it is difficult to attempt a comprehensive enumeration of the various measures which have been instituted in several industries under this programme. In broad terms, however, it could be stated that it has been possible to pursue import substitution in one or more of the following:—

(i) substitution of imported raw materials, components and spare parts with indigenously manufactured materials and components of same specifications or of comparable specifications and according priority for their rapid development.

(ii) reduction in the consumption of imported raw materials and components per unit of production;

(iii) change over of production of chemicals and chemical products from intermediates to their production from basic raw materials;

(iv) substitution of imported raw material or components by suitable alternative with consequential changes in the specification of the end product; and

(v) acceleration of phased manufacturing programmes to achieve a greater indigenous content in the shortest possible time.

Last year the Federation of Indian Chambers of Commerce and Industry had organised a Seminar on the subject of import substitution. One of the recommendations made by this Seminar was that a high level agency be appointed for evolving a positive and deliberate programme for import substitution and coordination . The Government appreciate that the work relating to import substitution has to be attended to in a practical manner on industry by industry basis and only through technical agencies. A high level Committee on Import Substitution was appointed early this year with Secretary, Department of Industrial Development as the Chairman and Secretaries of all the economic Ministries and also the DGTD and D.C. (SSI) as its members. The composition of the high level Committee was later enlarged to include representatives from the Federation of Indian Chambers of Commerce and Industry and All India Manufacturers Organisation and Federation of Association of Small Industries in India. This high level Committee has already held two meetings and has taken some important decisions in regard to matters which come within the purview of import substitution.

[Ministry of Finance (Department of Economic Affairs) O.Ms. No. F. 8(84)-B|69 dated 1-12-69 and 2-12-1969.]

Recommendation

In view of the growing burden of external debt, the Committee would also like Government to bear in mind the salutary principles enunciated by the Estimates Committee in their Eleventh Report (Fourth Lok Sabha). The effort should be to secure as much of foreign loan as possible "on long-term and non-project basis" so that "in their anxiety to fill the gap in their resources", Government do not "rush into loans for short-term periods on commercial rates which the present state of India's economy can hardly bear." Where loans are tied to projects "Government should ensure that, as far as possible, they generate the resources to repay the instalments of principal and interest on loans contracted for as and when they fall due."

(S. No. 7 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

During bilateral and multilateral discussions, Government have been emphasising the need for aid in non-project form and on long term basis. The position in this respect in recent years is shown in the statement below:—

Statement showing the percentage shares of:

(i) non-project loans,

(ii) loans with 3 per cent or less rate of interest, and

(iii) loans with 20 years or more maturity periods, to the total loan commitments during the Second and Third Plans and 1966-67 to 1968-69.

During	Non-project loan commitments as percentage of total loans commitments	Percentage amount of loans having interest rates of 3 per-cent or less to total amount of loans	Percentage amount of loans having repayment period of 20 years or more to the total amount of loans
1	2	3	4
Second Plan	22%	26%	28%
Third Plan	41%	60%	66%
Annual Plans 1966-67 to 1968-69	67%	81%	73%

[Ministry of Finance (Department of Economic Affairs) O.M. No. F.8(3)-B|69, dated 30-9-69].

Further Information desired by the Action-Taken Sub-Committee

Please state the action taken by Government on the second part of the recommendation that in the cases where loans were tied to projects, Government should ensure that, as far as possible, they generate the resources to repay the instalments of the principal and interest thereon.

Government's Reply

So far as the Public Enterprises are concerned, pursuant to one of the recommendations of the Public Accounts Committee (*vide* Para 1.21), a review of the Public Sector Undertakings with large foreign components was undertaken some time back. The Committee had particularly wanted information on:

(i) Profitability of the undertakings;

(ii) Foreign loans invested productively; and

(iii) Debt servicing charges in respect of foreign loans/credits.

As stated in the note indicating the results of the review forwarded to the Lok Sabha Secretariat, in reply to the above recommendation, foreign aid has been used not only to finance specific projects but also to purchase food as well as raw materials, components and spare-parts. Over the last few years, foreign aid has financed a sizeable share of capital formation but a larger part was financed by domestically generated resources. There is scarcely any project which is wholly financed by external resources; the usual financing scheme combines the use of domestic and foreign funds. To seek an answer to the question of debt servicing capacity, by examining the performance of particular projects, partly financed by foreign loans, may not lead us very far, due to the following reasons:—

(a) Project loans utilised by industry constituted only a part of total external borrowing. The remaining foreign loans were used for non-project purposes.

(b) The addition to investment made possible by external funds is not necessarily represented by projects which are actually financed with the help of foreign loans. Many of these projects would have been undertaken even in the absence of external finance. The availability of foreign loans for these projects released domestic resources for other purposes.

(c) Although it is easy to calculate the usual financial ratios for foreign financed projects, it is by no means clear that

> these conventional indicators of the performance of particular firms are reliable measures of their contribution to the national economy. In this context, the difficulties of analysing the economic costs and benefits of foreign capital at the project level are relevant.

The conclusion of the review was that subject to certain limitations inherent in such studies, the maximum liability towards debt servicing charges on the foreign exchange utilised by the enterprises would amount to Rs. 91.3 crores for 1965-66 and Rs. 154.60 crores for 1966-67; as against these charges the annual foreign exchange earnings and savings were estimated at Rs. 253 crores for 1965-66 and Rs. 322 crores for 1966-67, which justifies the usefulness of these projects from the foreign exchange angle.

[Ministry of Finance O.M. No. F. 8(84)-B/69, dated 2-12-69].

Recommendation

The Committee cannot help feeling that the pace of utilisation of external assistance has been rather slow. This is exemplified by the fact that in respect of the Hungarian credit for Rs. 25 crores obtained under an agreement signed on 15th June, 1966, "to finance projects mutually agreed upon", "the projects have not yet been chosen," though the terminal date for "contracting" under the agreement is 31st December, 1970. It is also regrettable that the Ministry of Finance has yet no information whether, in respect of credits amounting to Rs. 250 crores for Fourth Plan Projects negotiated with the U.S.S.R. in December, 1966, and the Second Polish credit for Rs. 15.50 crores obtained in November, 1962, the projects concerned have been investigated and cleared for implementation. These instances of delay in utilisation of credit are not exhaustive but illustrative and no attribution of blame to any particular party is intended. While the Committee appreciate the Government's anxiety to be circumspect about the choice of projects to be financed out of foreign assistance, they are unable to understand why the choice of projects and other preliminaries to be gone through for utilisation of external credits should take so much time. The Committee would like Government to investigate the reasons for non-utilisation of external credits and to take remedial action. They would also like to emphasise the need for advance preparatory action on projects to be financed out of foreign credits.

(S. No. 9 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The Government are continuously reviewing the position about the utilisation of external assistance. Slow utilisation of external aid available for imports, while at the same time there are unsatisfied demands for such imports may give an impression that available external resources are not put to the best use. However, there are instances where the requirements of the economy and the availability of the resources do not match. The instances cited by the Committee are cases where investment needs of the economy have not matched the available resources. When in 1966 the agreement with the U.S.S.R. Government was signed, it was in the nature of formalising an offer for assistance to such projects as may be taken up in the Fourth Plan. However, the Fourth Plan did not come into being, as originally intended, in 1966-67. Also, due to constraints in internal resources no large project was taken up during the three annual plans. The Fourth Five Year Plan has now been finalised and a review is being made to see what requirements of the Fourth Plan can be met out of the external assistance pledged in these agreements. Because we do not want to import much more than we necessarily have to, despite external assistance being available, because the types of imports that we have to make as a matter of priority do not fit with what can be financed with these credits and because we still have a big constraint in internal resources which would stand in the way of our taking up projects and investments over and above these envisaged in the Plan, there will be problems in committing these amounts fully. Government and the Planning Commission are aware of the desirability of putting to use as much as possible and in as profitable a manner as can be done, the resources promised to us, consistent with the Plan priorities and optimum utilisation of our own industrial capacity. Subject to these considerations continuous attention is being paid to the question of prompt utilisation of external assistance.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(3)-B/69, dated 30-9-69]

Further Information desired by the Action-Taken Sub-Committee

Please state the precise steps taken by Government to ensure prompt utilisation of external assistance—particularly the Hungarian, Polish and U.S.S.R. credits referred to in the Report and whether any commitment charges are involved.

Government's Reply

In order to ensure the utilisation of the credits available from Hungary, Poland and U.S.S.R. to the maximum extent possible, consistent with the requirements of the economy and with full regard to the larger availability of equipment from domestic sources, the Ministry is actively exploring, in consultation with the user Ministries, the possibilities of utilising these credits for projects which have already been approved for implementation or are expected to be taken up for implementation during the Fourth Plan period. Based on the tentative projects which are included in the draft Fourth Plan, the Ministries are reviewing to what extent these balance credits can be utilised. A clear picture is expected to emerge at the time of the finalisation of the Fourth Plan in the next few months.

Meanwhile, certain possible fields have been tentatively identified and detailed discussions at the technical level are in progress with the respective foreign Government authorities. Thus, for example, in the case of Polish credit, a Technical Team had recently visited Poland and had discussed the possibilities of Polish collaboration for the fertiliser industry. Certain other fields were discussed during the visit of the Hungarian technical experts. Possibilities of Soviet collaboration in the field of fertilisers in particular coal based fertiliser projects, petro-chemicals and paper and pulp industry are also being examined in detail at the technical level.

There are no commitment charges with respect to the credits from these three countries.

[Ministry of Finance O.M. No. F.8(84)-B|69, dated 2-12-69].

Recommendation

The Committee have earlier in this Report referred to the slow pace of utilisation of external credit. One direct consequence of this has been the payment of commitment charges to some of the lending countries or international institutions. The amount of such charges paid for the four years ending 1967-68 was over Rs. 95 lakhs. While the Committee appreciate that such charges could not possibly be totally avoided, they would like to reiterate their recommendation in paragraph 1.25 of their 54th Report (Third Lok Sabha) that the payment on this account should be minimised. The Committee would in this connection like to invite attention to the observations of the Estimates Committee in para 4.38 of their 11th Report (Fourth Lok Sabha) about "the need for advance detailed planning and realistic assessment of requirements so as to reduce to a minimum the payment of commitment charges."

(S. No. 11 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The Committee's recommendation has been noted and instructions have been issued to the agencies responsible for implementing projects and programmes emphasising the need for speedy utilisation of foreign credits especially those which carry commitment charges.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(3)-B/69, dated 30-9-69].

Recommendation

The Committee desire that the question of early re-payment of the pre-partition debt should be taken up with the Government of Pakistan for expeditious settlement.

(S. No. 13 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The recommendation has been noted.

[Ministry of Finance (Department of Economic Affairs O.M. No. F. 8(3)-B/69, dated 30-9-69].

Recommendation

The Committee observe that some of the State Governments have not been regular in repaying loans advanced to them as well as interest due thereon. The amount overdue as on 31st March, 1967 was over Rs. 28 crores of which about Rs. 27 crores were due from the Governments of Jammu and Kashmir and West Bengal. The Committee note that the finances of Jammu and Kashmir "are in a very difficult position." They hope that as a result of the study by the Finance Commission, which *inter alia*, has been asked to report on "the scope for better fiscal management..........by the States", the finances of this State will be stabilised. In regard to the other State, the Committee note that the liability for certain interest payment is in dispute and may be considered by the Finance Commission. The Committee trust that the matter will be sorted out expeditiously.

(S. No. 14 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The observations of the Committee have been noted.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(3)-B/69, dated 30-9-69].

Recommendations

The Committee note that the bulk of the Central assistance to States is for Plan Schemes costing individually less than Rs. 5 crores and that these Schemes do not, under the existing procedure, require "specific clearance" from the Government of India.

