35

STANDING COMMITTEE ON FINANCE
(2010-11)

FIFTEENTH LOK SABHA

MINISTRY OF PLANNING

Demands for Grants
(2011-12)

THIRTY FIFTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2011/ Sarvana,1933 (Saka)

THIRTY FIFTH REPORT

STANDING COMMITTEE ON FINANCE
(2010-2011)

(FIFTEENTH LOK SABHA)

MINISTRY OF PLANNING

Demands for Grants
(2011-12)

Presented to Hon'ble Speaker on 30 June, 2011

Presented to Lok Sabha on 2 August, 2011

Laid in Rajya Sabha on 2 August, 2011

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2011/ Sarvana,1933 (Saka)

Contents

Part – I

BACKGROUND ANALYSIS

PART – II

APPENDICES

COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2010-11

Shri Yashwant Sinha - Chairman

MEMBERS

LOK SABHA

2. Dr. Baliram (Lalganj)
3. Shri Sudip Bandyopadhyay
4. Shri C.M. Chang
5. Shri Harishchandra Chavan
6. Shri Bhakta Charan Das
7. Shri Khagen Das
8. Shri Gurudas Dasgupta
9. Shri Nishikant Dubey
10. Shri Bhartruhari Mahtab
11. Shri Mangani Lal Mandal
12. Smt. Jaya Prada Nahata
13. Shri Rayapati Sambasiva Rao
14. Shri Magunta Sreenivasulu Reddy
15. Shri Sarvey Sathyanarayana
16. Shri G.M. Siddeshwara
17. Shri N. Dharam Singh
18. Shri Manicka Tagore
19. Dr. M. Thambidurai
20. Shri Anjankumar M. Yadav
21. Dr. Kavuru Sambasiva Rao*

RAJYA SABHA

22. Shri S.S. Ahluwalia
23. Shri Raashid Alvi
24. Shri Vijay Jawaharlal Darda
25. Shri Piyush Goyal
26. Shri Moinul Hassan
27. Shri Satish Chandra Misra
28. Shri Mahendra Mohan
29. Dr. Mahendra Prasad
30. Dr. K.V.P. Ramachandra Rao
31. Shri Y.P. Trivedi

SECRETARIAT

1.	Shri A.K. Singh	-	Joint Secretary
2.	Shri R.K. Jain	-	Director
3.	Shri T.G. Chandrasekhar	-	Additional Director
4.	Shri Ramkumar Suryanarayanan	-	Deputy Secretary

---

* Nominated to this Committee w.e.f. 28.01.2011 vice Shri Y.S. Jagan Mohan Reddy, ceased to be a member of the Committee on his resignation from Lok Sabha.

INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorized by the Committee, present this Thirty-fifth Report (15th Lok Sabha) on the 'Demands for Grants (2011-12)' of the Ministry of Planning.

2. The Demands for Grants (2011-12) of the Ministry of Planning were laid on the Table of the House on 11 March, 2011. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Finance are required to consider the Demands for Grants of the Ministries/Departments under their jurisdiction and make reports on the same to both the Houses of Parliament. Thereafter, the Demands are considered by the House in the light of the reports of the Committee. However, this year, the Demands for Grants (2011-12) of the Ministry of Planning were passed by Lok Sabha prior to their consideration by the Standing Committee on Finance. Nonetheless, in pursuance of the observation made by the Chair, the Committee examined the Demands for Grants (2011-12) of the Ministry of Planning and issues arising therefrom.

3. The Committee took oral evidence of the representatives of the Ministry of Planning on 19 April, 2011.

4. The Committee considered and adopted this Report at their sitting held on 25 May, 2011. Minutes of the sittings of the Committee are given in appendix to the Report.

5. The Committee wish to express their thanks to the representatives of the Ministry of Planning for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2011-12).

New Delhi;
20 June, 2011
30 Jyaistha,1933(Saka)

YASHWANT SINHA,
Chairman,
Standing Committee on Finance.

REPORT

PART I

I. ANALYSIS OF DEMANDS FOR GRANTS (2011-12)

Introduction

1.1 The Planning Commission came into existence as per the Government of India Resolution of 15th March, 1950. It functions as an advisory Planning body at the apex level. The main function of Planning Commission is to make an assessment of the material, capital and human resources of the country and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nations' requirements and to formulate a Plan for the most effective and balanced utilization of the country's resources. The Planning Commission also consults the Central ministries and the State Governments while formulating Five Year Plans and Annual Plans and also oversees their implementation.

1.2 The Ministry of Planning have presented its detailed Demands for Grants (2011-12 Demand No.74) in Lok Sabha on March 11, 2011. The Annual Plan 2011-12 outlay [Budget Estimates (BE)] of the Ministry is Rs.1676.00 crore of which Rs.206.00 crore is for normal activities, spread over the Central Sector Plan Schemes, and Rs.1470.00 crore for the programmes of Unique Identification Authority of India (UIDAI).