In view of the instances of irregularities in utilisation of Central assistance brought out in the Audit Reports on the accounts of some of the State Governments as well as the reports of the State Public Accounts Committees, the Committee would like Ministry of Finance to conduct a study suggested in paragraph 1.44 of the P.A.C.'s 54th Report (Third Lok Sabha) at more regular intervals and take suitable remedial measures where called for.

The Committee would also like to draw attention to the observations of the Administrative Reforms Commission that the objectives of Central assistance to State for Plan Schemes "that funds are used to achieve certain pre-determined ends has remained largely unfulfilled in view of the possibility of circumventing these objectives." The Committee would like Government to examine how far as change in the pattern of assistance on the lines suggested by the Commission would help to secure proper utilisation of plan assistance given to the State Governments.

(S. Nos. 15 & 16 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The recommendation that the Ministry of Finance should undertake at regular intervals the study of State Audit Reports and reports of State Public Accounts Committees is already being acted upon. These studies will be continued and suitable remedial action to ensure proper and timely utilization of Central assistance to the States will be taken as and where necessary in the light of the comments of the State Governments concerned. It may, however, be mentioned that under the new procedure of distribution and channelling of Central assistance for State Plan schemes during the Fourth Five Year Plan period (which has since been evolved) the question of the utilisation of Central assistance (loans or grants) may lose some significance. The procedure of the distribution and channelling of Central assistance during the Fourth Five Year Plan period is discussed in the following paragraphs:

2. The recommendations made by the Administrative Reforms Commission in their Report on 'Machinery for Planning' in regard to the distribution and channelling of Central assistance have been

carefully considered. The matter was also placed before the Committee of Chief Ministers appointed by the National Development Council at their meetings in July and September, 1968 and recently the National Development Council itself. Following these deliberations, it has been decided that the determination of the share of each State in the total Central assistance available for the State Plans as well as regarding the channelling of this assistance to the State Governments will be based on the following principles.

The total Central assistance available for the States during the Fourth Plan period as a whole has already been indicated to the State Governments. Its distribution among the States, both for the plan period as a whole and for each Annual Plan, will be governed by certain objective criteria which are as follows:

(a) the requirements of Assam, Jammu and Kashmir and Nagaland would be met first;

(b) the balance will be distributed among the remaining States as indicated below:

(i) 60 per cent on the basis of population;

(ii) 10 per cent on the basis of *per capita* incomes of States where these are below the national average;

(iii) 10 per cent on the basis of *per capita* taxation in the States;

(iv) 10 per cent on the basis of requirements of major continuing irrigation and power projects;

(v) the remaining 10 per cent on the basis of special needs of the States like chronically drought affected areas, floods, metropolitan areas, tribal areas etc.

3. As regards channelling of assistance, it has been decided that Central assistance will be paid to the States each year in the form of block loans and grants. Seventy per cent of the assistance would be payable in the form of loans and the balance as grants. This proportion is to remain fixed for the entire plan period and will apply uniformly to all States. Central assistance will no longer be tied with any patterns of assistance. However, in order that in the course of plan implementation the accepted priorities, as agreed to with the States at the time of formulating the five year or annual plans, are maintained, the outlays approved in respect of certain projects/programmes of basic importance will be made non-divertible. In respect of all other projects/programmes, the

State Governments will be free to make *inter-se* adjustments subject to necessary information being furnished to the Planning Commission by a fixed date. A copy of the Planning Commission's communication to the State Governments on the subject has been enclosed with the reply to S. No. 12 above.

4. As regards Centrally-sponsored schemes, it has been decided to restrict the number of such schemes to the minimum (52 as against the earlier 92) and the total outlay on these schemes would not exceed one-sixth to one-seventh of the Central assistance provided for State Plan schemes. In deciding upon the specific schemes which will be Centrally-sponsored, the criteria suggested by the Administrative Reforms Commission in paragraph 70 of their Report will be followed. As a measure of further simplification, it has also been decided that the Government of India will provide funds for the Centrally-sponsored schemes on a 100 per cent basis and the State Governments will not have to provide any share of the expenditure from their resources.

5. It will be seen from the above that under the new procedure, no part of the Central assistance provided for the State Plans will be identifiable with specific or individual schemes. It is of course possible that there may occasionally be some exceptions to this general rule and, depending upon the examination of the merits of individual cases, funds may have to be earmarked for individual schemes. These cases are, however, likely to be very small in number. In respect of the majority of cases, the payment of Central assistance, in the shape of block loans and grants, will be related to the actual expenditure on the plan which will be the sum of the total expenditure on items for which outlays are earmarked and the expenditure on all other items. The utilization of Central assistance would thus be watched with reference to the total assistance paid against the total expenditure and not on the basis of individual loans or grants. The question of watching the utilization of particular loans and grants with reference to the nature, scope and physical progress of schemes (apart from the few exceptions that may be specially provided for) would thus not arise. However, since the State Governments incur their outlays from their Consolidated Funds, they would continue to be accountable to their Legislatures and Public Accounts Committees and any irregularities would continue to come to notice in their Audit Reports.

6. The Government of India would continue to watch the utilization of Central assistance on the Centrally-sponsored schemes through the audited figures of expenditure. Even for the State Plans, the utilization of assistance would continue to be watched on

an overall basis and in several other ways. The annual discussions with the State Governments held in the Planning Commission provide an opportunity for reviewing the utilization of resources by the States in the preceding year and making necessary adjustments in that light in the following year. The visits of the Programme Advisers of the Planning Commission and officers of the Central Ministries also help in keeping the Government of India informed of the details of the implementation of individual schemes and programmes.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F.8(3)-B|69, dated 30-9-69].

Recommendation

While the Committee note that bulk of the unspent balances in respect of loans for Centrally-sponsored scheme have been refunded by State Governments, they cannot help observing that these balances were allowed to remain unrefunded in some cases for as many as six to seven years. They trust that steps will be taken to ensure that the residual portion of the unspent balances with the States is refunded without delay.

The Committee would also like the Ministry of Finance to keep a close watch in future on the utilisation of loans by State Governments so that refund of unspent balances is obtained from them without loss of time.

(S. No. 18 of Appendix VIII to 55th Report—4th Lok Sabha)

Action taken

Instructions have been issued to the Ministries|Departments concerned to take immediate action to recover the unspent balances which still remain unutilised|unrefunded. They have also been advised to take prompt action at the close of a financial year to effect recovery of unspent balances, in cash and in the event of delay on the part of a State Government in arranging the refunds, by adjustment against assistance due to the State concerned in the following year and that in no case the recovery of the unspent balances should be kept pending beyond one year. The Ministry of Finance will keep a watch to see that the above instructions are kept in view by the Ministries|Departments.

[Ministry of Finance (Department of Economic Affairs) O. M. No. F. 8(3)|B—69 dated 30-9-1969].

Recommendation

The Committee are greatly perturbed over the persistence and the size of overdrafts run up by some of the State Governments with the Reserve Bank of India. Consequently, the Government of India have had to advance loans to the State Governments on a progressively increasing scale to help them clear their overdrafts. Some idea of the magnitude of the problem can be had from the fact that such loans rose from Rs. 51 crores in 1965-66 to Rs. 108 crores in 1966-67 and Rs. 118 crores in 1967-68. Apart from this, some of the State Governments had "unauthorised overdrafts", totalling Rs. 31·52 crores as at the end of March, 1968. As pointed out by the Finance Commission in their Interim Report, "the occurrence of such overdrafts and their practically automatic clearance by the Centre through *ad hoc* loans have grave effects on the national economy." They diffuse the responsibility for decisions affecting money supply and 'violate' a 'fundamental principle of sound monetary management' that a country with a unified currency system cannot afford "to have more than one independent authority taking measures which result in increase of money supply." Besides, as pointed out by the Finance Commission, "the benefits of this violation go to a few States which draw on the national resources at their own will without any scrutiny of their needs at the national level; while the burdens are borne by all, including the States which are less prosperous." The Committee hope that the various measures recommended by the Finance Commission to overcome this situation will be rigorously enforced by the Government of India.

(S. No. 19 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The observations of the Committee have been Noted.

[Ministry of Finance (Department of Economic Affairs) O. M. No. F. 8(3)|B—69 dated 30-9-1969].

Further Information desired by the Action—Taken Sub-Committee

Please state:

(i) the position of overdrafts with Reserve Bank of India run up by each of the State Governments as on 31-3-69 and 30-9-69;

(ii) the amount of unauthorised overdrafts as on 30-9-1969; and

(iii) the steps taken by Government pursuant to the observations of the Finance Commission to control overdrafts

Government's Reply

(i) & (ii).—The details of State Governments' overdrafts on the Reserve Bank as on 31st March, 1969 and 30th September, 1969 are as under:—

(In round lakhs of Rs.)

State	Overdrafts as on 31-3-1969 Unauthorised	Overdrafts as on 31-3-1969 Authorised	Overdrafts as on 30-9-1969 Unauthorised	Overdrafts as on 30-9-1969 Authorised
Andhra Pradesh	53	6,50	5,80	6,50
Assam	17,65	3,20	..	2,48
Bihar	..	39	..	1,74
Kerala	5,52	5,40	..	2,20
Mysore	19,78	3,95	..	...
Orissa	15,61	2,70	..	..
Rajasthan	32,27	1,31	27,90	1,31
Tamil Nadu	25,11	4,95	1,89	4,95
Uttar Pradesh	28,21	12,55	..	..
West Bengal	..	..	1,39	2,35
	144,68	40,95	36,98	21,55

(iii).—The recommendations of the Fifth Finance Commission regarding avoidance of unauthorised overdrafts have been brought to the notice of State Governments. Requests for ways and means assistance received from State Governments which run into overdrafts are considered by the Government of India sympathetically on merits. The Central Government also deputed a Central Team of officers of the Finance Ministry and the Planning Commission, in May|June, 1969 to Assam, Orissa and Rajasthan which had been running overdrafts for long periods to discuss their financial problems. The Team's recommendations have been communicated to the State Governments concerned for necessary action.

[Ministry of Finance (Department of Economic Affairs) O. M. No. F. 8(3)|B-69 dated 30-9-69].

Recommendations

The Committee are concerned over the fact that the return on investments in public sector undertakings has been progressively diminishing. According to the figures given by Government, the capital investment in these undertakings increased from Rs. 2,037 crores in 1964-65 to Rs. 2,841 crores in 1966-67. The capital employed in production also correspondingly rose from Rs. 1,266 crores in 1964-65 to Rs. 2,057 crores in 1966-67. However, the profits of these undertakings in terms of capital employed declined from 3·7 per cent (Rs. 46.8 crores) in 1964-65 to 2:8 per cent (Rs. 57·8 crores) in 1966-67. As the Secretary, Ministry of Finance himself conceded during evidence, this performance is "very unsatisfactory." If the performance is judged by the actual dividends paid to Government, instead of the profits made, a more depressing picture emerges. Considering the need pointed out by the Administrative Reforms Commission for these undertakings to "generate surpluses and augment the resources of the State" to "provide resources for further development", the Committee feel that the performance of these undertakings needs to be greatly and continuously improved.

The Committee note from the analysis of the performance of Governmental undertakings that a major reason for their poor performance was the existence of unutilised surplus capacity in the undertakings, which burdened the units with heavy over-capitalisation. The figures given by Government in this respect are very revealing. The installed capacity of Hindustan Steel was 5·9 million tonnes, against which the Plant "was able to make and sell only 2·4 million tonnes." Likewise, the National Coal Development Corporation "had originally envisaged a target of 26 million tonnes, ... later reduced to 15·5 million tonnes, but their actual sales have been only 9·6 million tonnes." As pointed out by the Administrative Reforms Commission, this situation has resulted from "the execution of projects on the basis of incompletely conceived plans and estimates" and "a lack of proper assessment of the demand for the products." The warning note struck by the Administrative Reforms Commission in this respect is also significant. "The damage to the national economy as a result of miscalculation or mismanagement of these enterprises cannot be tolerated with equanimity by the people who have to bear the burden of not only providing the capital but also of having to pay high prices for their products."

The Committee note that the Administrative Reforms Commission have made a number of suggestions for ensuring that additional capacity is not planned for in future without proper 'feasibility studies'. They hope that this drill will be rigorously followed by Government. The Committee would also like Government to take steps to have surplus capacity in the undertakings mopped up by appropriate diversification of production or through measures to step up exports. Elsewhere in the Report, the Committee have stressed the need for gearing up the export performance of Governmental undertakings in the context of the heavy debt servicing burden faced by the country. The Committee hope the matter will receive the urgent attention of Government. The Committee need hardly add that without a conscious and sustained effort to keep up quality and control costs to make products competitive, the country's export drive can hardly succeed.

(S. Nos. 21 and 22 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The performance of the Public sector undertakings is being continuously studied by the Bureau of Public Enterprises in the Ministry of Finance. The Bureau receives monthly and quartely reports from these undertakings which are criticially examined and corrective action taken, where necessary. If the performance of an undertaking is found to be consistently poor, a detailed study is undertaken along with the representatives of the administrative Ministry concerned. So far detailed studies have been undertaken of 8 undertakings and the recommendations of the Study Teams are being implemented by the undertakings concerned.

Diversification of production and export promotion are being undertaken for ensuring proper utilisation of existing capacities. The attention of the management is specifically drawn to the need for identifying the real surplus capacity in various sections of the production unit, assessing short and long range market demands and trends and taking necessary steps for reorienting and reorganizing production activities to suit the changes in products-mix and production volume.

The use of modern techniques of business management and cost accounts and cost control such as the introduction of comprehensive budgetary control system, standard cost, study of variances and integrated cost-cum-financial accounts have been recommended with a view to improving the overall performance of public sector undertakings.

Detailed instructions have been issued in regard to the preparation of feasibility studies and detailed project reports. The feasibility studies and detailed project reports are examined criticially and the economic, technical, commercial and financial aspects of the project are studied in depth before according financial sanction to the project.

As a result of the pre-execution scrutiny of demand estimates, rationalisation of production and product-mix, material and financial resources utilisation, construction etc., and advice and guidance rendered by the Finance Ministry, a number of projects were either modified or postponed and some abandoned resulting in substantial economies.

[Ministry of Finance (Department of Economic Affairs) O. M. No. F. 8(3)|B—69 dated 30.9.1969].

Further Information desired by the Action-Taken Sub-Committee

Please furnish data regarding (a) installed capacity; (b) actual production; and (c) percentage utilisation in respect of the major public sector projects and state what steps have been taken to mop up surplus capacity through diversification|exports in respect of units where unutilised capacity is large.

Also state what is the expected contribution for plan financing expected out of the surpluses to be generated by public sector units during the Fourth Plan and what steps are being taken to ensure that these surpluses are realised.

Government's Reply

The installed capacity, actual production in 1968-69 and the level of utilisation of capacity in 1968-69 of the major (those exceeding Rs. 30 crores of investment) Public Undertakings are in the statement attached.

From the statement it will be seen that utilisation of capacity in respect of HEC, MAMC, HMT and IDPL is considerably below 50 per cent. The diversification of production and export efforts in these undertakings, as far as information is available in the Bureau, are indicated below:

1. *Heavy Engineering Corporation.*

(a) *Heavy Machine Building Plant.*—The existing orders will keep the HMBP fully occupied in 1970-71 and partly in 1971-72 and 1972-73. In 1973-74 a large surplus capacity may emerge for a quantity of 32,000 tonnes of mechanical equipment. To utilise this idle capacity it will not only be necessary to proceed without interruption with the Bokaro Project up to 4 m. tonnes but also to take action in regard to new steel plants which may be approved for the fifth plant. A decision has to be taken on this point as early as possible. Another decision also will have to be taken as to whether the Bokaro Steel Project, which is now programmed for 1·7 m. tonnes should be expanded to 4 m. tonnes or not. In making these two decisions there will be an increased workload on this unit and the intermediate period will be taken up by the preparation of designs and drawings for the fabrication work. The time required for the preparation of drawings and designs would be of the order of 18 months to 2 years.

(b) *Foundry Forge Plant*: The capacity of this unit will be utilised up to 1970-71. There are no orders for the period 1971-72 and onwards. The manufacture of gun barrels, pipe moulds, components for marine diesel engines and crank shafts have been taken up to provide a regular flow of orders for the plant. The load on this plant will increase proportionately with the increase of load on the HMBP. In other words, the decisions taken on the Bokaro Expansion and on a fifth steel plant, referred to in the para above on HMBP, may have a direct impact on the workload of this plant.

(c) *Heavy Machine Tools Plant*: At present orders are sufficient for 1969-70. The entire capacity for 1970-71 and onwards is available. The capacity of this plant will be heavily under-utilised. The steel plants programme has no direct relevance to this plant. This is an area of under-utilisation which will have to be dealt with separately by encouraging export or otherwise. It is understood that HMTP have now taken up the manufacture of a number of machine tools and traction gearboxes required by the Railways.

2. *Mining & Allied Machinery Corporation*: (Coal Washery)

An important item of diversification is the development of capabilities to manufacture and supply coal washeries. The National Coal Development Corporation has placed orders for four coal washeries.

D. S. M. Cyclones: This also constitutes an integral and important part of washery. An order for supply of D. S. M. cyclones is expected to be placed on M. A. M. C. by Sudamdih coal mine.

Mechanical Handling Plant: M. A. M. C's capabilities for manufacture of Mechanical Handling Plants for ports are also being explored. M. A. M. C. has entered into collaboration agreement with Demag, West Germany and Government have given their approval for this agreement.

Manufacture of Hydraulic Props: The agreement entered into by M. A. M. C. with M|s. Dowty of U. K. for manufacture of this item has been approved by Government.

Tractors: The National Industrial Development Corporation has been commissioned to prepare a feasibility-cum-project report for manufacture of 20 H.P. tractors utilising the spare capacity at HMT, Pinjore and M. A. M. C. MAMC have, in collaboration with Central Mechanical Engineering Research Institute, developed their own design of a proto-type tractor which is under trial now. Nine more proto-types are expected to be produced very shortly and will be tried in the various parts of the country and under various environments including vigorous tests at Budni. The NIDC's report has since been received and is under examination both by the M. A. M. C. and H. M. T. Kalamassery.

3. *Hindustan Machine Tools*:

This unit has plants to take up the progressive manufacture of new machine tools like Gear Shapers, Gear Hobbers, Size 4 All-electric Milling Machines, Multi-spindle Automatics, Single Spindle Automatics, Heavy Duty Surface Grinders, Heavy Duty Lathes, Turret type Milling Machines, Copying Lathes, Drum Turret Lathes, Multi-Tool Automatics, Horizontal Boring Machines and Broaching Machines. Of these, the company has already commenced production of Horizontal Boring Machines, Single Spindle Automatics, Multi-spindle Automatics, Gear Hobbers and Gear Shapers. Other proposals will take time. In the meantime the manufacture of the following is under their consideration:

(i) Die Casting Machines in Bangalore Unit;

(ii) Printing Machinery in Kalamassery Unit;

(iii) Heavy Duty Presses in Hyderabad Unit; and

(iv) Tractors in the Pinjore Unit.

The progress in respect of these items of manufacture is given below:

(a) *H. M. T. Kalamassery Unit*—Printing Machinery: The negotiations with the foreign collaborators M|s. Nebiole, Turin, Holy have been taken up for manufacture of printing machinery.

(b) *H. M. T. Bangalore Unit*—Die Casting Machines: Collaboration agreement with M|s. Inter Fonda, Switzerland has been approved by Government. Production of these items is expected to be taken up in 1969-70.

(c) *H. M. T. Pinjore Unit*—Tractors: The National Industrial Development Corporation was commissioned by H. M. T. and Mining and Allied Machinery Corporation to examine the feasibility of manufacture of tractors by utilising the spare capacity at the Pinjore Unit of the HMT and the factory of the H. A. M. C. at Durgapur. The report of the NIDC has since been received and it is currently being examined by HMT and MAMC. The detailed proposals from these Companies for tractor manufacture after consideration report of the NIDC are still awaited.

(d) *H. M. T. Hyderabad Unit.*—Heavy Duty Presses: An agreement with an American party M|s. Versom All Steel Co. USA has been approved by Government. Production is likely to be of the value of Rs. 50 lakhs in 1969-70. When full production is reached, the production will be for value of Rs. 300 lakhs per year.

Joint Ventures in Third Countries: The H. M. T. have agreed to provide technical assistance to undertake manufacture and setting up of a machine tool factory in Ceylon. The agreement has been entered into with the Ceylon Government Public Sector Corporation. The Government of India have approved this agreement.

4. *Indian Drugs & Pharmaceutical Ltd.*

In the case of surgical instruments plant in Madras the diversification of production is being established by producing Family Planning instruments of 21 different types. The latest figures indicate that the capacity presently developed is being utilised to the extent of about 80 per cent of actual production. This is being progressively stepped up to reach about 400,000 Nos. per annum which more or less completely occupy the present installed capacity in the plant.

In the case of synthetic drugs plant at Hyderabad the present utilisation is about 50 per cent of capacity and this is progressively on the increase as their techniques and quality of production stablises.

In the case of Antibiotic plant Rishikesh the phase programme for development of production capacity will take the plant upto 1970-71 for achieving full capacity for the items originally planned. At present the production is about 50 per cent of the phased target.

5. *Heavy Electrical (India) Ltd.*

(i) *Heavy Power Equipment Plant.*—The achievement of full capacity is expected by 1971-72 as per the original programme.

Where as last year the production was about 20 per cent of the ultimate planned capacity but in the first six months of the current year the production has been about 80 per cent of the installed capacity.

(ii) *Switchgear Plant.*—Although the full capacity has been installed last year, actual production was about 21 per cent of the Air Blast Circuit Breakers and 26 per cent in respect of Minimum Oil Circuit Breakers. No diversification programme has been taken up.

(iii) *High Pressure Boiler Plant.*—Full production is expected to be achieved in 1971-72 as per original programme. Actual production is over 50 per cent of the ultimate capacity.

These three units are now being studied in depth.

(iv) *Heavy Electrical Equipment Plant.*—The undertaking expects to achieve about 50 per cent development of the ultimate capacity by 1972-73, *i.e.*, 800 MW of Turbo sets and 465 MW of Hydro sets as against ultimate capacity of 1,500 MW and 1,200 MW respectively. Last year production was only 178 of medium and large size of electrical machines and there was no production in respect of power generating sets. This year also in the first six months 73 medium and large size electrical machines have been turned out against the planned of 108 medium and large size electrical machines. There has not been any out-put of completed power generating sets.

So far no diversification plan has yet been drawn up by the undertaking although they anticipate considerable under-utilisation of capacity even after the complete picture of the Fourth Five Year Plan's requirement of power generating sets is firmly established.

Sd|- R. K. RAY,
Dy. Adviser (Production).
24|11|1969.

STATEMENT I

The details of the measures taken for diversification|exports by the individual Public Enterprises will be mainly available with the concerned enterprises and the administrative Ministries. However, Bureau also tries to keep in touch with these measures, in so far as more the important enterprises are concerned. These are spelt out in the annexed sheets.

Name of the Undertaking	Installed Capacity	Capacity Utilised (1968-69)	Percentage of utilised capacity to installed capacity	Remarks
1	2	3	4	5
1. *Hindustan Steel Ltd.,* (ingots/tonnes)				
(i) Bhilai (m.tonnes)	2.5	1.73	68	
(ii) Rourkela (m. tonnes)	1.8	1.16	67	
(iii) Durgapur (m. tonnes)	1.6	0.82	50	
2. *Alloy Steel.* (ingot/tonnes)	1,00,000	40,000	40	
3. *Heavy Engineering Corpn. Ltd., Ranchi*				
(i) *Heavy Machine Building Plant:*				
(a) Mechanical (tonnes)	80,000	8,576	11	
(b) Structurals (tonnes)	25,000	5,542	22	
(ii) *Foundry Forge Project* (tonnes)	1,22,000	16,640	13	
(iii) *Heavy Machine Tools Plant:* (tonnes)	10,000	220	2.2	
4. *Mining & Allied Machinery Corporation Ltd., Durgapur*				
(tonnes)	45,000	4,098		

5. ***Heavy Electricals (I) Ltd., Bhopal***				
(a) Switchgear (Nos.)	2,400	1,405	50	
(b) Transformers (MVA)	3,000	1,534	50	
(c) Capasitors (KVAR)	1,08,000	1,01,113	94	
(d) Tractor Motors (Nos.)	2,000	653	33	
(e) Steam Turbines and Generators (MW)	60	..	..	
(f) Water Turbines and Generators (MW)	500	..	..	
6. ***Bharat Heavy Electricals Ltd.***				
(i) *Heavy Power Equipment* Plant, Hyderabad (MW)*	900	180	20	*Full capacity likely to be reached in 1971-72.
Switch gear Unit				
(a) Air Blast Circuit Breakers (Nos.)	240	65	27	
(b) Minimum Oil Circuit Breakers (Nos.)	930	59	6	
(ii) ***Heavy Electrical Equipment Plant, Hardwar:***				50% capacity will be reached in 1972-73.
(a) Thermal Sets (MW)	1,500	No production of steam turbines. Only electric motors produced in 1968-69.	..	
(b) Hydro Sets (MW)	1,200	No production of turbines. Only electric motors produced in 1968-69.	..	
(c) Motors (Nos.)	..	178	..	

1	2	3	4	5
(iii) *High Pressures Boiler Plant, Tiruchi* (tonnes) .	29,847	14,940	50	Full capacity will be achieved in 1971-72.
7. *Hindustan Machine Tools Ltd.*				
(i) HMT I&II (Nos.)	2,000	969	49	
(ii) HMT, Pinjore (Nos.)	1,000	452	45	
(iii) HMT, Hyderabad (Nos.)	1,000	82	8.2	
(iv) HMT, Kalamassary (Nos.)	1,000	322	32	
(v) HMT, Watch Factory (Nos.)	3,60,000	3,00,000	83	
8. F.C.I.				
(i) *Trombay:*				
(a) Methanol (Tonnes)	30,000	15,100	50	
(b) Comples Fertiliser (tonnes)	1,80,000	1,08,400	60	
(c) Urea (tonnes)	99,000	68,500	69	
(ii) *Nangal;*				
(a) CAN (tonnes)	3,14,900	3,09,200	98	
(b) Heavy Water (Kgs.)	14,112	14,280	101	
(iii) *Sindri:*				
(a) Ammonium Sulphate (tonnes) . . .	3,55,000	2,65,800	75	
(b) Urea (tonnes)	23,500	15,540	66	
(c) Double Salt (tonnes)	1,21,900	49,200	40	

9. ***Fertilisers & Chemicals, Travancore Ltd.***				
(a) Ammonium Sulphate(tonnes)	1,90,500	1,19,719	63	
(b) Superphosphate (tonnes)	47,625	28,338	60	
(c) Ammonium Phosphate(tonnes) . . .	1,27,000	64,846	51	
10. *I.D.P.L.*				
(i) ***Surgical Instruments Plant:***				
(a) Surgical Instruments	24,00,000			
or	or	1,82,572	..	
Family Planning Instruments (Nos.) . . .	3,96,000			
(ii) ***Synthetic Drugs Plant:***				
(a) Tablets ('000 Nos.)	5,70,252	2,72,261	48	
(b) Bulk Drugs (tonnes)	1,073	466	43	
(iii) ***Antibiotics Plant:***				Full capacity will be achieved in 1970-71.
(a) Penicillin (mlrds.)	64,630	4,224	6	
(b) Streptomycin (Kgs.)	52,497	5,095	9	
11. ***National Coal Development** Corporation Ltd.*				
Coal (m. tonnes)	17	12.6	74	
12. ***National Mineral** Development Corporation Ltd.*				
(i) Kiriburu Iron Ore Project (m. tonnes) . .	2	2	100	
(ii) Bailadila Iron Ore Project (m. tonnes) . . .	2	2.15	101	

1	2	3	4	5
13. *Neyveli Lignite Corpn. Ltd.*				
(a) Lignite (m. tonnes) Capacity Ultimate	6.00	3.997	67	
(b) Power (MW)	600 MW or 3239 MKW/Hrs.	1242 MKW/Hrs.		
(c) Urea (tonnes) "	1,52,000	90,181	60	
(d) Leco (tonnes) "	3,36,000	1,30,730		
14. *Indian Oil Corporation Ltd.*: (Crude Throughput Charged)				
(i) Gauhati (tonnes)	8,00,000	8,02,666	100	
(*ii*) Barauni (tonnes)	30,00,000	17,67,129	59	
(iii) Gujarat (tonnes)	30,00,000	29,58.032	98	

STATEMENT II

The gross internal resources to be generated by the Public Sector enterprises during the Fourth Plan period were estimated at Rs. 1205 crores. The net resources after allowing for payment of dividends and repayment of loans etc. would be of the order of 685 crores.

The major steps that have been taken and are being taken, to ensure that these surpluses are released, by increasing the profitability of the enterprises, are summarised briefly in "A Memorandum—Public Sector Enterprises" circulated along with the budget documents on 28-2-1969.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(84)-B|69, dated 1-12-1969].

Recommendation

The Committee also notice that scarcity of trained manpower has substantially impeded the efficient working of these undertakings. As pointed out by the Administrative Reforms Commission, "the most important failure of the public sector has been its inability to develop its own resources of managerial and technical personnel." The Commission have made a number of far-reaching recommendations to ensure that the best available talent is recruited and trained. The Committee expect these recommendations to be expeditiously implemented.

(S. No. 23 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The Administrative Reforms Commission in one of the Introductory Chapters in their Report on "Public Sector Undertakings" (Chapter II, Para 23) had observed that perhaps the most important failure of public sector has been its inability to develop its own resources of managerial and technical personnel and its continuous dependence on foreign engineers and technicians and deputationists from Government. While dealing with the aspects of personnel management in Public Enterprises (Chapter VIII), the Commission has made a number of recommendations pertaining to top management, middle level management, policy regarding deputations, training facilities and over staffing. These recommendations have been considered in detail and the decisions thereon have been circulated among the administrative Ministries|Departments for implementation. The decisions taken have also been reported to Parliament.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F8(3)-B|69, dated 30-9-69].

Recommendation

The Committee take a serious view of the fact that a number of banks or branches of banks which were authorised to accept donations to the National Defence Fund have failed to render certified annual statements of collections to the Accountants-General. The information furnished by Government shows that 5,992 banks or branches of banks had not submitted statements of collections till 30th April, 1968, the statements dating from 1963 onwards, 139 of these banks|branches had not submitted the statements in any year since 1963. The Committee note that instructions issued by the Reserve Bank to the collecting banks in December, 1966 and again in February, 1968 have not brought about any perceptible improvement in the situation and that Government have now suggested to the Reserve Bank a time-limit of three months for the submission of the pending statements. The Committee trust that the matter will be vigorously followed up so as to ensure that no collection remains unaccounted for.

(S. No. 24 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The matter was taken up with the Reserve Bank and by the latter with the Banks concerned. According to the information furnished by the A.G.C.R. in March, 1969, there has been a marked improvement in the receipt by the Accountants-General of the statements from the banks. The number of banks from whom the statements are still wanting, has come down to almost half as compared to the figures furnished to the Committee in June, 1968. Nevertheless, the Reserve Bank has again issued instructions to the banks on the 7th May, 1969 asking them to send immediately the wanting statements to the Accountant-General concerned duly signed by the branch Agent|Manager and Accountant to be followed up by audited statements. It is expected that as a result thereof, the number of wanting statements would be further reduced.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F-8(3)-B|69, dated 30-9-69].

Further Information desired by the Action-Taken Sub-Committee

Please furnish a further report regarding submission of certified annual statements of collections by the authorised collecting Banks| branches to the Accountants-General concerned.

Government's Reply

According to the latest information received from the Accountant General, Central Revenues the number of banks from whom the statements are wanting, has further come down by about 700 after March, 1969. The number of banks and their branches, as at the end of June 1969 (in few cases as at the end of July, 1969 and August, 1969), is now of the order of 2,300 only against nearly 6,000 in June, 1968.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(84)-B|69, dated 1-12-1969].

Recommendation

(i) The Committee cannot help feeling that the present position in regard to accounting of collections for the National Defence Fund made by non-official organisations is not wholly satisfactory. This is evident from the fact that, apart from 908 receipt books issued to several organisations yet to be "accounted for", "proof of remittance of collections in 83 cases amounting to Rs. 41.87 lakhs was not forthcoming" from one State. "Short remittances" of Rs. 95,600 had also come to notice from reports received from the State Governments so far. Besides, arrangements for audit of collections is still to be made in some cases.

(ii) The Committee note the plea put forward during evidence that the non-accounting of the collections "will not necessarily establish any misappropriation". The Committee consider that, as bulk of the fund was raised about six years ago, it should have been possible by now to have the accounts of collections audited and settle all matters relating to short realisations, short remittances and non-return of receipt books. The Committee would like concerted efforts to be made to ensure that money which was contributed by the people in the name of a national cause is brought to account.

(S. No. 26 of Appendix VIII to 55th Report—4th Lok Sabha)

Action taken

The observations of the Committee have been noted and also brought to the notice of the Chief Secretaries of the State Governments. The State Governments have again been urged to ensure that the contributions to the Fund have been properly accounted for by arranging for necessary audits.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F-8(3)-B|69, dated 30-9-69].

Further Information desired by the Action-Taken Sub-Committee

Please furnish a report regarding accounting of collections made by non-official agencies. They may in particular like to know:

(i) the number of receipt books which are still to be accounted for;

(ii) the latest position regarding short remittances;

(iii) The latest position regarding the 83 cases involving an amount of Rs. 41.87 lakhs in respect of which the proof of remittance of collections was stated to be "not forthcoming".

Government's Reply

(i) & (ii) In the note submitted to the Committee in January, 1969, it was *inter alia* indicated that as the State Governments had to collect information from a large number of agencies spread all over the States, the collection of the data inevitably took time. However, the matter has, from time to time, been taken up with the Chief Secretaries impressing upon them the need for the settlement of matters relating to short realisations, non return of receipt of books etc. According to the latest available information, 1718 receipt books are to be accounted for in 12 States including Union Territories against 908 in 9 States including Union Territories last reported to the Committee. The amount to be accounted for is now reported to be Rs. 43.95 lakhs, including the sum of Rs. 41.87 lakhs referred to in the penultimate sentence in para 3 of the note dated the 14th January, 1969.

(iii) Further information from the State Government is still awaited. The matter is being pursued.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(84)-B|69, dated 1-12-1969].

Recommendation

The Committee note that during the year 1966-67, payments made by Government pursuant to guarantees extended in respect of various Governmental undertakings amounted to Rs. 6.93 crores. The bulk of the payment, amounting to Rs. 6.34 crores, arose out of a guarantee for a minimum dividend in respect of Oil India, a company in which Government have 50 per cent equity participation. The Committee note that the issues arising out of the guarantee extended in respect of this undertaking have already been examined in detail by the Estimates Committee in their 51st Report (Fourth Lok Sabha).

While the Committee agree that the liability that has so far arisen in terms of guarantees has been small in relation to the total amount of guarantees extended, they feel it is still necessary, as a measure of caution, to take steps to protect Government's interests, particularly in cases where the guarantees are in respect of private parties or undertakings. This would appeal all the more necessary as, under the existing procedure, decisions regarding guarantees are taken by the individual Ministries|Departments and not by a centralised agency. The Ministry of Finance might therefore consider whether a uniform drill should be prescribed for being followed by the individual Ministries|Departments in the matter of ascertaining the credit-worthiness of the parties|undertakings before a guarantee is given and for keeping a watch on its performance during the period the guarantee remains in force.

(S. No. 27-28 of Appendix VIII to 55th Report—4th Lok Sabha)

Action taken

Necessary instructions have since been issued in this regard in this Ministry's O.M. No. F. 18(1)-W&M|69, dated 3-5-69 (copy enclosed).

IMMEDIATE

No. F. 18(1)-W&M|69

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 3rd May, 1969.

OFFICE MEMORANDUM

SUBJECT:—*Guarantees by Central Government.*

The undersigned is directed to say that the question of laying down formally the criteria and procedures to be followed while giving Central Government guarantees in respect of the borrowings etc. of pubic sector and private institutions has been considered. The Public Accounts Committee has also, from time to time made recommendations in this regard. After taking these into account and also the existing practices, it has been decided to prescribe the following criteria and procedures for considering proposals for guarantees by Central Government:

(1) Any proposal for guarantee by Government must be justified by public interest.

Public interest cannot be precisely defined. However, the following may be considered to be an illustrative list:

(a) borrowings by public-sector institutions for approved developmental purposes *e.g.* from foreign lending agencies and public sector financial institutions if so required by their charters and from banks or public in order to enable the institutions to borrow on reasonable terms.

(b) borrowings by public-sector undertakings from banks for working capital purposes *e.g.* in respect of margin money for cash-credit accommodation or before commencement of production when hypothecation for credit may be somewhat difficult—the Bureau of Public Enterprises have already laid down certain guide lines in this regard *vide* their O.M. No. 2(32)-F1 dated 16th March 1967 (copy enclosed); sometimes counter guarantees against guarantees given by banks to foreign suppliers against deferred payment facilities may also become necessary; and

(c) borrowings of non-public sector institutions if justified on broad policy and similar considerations *e.g.* borrowings for approved developmental purposes from foreign lending agencies or public-sector financial instituitons by private concerns, if so required by the charters of the concerned agencies or institutions; financial requirements of Sugar Mills, State Co-operative Banks in Union Territories or Central Land Mortgage Banks, in pursuance of policy decisions; financial requirements of textile mills and the like, facing closure or other difficulties, which are to be supported, in pursuance of policy decisions etc.

(2) The proposal for a guarantee, which amounts to undertaking a contingent liability, should be examined in the same manner as a proposal for a loan.

This would mean that the proposal should be examined in the concerned administrative Ministry with reference to:

(a) the public interest which the guarantee will serve;

(b) the credit-worthiness of the borrower in order to see whether any undue risk would be taken by giving the guarantee;

(c) the terms of the borrowings in the case of market borrowings and negotiated loans from financial institutions to see that they are not out of line with those approved by the Reserve Banks, and

(d) the conditions, if any, which should be made by Government while giving the guarantee *e.g.* period of guarantee, levy of a fee to cover the risk, representation for Government on the Board of Management, mortgage or lien on the assets, submission to Government of periodical reports and accounts, right to get the accounts audited on behalf of Government etc. In general these questions will arise only in the case of non-public sector institutions and even if fee, representation and mortgage are not considered necessary, the right to verify the continued credit-worthiness of the borrower should be ensured.

Thereafter the proposal should be referred to the Associate Finance Division for concurrence. The latter should consult the Internal Finance Division (Banking Section) of the Economic Affairs Department where borrowings from Banks are proposed, Budget Division where market borrowings or negotiated loans from financing institutions are proposed and External Finance Division where borrowings from foreign lending agencies or counter guarantees to banks for guarantees given to foreign lending agencies or suppliers are involved. Where guarantees to public-sector financing institutions are involved the Internal Finance Division (Corporations Branch) should be consulted.

As a rule the amounts involved will be large and it is necessary that the decision to give a guarantee is taken at a sufficiently high level. In so far as public-sector institutions are concerned, individual cases involving less than Rs. 50 lakhs may be decided at Joint Secretary's level and those in excess of this limit at Secretary's level—both in the administrative Ministry and in the Expenditure Department. In so far as private institutions are concerned, however, all cases of guarantees may be preferably got approved by Ministers and those involving amounts exceeding Rs. 10 lakhs in each case (each institution or group of institutions if the same party is connected with it)—the limit being applied after taking into account the guarantees already given in respect of the institution or group of institutions,—may be considered for being submitted to the Cabinet for approval.

(3) Each case of guarantee should be periodically (at least annually) reviewed to see that the need for guarantee continues and that Government's interests continue to be safe|safeguarded. For this purpose, the published accounts of the borrower should be scrutinised and periodical reports etc. called for from the borrower as also from the Government representative on the Board of Management, if any. Wherever necessary or justified, action to withdraw the guarantee should be taken.

(4) All cases of guarantees (whether given or withdrawn) should be reported to the Budget Division for Central record. All payments made in pursuance of the guarantees given should also likewise be reported for record. The proforma in which this information should be furnished is appended. The first return should cover guarantees given and outstanding as on 31st March 1969 as also the information for the month of April, 1969. The returns should reach the Budget Division by the 15th of the month following that to which they pertain.

It is requested that the requirements of this Office Memorandum may be scrupulously observed in future.

(A. R. SHIRALI)

Joint Secretary to the Government of India.

To

All Ministries|Departments and Secretariats of the Government of India (with a spare copy for the Internal Financial Adviser).

No. F. 18(1)-W&M|69

Copy with enclosure forwarded for necessary action to all Divisions in the Department of Expenditure, Department of Revenue and Insurance and all Branches of the Department of Economic Affairs.

Copy with enclosure forwarded to Cabinet Secretariat.

(A. R. SHIRALI)

Joint Secretary to the Government of India.

No. 2 (32)|65-F. I.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF COORDINATION BUREAU OF PUBLIC ENTERPRISES

New Delhi; the 16th March, 1967.

OFFICE MEMORANDUM

SUBJECT: *Financing of Working Capital requirements of Public Sector Undertakings.*

The question of providing working capital to the Public Sector Enterprises has been engaging the attention of the Government for some time. While it is true that the case of each undertaking will have to be considered on its merits, the following guidelines are laid down which may assist the projects in assessing and meeting their working capital requirements:—

(a) The Board of Directors in case of each undertaking should determine the reasonable level of the working capital and review the position from time to time to ensure that the total investment in the working capital is kept as low as possible.

(b) In the first instance, the enterprises concerned should approach the State Bank of India for the cash-credit arrangements to meet the requirements of their working capital on the security of their current assets including stocks of stores, spare-parts, raw-materials etc. According to the normal bank practices, the State Bank may ask for a certain margin while fixing the cash-credit limits.

(c) It would be necessary for the undertaking to find ways and means of raising the margin money. The State Bank of India should be requested to provide for the entire working capital needs. If necessary, the excess over the margin money could be covered by a guarantee from the Central Government.

(d) Whenever the total requirements of the working capital cannot be met by the cash credit arrangements with the State Bank of India, the enterprises may approach the Government for short-term loans. Such requests would have to be examined *vis-a-vis* the position of internal resources of the undertaking.

(e) So far as the use of internal resources and in particular depreciation fund is concerned, this should in the first instance be utilised for meeting capital expenditure. While making a demand for additional funds for capital expenditure, the internal resources including depreciation fund will, invariably, be taken into account.

(f) Where the undertakings are making losses, the amount of the loss sustained will also be met from internal resources in the first instance.

The Ministry of Industry etc. are requested to bring this to the notice of the Public Sector Undertakings.

(R. C. DUTT),
Secretary to the Government of India
and Director General Bureau of Public Enterprises,

To

All Ministries|Departments of the Govt. of India.

All FAs in the Department of Expenditure.

Copies to:

Secretary, Department of Economic Affairs.

Secretary, Department of Expenditure.

Secretary, Department of Coordination.

Addl. Secretary, Department of Economic Affairs.

J. S. (Budget)

PROFORMA

No.

GOVERNMENT OF INDIA

Ministry of

Department

Statement showing guarantees given|withdrawn by the Central Government during the month of ....

1. Name of the institution in respect of which guarantee given|withdrawn

   Public|Private Sector

2. Name of the institution to|from whom guarantee given|withdrawn

3. No and date of the letter in which guarantee given| withdrawn
4. Level at which decision to give| withdraw guarantee taken
5. Details of the guarantee given:
   - (a) Precise purpose
   - *(b) Maximum Ammount of guarantee (In rupees)
   - (c) guarantee valid upto
   - *(d) sums guaranteed outstanding at the end of the month
   - (e) Steps taken to safeguard Government interest
   - (f) Conditions, if any, on which guarantee given (*e.g.* pledging of securities as a set off against the guarantee, fees levied etc.)
   - (g) Rate of interest involved, if any (Per cent per annum)
6. Amount if any paid by Government against the guarantee and the steps taken to recover the same from the institution concerned.
7. No. and date of the previous return.

*In the case of guarantees given in foreign currencies, the amount in foreign currency should be shown in brackets.

NOTE: (1) Where more than one guarantee has been given in respect of an institution, details of each guarantee should be furnished separately.

(2) If no guarantee has been given|withdrawn during a month, a 'nil' return need not be sent.

Under Secretary

To

The Ministry of Finance,

Department of Economic Affairs,

Ways and Means Section, New Delhi.

[Ministry of Finance (Deptt. of Economic Affairs) O. M. No. F.8(3)-B|69 dated 30.9.69].

Recommendation

The Committee note that at present a statement of guarantees given is included in the Explanatory Memorandum of the General Budget presented to Parliament. It would be a definite advantage if the information tabulated in the statement could be amplified to bring out the payments, if any, made by Government, pursuant to guarantees given.

[S. No. 29 of Appendix VIII to 55th Report—4th Lok Sabha].

Action taken

The Committee's recommendation has been noted for implementation. It will be given effect to from the Budget for 1970-71.

[Ministry of Finance (Deptt. of Economic Affairs) O. M. No. F. 8(3)-B|69 dated 30.9.69].

CHAPTER III

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

Recommendation

The Committee are concerned over the heavy arrears in the realisation of loans advanced by the Rehabilitation Finance Administration Unit. As against the oustandings of Rs. 3:8 crores on 31st March, 1967, the amount recovered during 1967-68 was merely Rs. 10:33 lakhs. The amount written off during the same period was Rs. 23·05 lakhs—more than double the amount recovered.

(S. No. 20 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The Rehabilitation Finance Administration had advanced Rs. 11:42 crores to about 15000 loanees. The recoveries upto 31st March, 1968 amounted to Rs. 10:34 crores (Principal and interest) and about 11,000 loan accounts had been closed by that date. The bulk of the remaining 4000 loans pertain to displaced persons from East Pakistan settled in West Bengal and Assam who could not sucessfully run the businesses for which loans were given and had frittered away the money advanced to them by the erstwhile Rehabilitation Finance Administration. Their financial position is anything but satisfactory and this is the reason why neither the Rehabilitation Finance Administration Unit nor the Collectors to whom certificates have been issued for recovery as arrears of land revenue, have been able to effect any substantial recoveries in these 4000 loan accounts in recent years. The Rehabilitation Finance Administration Unit has been simultaneously engaged in weeding out bad and doubtful loan accounts and the write off pertains to such accounts. Steps are also being taken to expedite the recoveries to the maximum extent possible.

[Ministry of Finance (Deptt. of Economic Affairs) O. M. No. F. 8(3)-B|69 dated 30.9.69].

Further Information desired by the Action-Taken Sub-Committee

(i) Please state when the Rehabilitation Finance Administration Unit is expected to complete their work of recovery|write off of outstanding loans and whether any time targetted programme has been drawn up for this purpose.

(ii) Please furnish a statement showing the present strength of staff of all categories in the RFA Unit.

Government Reply

(i) All efforts are being made to make enquiries about the financial position of the borrowers and their guarantors in the outstanding loan accounts numbering 3294 involving overdues of Rs. 3:14 crores (Principal Rs. 2:05 crores, Interest Rs. 1:09 crores) on the 31st August, 1969, with a view to effect recovery depending upon the merits of each case and|or to write off the irrecoverable loans.

It is hoped that the work would be completed in another two to three years. In this connection, it may be stated that commensurate with the reduction in the number of loan accounts to be settled, the strength of the staff of 215 members as on 1.1.1961 stands reduced to 60 members at present involving a corresponding reduction in cost from Rs. 6:70 lakhs to Rs. 3·77 lakhs, in spite of increase in allowances of the staff.

(ii) A statement showing the present strength of the staff in the Rehabilitation Finance Administration Unit is enclosed.

Statement showing the present strength of Staff in the R.F.A. Unit as on 24-11-1969

S. No.	Designation	No. of posts	Scales of pay	Remarks
			(In rupees)	
	Class I			
1.	Assistant Administrator	1 — 1	900—50—1250	The post of the Administrator in the grade of Rs. 1300—60—1600 is held as an addl. charge by an Under Secretary without any special pay.
	Class II			
2.	Superintendent	2	450—25—550—30—760	
3.	Accountant	1 — 3	270—15—435—EB—20—575	

1	2	3	4	5
	Class III			
4.	Supervisor/Inspector Incharge . .	1	320—15—470—EB—15—350	
5.	Supervisor/Inspector	27	210—10—290—15—320—EB—15—425	
6.	Stenographer Gr. I .	1	-do-	
7.	Upper Division Clerk	7	130—5—160—8—200—EB—8—256—EB—8—280—10—300	
8.	Lower Division Clerk	4	110—3—131—4—155—EB—4—175—5—180	
		40		
	Class IV			
9.	Record Sorter .	2	80—1—85—2—95—EB—3—110	
10.	Orderly . .	1	75—1—85—EB—2—95	
11.	Daftry . .	3	-do-	
12.	Guard . . .	3	-do-	
13.	Peon . . .	6	70—1—80—EB—1—85	
14.	Sweeper . .	1	-do-	
		16		
	Total . .	67		

[Ministry of Finance (Deptt. of Economic Affairs) O. M. No. No. F-8(84)-B/69, dated 30-9-1969].

CHAPTER IV

RECOMMENDATIONS|OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Nil

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee note that the terms of the First Yugoslav credit obtained by the Government of India provided for the quantum of credit being related to the parity rate of the Indian rupee in terms of the British Pound. With the devaluation of the rupees, the balances of this loan were written up. However, the question of writing down of the balances by Rs. 2.97 crores following the devaluation of the pound is still under discussion, though the Government of India is effecting the payment of interest and the repayment of principal only with reference to the new parity rate between rupee and pound. The Committee would like to be apprised in due course of the outcome of the negotiations now in progress.

[S. No. 8 of Appendix VIII to 55th Report—4th Lok Sabha].

Action taken

The recommendation has been noted. The Public Accounts Committee will be apprised in due course of the result of the discussions.

[Ministry of Finance (Deptt. of Economic Affairs) O. M. No. F.8(3)-B/69 dated 30-9-69].

Recommendation

The Committee are disturbed to learn that goods valued at Rs. 2.6 crores meant for export against rupee payments under Trade & Payments Agreements executed with Yugoslavia, Hungary, East Germany, Czechoslovakia and Tunisia were diverted or attempted to be diverted to convertible currency areas. As the cases are at various stages of adjudication, the Committee would like to reserve their comments at this stage. They would like to be apprised of the final outcome of the various proceedings now in progress. The Committee would also urge Government to study carefully, in the light of the findings now available, the *modus operandi* adopted by the parties so that loopholes in the existing regulations and procedures could be plugged. Government would also do well to consider how best they could make a more realistic assessment of the import requirements of countries with whom rupee payment arrangements are executed, so that the scope for diversion of exports is eliminated.

(S. No. 13 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The recommendation of the Public Accounts Committee that the Government should study carefully, in the light of the findings now available, the *modus operandi* adopted by the parties so that loopholes in the existing regulations and procedures could be plugged, has been noted.

As regards the proceedings involving diversion to convertible currency areas of goods meant for export against rupee payments under Trade and Payments Agreements executed with certain countries, the parties have in many cases filed writ petitions in Courts which have restrained the Government from passing any final orders.

As the Committee would appreciate, adjudication proceedings either by the Customs authorities or by the Director of Enforcement, Foreign Exchange Regulation Act, are time-consuming and further proceedings like appeals are likely to follow the orders passed in adjudication. It will, therefore, be some time before the final outcome in all the cases will be known. A report on the final outcome of the proceedings in these cases will be sent to the Public Accounts Committee, as and when the proceedings have been concluded.

At the time of Annual Trade talks with countries with whom rupee payment arrangements exist, assessment is made of the import requirements of the country concerned in respect of particular commodities and accordingly the quantum of export is determined. Bilateral understanding is also incorporated in the documents concerning the Trade Plan that the two bilateral trading partners will not re-export the goods to third country destinations. At international forums like UNCTAD I & II, socialist countries have also subscribed to the resolutions undertaking not to re-export goods purchased by them from developing countries.

Generally speaking, re-exports take place either on high seas or at third country ports by manipulation of shipping documents. It is not always possible to get completely verifiable information on all the cases about which reports may reach the Government through its Trade Representatives. However, whenever verifiable evidence of deliberate diversion is available, the matter is taken up with the Governments of the country concerned. Whenever their attention has been drawn to such cases, they have assured that they have taken necessary action against the firm involved and are also taking action on further recurrence of such cases which go against the bilateral understanding between the two countries.

Port and Customs authorities have been instructed to check the bills of lading and other shipping documents carefully to ensure that in respect of goods shipped to destinations where Switch Trading is likely, the final destination is clearly mentioned in these documents. This check is particularly done where the goods are likely to pass through a third country port in the case of land-locked countries like those in East Europe. Shipments meant for such countries are not being allowed to be exported to the address of a third party in a third country. Similarly, at regular intervals statistics are being compiled by Port and Customs authorities of the quantum of exports to destinations where Switch Trading is likely of such commodities which may be prone to diversion. This information enables the Government to keep a check of the actual quantity being exported to a particular country and act in time to ensure that excess quantity is not being exported.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(3)—B|69 dated 18.10.1969].

Further Information desired by the Action-Taken Sub-Committee

Please state:

(i) The results of the study of the *modus operandi* adopted by the parties involved in switch deals and the steps to plug loopholes in the existing regulations and procedures; and

(ii) the final outcome of the proceedings in cases of switch deals pending adjudication|appeal—with full particulars.

Government's Reply

(i) In the cases of diversion which have been investigated by the Customs authorities and the Enforcement Directorate, it is seen that there was an elaborate arrangement for financing the exports out of rupees from the bilateral accounts with the rupee payment countries, whereas the goods were intended for countries in the Western Europe, exports to which could not be financed from the rupee acocunts. Broadly, the arrangements followed by the different exporters involved in these cases are similar and can be briefly summarised as follows:—

(1) On the basis of offers and acceptance, the goods were sold to a firm in Western Europe;

(2) Contracts were made out between the Indian exporters and such firms in Western Europe;

(3) A duplicate contract was made out subsequently showing the name of a firm in the East European country concerned as the ultimate buyer;

(4) Letters of Credit were opened by the East European firm concerned providing for payment in rupees;

(5) Penalties on account of late shipment, inferior quality, short quantity, etc., were paid to the West European firm concerned; and

(6) Interest charges on account of delay in shipment for the absence of quota, delay in negotiations for want of fund or defects in Letters of Credit etc., were charged to the West European firms.

The West European firms have been posing as intermediaries and they are situated in U.K., West Germany, Holland, Switzerland and Italy.

The recomendation contained in para 2.28 of the 55th Report of the Public Accounts Committee (Sl. No. 10 of Annexure VIII of the Report) has been brought to the notice of the Customs authorities, Enforcement Directorate, the Reserve Bank of India, the Directorate of Revenue Intelligence and the Central Bureau of Investigation.

In all cases the diversion may not be the result of conspiracy with or connivance of the Indian exporter; diversion may also take place at the instance or initiative of the consignee in the rupee payment countries, who may be an independent party, without the Indian exporter being in the picture. Action can be taken only in those cases where the Indian party is found to have violated the provisions of our law.

(ii) As regards the outcome of the proceedings in the cases of switch deals pending adjudication|appeal, it has already been explained in the action-taken-statement in regard to the recommendation in question that the adjudication proceedings by the Custom*

authorities and by the Director of Enforcement, Foreign Exchange Regulation Act, are time-consuming and further proceedings like appeals are likely to follow the orders passed in adjudication and, therefore, it will be some time before the final outcome in all the cases is known. The report on the final outcome of the proceedings already promised will be furnished to the Public Accounts Committee as soon as the pending proceedings are concluded.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F.8 (84)—B/69 dated 2-12-1969].

Recommendation

The Committee are concerned over the fact that ways and means advances given to the State Governments to defray expenditure on Plan schemes during 1965-66 have still not been finally adjusted on the basis of audited figures of expenditure on the schemes. According to the procedure prescribed by Government, the adjustment was to be completed by 30th September, 1967 on the basis of audit certificates to be furnished by the State Accountants-General. However, due to difficulties experienced by the State Governments in supplying expenditure statements to the Accountants-General, the issue of audit certificates has been held up. The Committee would in this connection like Government to take note of the observations of the Finance Commission about the need for State Governments to arrange for "speedy reconciliation" of their expenditure figures with those of the Accountants-General and initiate necessary action in this respect. The Committee would also like Government to consider, in consultation with the Comptroller and Auditor General, how far the existing pattern of assistance renders final accounting of Plan expenditure incurred by the State Governments a time-consuming and cumbersome process and whether a simplification of the scheme for assistance on the lines suggested by the Administrative Reforms Commission would facilitate speedier accounting and more expeditious adjustment of the advances given to State Governments.

[S. No. 12 of Appendix VIII to 55th Report—4th Lok Sabha].

Action taken

The observations in paragraph 41 of the Interim Report of the Fifth Finance Commission, to which the Public Accounts Committee have referred, were made in the context of the discussion of the problem of unauthorised overdrafts of the State Governments.

2. Government share the concern expressed by the Public Accounts Committee over the delay in the final adjustment of Central assistance provided to the State Governments on the basis of

audited figures of expenditure on Plan schemes during 1965-66. Government also agree with the view that a simplification of the procedure and patterns of assistance for State Plan schemes would be desirable from the point of view of facilitating speedier accounting and more expeditious adjustments of the advances given to State Governments. The observations of the Administrative Reforms Commission in their Report on 'Machinery for Planning' quoted by the Public Accounts Committee in paragraphs 3.7 and 3.8 of their Report as well as the Commission's final recommendations in this regard have been examined. These recommendations have also been discussed by the National Development Council. Following these discussions, and taking into account the views of the Administrative Reforms Commission, Government have already taken decisions as indicated below regarding the channelling of assistance for State Plan and Centrally sponsored schemes during the Fourth Five Year Plan period beginning with the current financial year.

3. Under the new procedure adopted for the Fourth Five Year Plan period, Central assistance will be provided to the State Government for their Plan schemes in the form of block loans and grants, 70 per cent being loan and the balance as grant. This proportion will remain fixed during each of the five years of the Plan and will apply uniformly to all States. Patterns of assistance for individual schemes or for Heads and Sub-Heads of Development have been dispensed with so that no portion of the Central assistance will be relatable to specific schemes and programmes. A copy of the Planning Commission's letter to the State Governments on the subject is enclosed. The comments of this Ministry furnished in respect of paragraphs 3.23 and 3.24 of the Report of the Public Accounts Committee may also be referred to in this connection.

4. As far as Centrally sponsored schemes are concerned, it has been decided that their number will be reduced to the minimum necessary and further that the outlay on these schemes will not exceed one-sixth to one-seventh of the total Central assistance available for the State Plans. All Centrally sponosred schemes will henceforth be financed on a 100 per cent basis by the Government of India and State Governments will not be required to contribute any resources of their own towards such schemes.

5. The above procedure will, it is expected, bring about considerable simplification in the matter of auditing of expenditure on the plan schemes for purposes of finalization of Central assistance.

Since patterns of assistance based on varying standards of matching contribution from the States have been done away with, it will now not be necessary to work out separately the shares of the Central and State Governments in the expenditure on individual schemes or Heads of Development. Similarly, it will not be necessary to work out the loan and grant components of the Central assistance payable to the State Governments. The only programmes|schemes for which expenditure figures will need to be verified separately for the purpose of final adjustments would be those in respect of which outlays are earmarked by the Planning Commission; for all other programmes, it would be adequate to obtain total expenditure figures. The auditing of expenditure on Centrally sponsored schemes too will be rendered much easier than in the past on account of the fact that the number of these schemes would be substantially reduced and they will all be fully financed by the Centre. It may accordingly be expected that, both in respect of State Plan and Centrally sponsored schemes, the work of reconciling the departmental expenditure figures with those of the State Accountants General will now be considerably simplified and should take much less time than in the past. It is proposed to issue detailed instructions on the subject to the State Governments in consultation with the Comptroller and Auditor General.

6. As regards the question of the finalisation of Central assistance on the basis of the audited figures of expenditure on the State Plan and Centrally sponsored schemes in 1965-66 and 1966-67, efforts are continuing to expedite the progress in the matter. The State Governments and the State Accountants General are being periodically reminded on the subject. However, from the reports received so far, it appears that the State Governments are experiencing certain difficulties in finalising their expenditure statements, specially as regards the share of the State Governments in certain Centrally sponsored schemes met from their own resources and included in the State Plans, the expenditure incurred by the local bodies and such statutory bodies as the State Electricity Boards and classification of schemes in certain cases. The matter has already been taken up with the State Governments concerned. Reference is also being made to the Comptroller and Auditor General seeking his advice on the various difficulties that have come to notice.

7. The Public Accounts Committee will be informed in due course of the progress in finalising the Central assistance paid to State Governments on the basis of audited figures of expenditure.

No. PC (P) 4|7|68

GOVERNMENT OF INDIA

PLANNING COMMISSION

New Delhi, the 22nd May, 1969.

Jaistha 1, 1891 Saka.

To

All State Governments
(Planning and Finance Secretaries).

SUBJECT.—*Channelling of Central Assistance to the States for their Annual Plans.*

Sir,

The procedure for channelling of Central assistance for schemes included in the State Plans as set out in the Planning Commission's letter No. PC(P)4|2|66, dated January 25, 1967 has been under review for some time. The Committee of the National Development Council recommended at its meeting held in July, 1968 that Central assistance to State Governments for their Plan schemes be given in the shape of block loans and grants. After taking into consideration the recommendations made by the Administrative Reforms Commission in this regard as also the views expressed by State Governments in response to the Planning Commission's letter No. PC(P)4|2|68, dated March 8, 1968, it has been decided in consultation with Ministry of Finance that Central assistance to States for the Fourth Five Year Plan (1969-74), with the exception of the funds to be provided by the National Co-operative Development Corporation, will be given as block loans and grants each year. It has also been decided that each State should receive 30 per cent of the total assistance every year as a grant, the balance of 70 per cent being loan. The terms and conditions governing the block loans will be communicated to State Governments separately.

2. Central assistance to the States will not be related to any individual scheme—group of schemes or Head of Development on the basis of matching contribution. However, in order to ensure that the priorities for the Plan are generally maintained in the course of implementation it has been decided that the outlays under certain heads or sub-heads and for a few specified schemes shall be earmarked as indicated below:

(i) Agriculture and allied sectors* (excluding Community Development and Panchayats);

*Agricultural Production, Minor Irrigation, Soil Conservation, Area Development, Animal Husbandry, Dairying & Milk Supply, Forests, Fisheries, Ware-housing and Marketing, and Co-operation.

(ii) Specified continuing major irrigation schemes;

(iii) Specified schemes for generation and transmission of power;

(iv) Specified projects not covered under (ii) and (iii) above. involving foreign contractual obligations and inter-State payments;

(v) Elementary education (Classes I to VIII);

(vi) Rural water supply programmes.

Outlays for certain additional specified items of special importance may also be earmarked from time to time in individual States. A list of specified projects under the categories (ii) to (iv) above for which outlays will be earmarked will be communicated separately.

3. The outlays approved for any of the programmes|schemes mentioned in paragraph 2 above will not be divertible to any other programme|scheme. In exceptional cases, for reasons beyond the control of the State Government, if any adjustments become necessary, proposals will be sent to the Planning Commission so as to reach the Commission not later than 31st October of the financial year to which they relate. It will not be possible for the Planning Commission to consider any proposal received after that date.

In respect of other heads of development where the outlays are not earmarked, the State Governments will be free to make *inter-se* adjustments within a head or sub-head of development. However, the reports of such adjustments should be made to the Commission not later than 15th February of the financial year to which these relate.

4. Central assistance will be payable in full to a State, provided the following two conditions are fulfilled

(a) The actual expenditure on any individual earmarked item does not fall short of the approved outlay for the same.

(b) The total expenditure on all programmes not covered by (a) above, does not fall short of the total approved outlay in respect of the same.

In calculating the Central assistance payable to each State, the expenditure on items under category (a) and (b) above will be reckoned separately in relation to approved outlays. In case there are shortfalls in expenditure under these categories in relation to the approved outlays, Central assistance will be reduced proportionately. The Central assistance to which a State Government will be entitled, will be the total of the assistance thus worked cut for each of the two-categories separately. The reduction will be both under loan and grant, and in the same proportion which the total Central assistance bears to the total approved Plan outlay.

5. The procedure described above comes into effect from April 1, 1969 and will be valid for the five year period 1969-70 to 1973-74.

6. The receipt of this letter may kindly be acknowledged.

Yours faithfully,

Sd|-

(B. D. PANDE)

Secretary, Planning Commission.

Copy forwarded for information to:—

1. Ministry of Finance.
   - (i) Department of Economic Affairs (Budget Division).
   - (ii) Department of Expenditure (Plan Finance Division).

2. All other Central Ministries (except Law and Defence).

[Ministry of Finance (Department of Economic Affairs) O.M. No. F.8(3)-B|69, dated 30-9-1969].

Further Information desired by the Action-Taken Sub-Committee

Please state:

- (a) Whether the Ministry of Finance, in consultation with the Comptroller and Auditor General of India, have since issued detailed instructions regarding reconciliation of departmental expenditure figures with those of State Accountants General consequent upon the introduction of the new procedure for financing of State Plans and Centrally Sponsored schemes (*vide* para 5 of the Ministry's note).
- (b) Whether the Ministry of Finance have since sought the advice of Comptroller and Auditor General on the various difficulties in making final adjustment of Central assistance to States on the basis of audited figures of expenditure on the State Plan and Centrally Sponsored Schemes for 1965-66, 1966-67 and 1967-68; and
- (c) the progress made in the final adjustment of Central assistance to States on the basis of audited figures of expenditure for the years 1965-66, 1966-67 and 1967-68.

Government's Reply

1. The revised procedure of Central assistance for the State Plan schemes and the reduction in the number of Centrally Sponsored Schemes coupled with the fact that these Centrally Sponsored schemes will now be financed fully by the Centre, would facilitate easier auditing of expenditure and reconciliation of departmental figures with the Accountant General's figures. However, as pointed out in para 6 of this Ministry's earlier note, the basic problem of the certification of expenditure incurred on Plan schemes by the local bodies and autonomous Corporations like the State Electricity Boards and State Road Transport Corporations still remains. As the expenditure incurred by these institutions would not be booked by the Accountant General, he can at best certify only to the loans and grants released by the State Government to them. This would not reflect the actual expenditure incurred by these institutions on the Plan Schemes. As a number of State Plan schemes and Centrally Sponsored schemes are being implemented through the local bodies and autonomous Corporations, the Central assistance to the States for Plan Schemes cannot be finalised without solving this basic problem. Once this problem is solved, auditing of expenditure and reconciliation of figures would be easier under the revised procedure of Central assistance for State Plan schemes than before and detailed instructions would be issued to the State Government to secure this result.

2. In response to this Ministry's requests to expedite the furnishing of audited certificates of 1965-66, 1966-67 etc. seven States (i.e.) Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Mysore and Tamil Nadu have pointed out certain difficulties faced by them in the finalization of Central assistance for State Plan and Centrally Sponsored Schemes on the basis of audited figures of expenditure. The main difficulty experienced by them is the one referred to in the preceding paragraph. The other States from which replies have not been received so far have also been reminded to send us detailed information regarding the progress of the matter and the difficulties being faced by them so that, if necessary, the matter could be taken up with the Comptroller and Auditor General. The basic problem referred to in the preceding paragraph has, however, already been taken up with the C.&A.G. and it is expected that it would be possible to sort out the matter at an early date.

3. For the reasons mentioned above, it has not been possible to finalize the Central assistance to States for State Plan and Centrally Sponsored schemes from the year 1965-66. However, it is

felt that as soon as the difficulties relating to the auditing of expenditure in respect of the earlier years are resolved, it would be possible to settle the procedure relating to the finalization of Central assistance during the Fourth Five Year Plan period also.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F-8(84)-B|69, dated 1-12-1969].

Recommendation

The Committee note that the amount of loans advanced to State Governments for the rehabilitation of displaced persons upto 31st March, 1968 was Rs. 157.85 crores. The Department of Rehabilitation have taken the view that "the proper utilisation and accountal of these loans .... is primarily the responsibility of the State Government and the State Accountant General." However, the following facts suggest the need for rethinking on the subject. A preliminary investigation carried out by the Government of India in four States showed the state of loan records maintained by the departmental authorities to be "unsatisfactory" in some districts of one State, a "complete record" about disbursement of loans to be "not available" in two districts in a second State and the reconstruction of loan accounts "to be difficult" in one out of two offices in a third State, as they had been "damaged considerably in a fire in 1961". In the fourth State, it was found that "some records (in one of the districts) were destroyed in a fire." Besides, the investigation also disclosed in one of the States that detailed accounts of disbursement of nearly Rs. 20 lakhs had not been submitted to the Accountant General and that there was a variation of Rs. 55 lakhs between the figures of disbursement brought to account by the Accountant General and the Departmental authorities. In view of these facts, the Committee would like Government to have a thorough investigation carried out into the state of loan accounts, in consultation with the Comptroller and Auditor General of India, so as to resolve all discrepancies, before any part of the loan is remitted. The Central Government should also ensure that State Governments improve the machinery for recovery of loans and interest and make prompt repayments to the Centre.

(S. No. 17 of Appendix VIII to 55th Report—4th Lok Sabha).

Action taken

The Chief Secretaries of the concerned State Governments have been requested to constitute a Committee consisting of the representatives of the State Finance Department, the Rehabilitation Department and the Accountant General and also the Internal Financial

Adviser of the Department of Rehabilitation in order to investigate into the state of rehabilitation loan accounts and records and the present position regarding reconciliation of discrepancies between departmental and the A.G.'s figures of drawals and disbursements. The Committee have been requested to complete their work within a period of three months. On receipt of the report of the Committees, appropriate action will be taken to ensure that the loan accounts are maintained in a complete and up-to-date form and that recoveries are accelerated.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F-8(3)-B|69, dated 30-9-1969].

Further Information desired by the Action-Taken Sub-Committee

Please state the result of investigations by the state Inter-Departmental Committees into the state of rehabilitation loan accounts and records and the action taken by Government to ensure maintenance of complete and up-to-date accounts.

Government's Reply

As explained in the brief forwarded on Para 333 of the Public Accounts Committee's (1968-69) 55th Report, the Chief Secretaries of the State Governments were requested in D. O. letter No. 8|10|69-Bud., dated 9-7-1969 to constitute a Committee for each State comprising a senior officer each of the State Finance Department, Rehabilitation Department of the State Government and the State Accountant General, to investigate into the state of rehabilitation loan accounts, etc. The Committee was to complete the investigation work and submit the report within a period of three months from the date of its constitution. The reports in regard to action taken in the matter are still awaited from the State Governments concerned who have been reminded on 2-9-1969, 6-10-1969 and 6-11-1969. The Governments of West Bengal and Madhya Pradesh have replied.

2. The Government of West Bengal are of the view that there is not much necessity of constituting the proposed Committee at this stage on the plea that—

(i) loan accounts and relevant records in that State are being maintained properly and that family-wise loan ledgers have been completed excepting a portion of District Nadia;

(ii) major portion of the discrepancies between the departmental and Accountant General's figures have been settled; and

APPENDIX

Summary of main Recommendations|Conclusions

S. No.	Para No.	Ministry|Department concerned	Recommendation |Conclusion
1	2	3	4
1	1.8	Finance	(i) The Committee observe that as a result of studies of the staff position in various organisations conducted by the Staff Inspection Unit of the Ministry of Finance between 1964-65 and 1968-69, as many as 11,664 posts were found surplus. This constitutes over a seventh of the total number of posts studied. Another interesting fact that emerges is that the number of surplus posts detected has tended to increase over the years. All these facts suggest the need for a periodical assessment of the staff position in Government departments and undertakings. The Committee would prefer such studies to be undertaken by the Staff Inspection Unit or an independent body rather than the Internal Work Study Unit of a Ministry.

			(ii) The Committee note from the information furnished to them that no periodicity has been prescribed for the reviews to be conducted by the Staff Inspection Unit. The Committee would like Government to go into this matter and issue suitable instructions.
2	1.9	Finance Home Affairs	Another point that needs mention is the need to maintain co-ordination between the Staff Inspection Unit which conducts the review and the Ministry of Home Affairs which is administering the pool of staff reported surplus after such reviews. The Committee would like Government to evolve a procedure to ensure that all posts found surplus after review by the Staff Inspection Unit are promptly reported to the Ministry of Home Affairs.
3	1.18	Finance	The Committee had in their Fifty-Fifth Report (Fourth Lok Sabha) drawn attention to the growing burden of the country's external debt. The data now furnished to the Committee indicates that the burden will continue to grow. The debt service ratio of the country or the ratio of amortisation and interest payments to the country's exports of goods, services etc., has shown a sharp increase in recent years. The annual report of the World Bank for 1969 indicates that it has increased from 16.3 per cent in 1966 to 21.6 per cent in 1968 and is the highest amongst the developing countries in the world. Over the Fourth Five Year Plan period the total debt service payments are expected to amount to Rs. 2,559 crores ($3,412 million) inclusive of repayments to the International Monetary Fund. This will amount to well over a sixth of the country's total foreign exchange outgo of Rs. 12,330 crores ($16,440 million). These figures speak for themselves.

1	2	3	4
4	1.19	Finance	The Committee note that to meet the country's liability on this and other accounts during the period of the Fourth Plan, a massive export effort is called for. The anticipations in this regard are that the country's exports will fetch a total of Rs. 8,300 crores during the Fourth Plan. This postulates a compound rate of growth of exports of 7 per cent per annum, or increase in export earnings from Rs. 1,340 crores in 1968-69 to Rs. 1,900 crores in 1973-74. It seems to the Committee that this targeted rate of growth of export is ambitious. The data at page 11 of this report would indicate that traditional exports would continue to form the major portion of the country's exports during the Fourth Plan period. Considering the recent trends in the international markets for primary products, to which the World Bank has referred, it is doubtful whether prescribed rate of growth of exports can be achieved. In any case, if the postulated rate of growth is to be achieved, particular efforts in the following directions are called for. (i) A programme has to be drawn for identification of units which have to be expanded, if necessary, to meet export obligations and an export obligation made a condition precedent for sanctioning expansion.

			(ii) Units with export obligations will have to be assured of essential imports and domestic inputs—The experience of engineering goods industry should serve as a pointer in this regard.
			(iii) Incentives given to exporters by way of drawbacks, rebates etc., will have to be speedily provided, cutting through irritating procedural delays.
5	1.20	Finance	No less important in the Committee's opinion from the point of view of mitigating debt burden is a pragmatic and practical approach to the problem of import substitution. The Committee note that Government are undertaking for this purpose a study industrywise and that another high level committee has been set up for going into this problem in depth. The Committee hope that the labours of this high level committee will provide guidelines for a well-conceived programme for import substitution in different sectors of the economy.
			The best judge as to what replacement of plant, machinery and their parts can be done indigenously are the engineers and workers who run them. Their cooperation and continuous exhortation for suggestions in this direction will go a long way in achieving this object. The Committee suggest proper efforts be made in this direction.
6	1.24	Finance	The Committee note the Ministry's explanation that in respect of slow utilisation of credit amounting to Rs. 290 crores cited in the

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			55th Report, the credit available could not be matched to the investment needs of the economy. Now that the Fourth Five Year Plan is being finalised, the Committee hope that the possibilities of utilising these credits will be explored and appropriate action initiated thereafter. The Committee would in this context like to re-emphasise the need for advance preparatory action on projects to be financed out of foreign credits so that the time-lag between the pledging of assistance and its utilisation is reduced to the barest minimum.
7	1.29	Finance	The Committee observe that investigations by Government into some of the 'switch deals' have brought to light the existence of "duplicate contracts" between exporters in India and parties in rupee payment countries in respect of goods which were in fact sold in free foreign exchange areas. To obviate recurrence of such instances, the Committee hope that adequate procedures would be evolved to ensure that the Enforcement Directorate, the Directorate of Revenue Intelligence and other concerned authorities keep track of contracts executed with foreign parties involving rupee accounts and investigate all suspicious cases promptly, in liaison with our Government's overseas trade representatives.
8	1.30	Finance	The Committee observe that there have also been instances of overseas consignees diverting exports, without the knowledge of Indian exporters. Legal action in such cases may not be possible.

			However, the Committee hope that Government's overseas trade representatives have instructions to gather data about the standing and reliability of parties in the commercial field who enter into contracts with us and feed the information to enforcement agencies in this country.
9	1.31	Finance	The Committee note that adjudication proceedings are still in progress in respect of the cases mentioned by them in the 55th Report. The Committee would like Government to examine whether the law as it now stands delays effective and timely action against known delinquents and if so, how best the situation can be remedied.
10	1.35	Finance	The Committee are not very happy that the question of final adjustment of Central assistance to States for the years 1965-66, 1966-67 and 1967-68 is still hanging fire. The difficulty has been stated to be the question of determining the Plan expenditure incurred by autonomous corporations like the State Road Transport Corporations and Electricity Boards and the local bodies. The autonomous bodies mentioned above maintain accounts on commercial lines which are subject to audit and the expenditure incurred by local bodies is likewise audited by examiners of Local Fund Accounts in the States. It should not, therefore, be very difficult to arrive at some kind of a working arrangement for the certification of the expenditure incurred by these authorities with the good offices of the Comptroller and Auditor General. The Committee note that the matter has been referred by Government now to the Comptroller and Auditor Gene-

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			ral and hopes that a system to secure speedy adjustment of Central assistance would be worked out not only in respect of the past years but for the future as well.
11	1.40	Finance	The Committee are concerned to observe that capacities in major public sector undertakings built up at tremendous public cost have remained largely unutilised because of lack of demand and inability to export their products. The position has not improved in any tangible way since they reviewed the matter last. The data furnished to the Committee shows that during 1968-69, a number of major undertakings ran at less than half their capacity. The position was particularly disappointing in the Heavy Machine Tool Project of the Heavy Engineering Corporation where utilisation was barely 3 per cent. It was only a little better with the Mining and Allied Machinery Corporation which ran to 16 per cent of its capacity. Bharat Heavy Electricals and Indian Drugs and Pharmaceuticals did not appreciably fare better. Some undertakings as a makeshift arrangement have started manufacturing products with plant and machinery meant for more sophisticated items. This has provided some work for the idle men and machinery. In this situation, the Committee have cause for serious doubt whether public sector enterprises would be able to contribute towards Plan financing resources of the order of Rs. 685 crores, which is expected of them.

12	1.41	Finance	The Committee observe that Government are themselves seized of the problem and hope that imaginative measures for export promotion and diversification of production would help to improve the position. In their anxiety to generate demand for existing idle units Government should not allow themselves to be hustled into accepting new projects or expansion schemes, without adequate feasibility studies. The experience of the working of public sector units all along suggests the need for extreme circumspection on this account.
13	1.45	Finance	While the Committee note that the number of banks|branches which have not rendered certified annual statements of collections to the National Defence Fund has come down to 2,300 or about one-third of that in June, 1968, they feel that the position is still unsatisfactory. The Committee note that the Reserve Bank have again issued instructions to the banks on the 7th May, 1969 asking them to send immediately the wanting statements to the Accountants General concerned duly signed by the branch Agent|Manager and Accountant to be followed by audited statements. The Committee would like the matter to be closely followed up by Government.
14	1.49	Finance	The Committee are dissatisfied with the position in regard to accounting of collections for the National Defence Fund made by non-official organisations. It was reported by the Ministry in January, 1969 that 908 receipt books in 9 States had not been "accounted for". According to the information now furnished by them, the

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			number of receipt books yet to be "accounted for" was 1.718 in 12 States. According to the previous report "proof of remittance of collections" amounting to Rs. 41.87 lakhs was "not forthcoming". The amount in this respect has now been reported to be Rs. 43.95 lakhs. Not much headway has also apparently been made in the audit of collections. The Committee are distressed over this state of affairs and strongly feel that Government should pursue and settle these accounts with greater zest and determination.
15	1.53	Finance	While the Committee note that there has been a substantial reduction in the size of overdrafts run up by the State Governments with the Reserve Bank of India, they feel that the position still leaves a lot to be desired. The amount of such overdrafts as on 30-9-1969 was over Rs. 58 crores, unauthorised overdrafts accounting for nearly Rs. 37 crores. The Committee hope that the Government of India will be able to evolve a procedure to further minimise, if not avoid, such overdrafts.

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