1.3 The actual expenditure incurred in 2008-09, Budget Estimates (BE)/Revised Estimates (RE) 2009-10 and BE 2010-11 are given below:—

(Rs. in crore)

Actuals 2009-10			BE 2010-11			RE 2010-11			Actuals Upto Jan 11			BE 2011-12		
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
86.33	70.96	157.29	2000.00	59.32	2059.32	1045.00	72.66	1117.66	91.81	61.92	153.73	1600.00	76.00	1676.00

Statement showing Budget Estimates, Revised Estimates and actual expenditure for the past two years And Budget Estimates of the current financial year

(figures in thousands)

Sl. No	Major Head	NAME OF THE SCHEME	2009-10			2010-11			BE 2011-12
			BE	RE	Actuals	BE	RE	Actuals*	
		REVENUE SECTION (PLAN)							
1.	2203	New Initiative in Skill Development through PPP	15,00,00	47,00	3,29	10,00,00	8,41,00	3,03	8,41,00
2.	2401	National Rainfed Area Authority	--	--	--	--	--	--	25,00,00
3.	3425	Energy(R&D)	2,00,00	1,00	--	--	--	--	--
4.	3451	Office of the Adviser to P.M on Public Information, Infrastructure & Innovations	--	--	--	5,00,00	3,25,00	42,95	7,00,00
5.	3451	Modernization of Office Systems	10,00,00	10,00,00	5,65,36	4,50,00	5,10,00	3,09,82	10,10,00
6.	3451	Economic Advisory Council to the PM.	1,78,00	1,38,00	99,63	1,42,00	1,60,00	1,30,65	2,39,00
7.	3451	National Knowledge Commission	5,00	--	--	--	--	--	--
8.	3454	Unique Identification Authority of India	92,79,00	23,92,00	18,70,68	17,19,50,00	7,45,66,00	46,40,40	7,50,00,00
9.	3475	Grants-in-aid to Universities, Research Institutions etc.	2,10,00	2,10,00	1,66,20	2,10,00	2,10,00	1,38,97	2,10,00
10	3475	Expertise for Planning Process	2,55,00	2,10,00	1,96,49	4,40,00	3,85,00	1,75,77	5,49,61
11.	3475	UNDP Assistance for preparation of SHDR.	11,83,00	11,83,00	11,20,46	--	--	--	--
12.	3475	50th Year Initiative for Planning	30,71,00	10,00,00	9,84,05	14,00,00	13,50,00	3,35,50	14,00,00
13.	3475	Strengthening Evaluation Capacity in Government.	12,00,00	2,50,00	1,67,98	10,00,00	5,75,00	1,82,16	10,00,00
14.	3475	Support to Planning Process at National, State & Distt. Level	20,00,00	40,00	--	--	--	--	--
15.	3475	Plan Accounting & Public Finance Management System	13,07,00	9,18,00	5,33,57	9,88,00	9,19,00	2,45,81	9,51,00
16.	3475	Grant-in-aid to IAMR	4,34,00	4,34,00	4,34,00	5,50,00	5,50,00	5,24,50	7,71,39

17.	3475	Expert Group on Low Carbon Economy	--	--	--	2,00,00	50,00	--	2,00,00
18.	3475	Expert Group on Transport Policy	--	--	--	3,00,00	3,00,00	30,20	3,00,00
19.	3475	High Level Committee on Financing Infrastructure	--	--	--	--	--	--	2,00,00
20.	3475	Western Ghats Secretariat	--	--	--	--	--	--	50,00

* provisional figures upto January 2011

Sl. No	Major Head	NAME OF THE SCHEME	2009-10			2010-11			BE 2011-12
			BE	RE	Actuals	BE	RE	Actuals*	
REVENUE SECTION (PLAN)									
19.	3601	Support to Planning Process at National, State & Distt. Level	1,75,00,00	10,00	--	--	--	--	--
20.	3601	UNDP Assistance for Capacity Development for Distt. Planning	7,77,00	7,77,00	7,77,00	13,19,00	13,19,00	2,79,30	9,17,00
21.	3601	UNDP Assistance for Support to Livelihood Promotion Strategies	1,80,00	1,80,00	40,90	2,40,00	2,40,00	--	--
23.	3602	Support to Planning Process at National, State & Distt. Level	5,00,00	10,00	--	--	--	--	--
CAPITAL SECTION (PLAN)									
1.	4059	Unique Identification Authority of India(Capital Outlay on Public Works)	--	--	--	50,00,00	20,00,00	--	20,00,00
2.	5475	Unique Identification Authority of India	27,21,00	7,00,00	6,95,69	1,30,50,00	1,95,00,00	20,61,54	7,00,00,00
3.	5475	Modernisation of Office Systems	13,00,00	13,00,00	9,17,52	10,61,00	5,50,00	74,51	10,61,00
4.	5475	Plan Accounting & Public Finance Management System	4,00,00	1,00,00	60,80	2,00,00	1,50,00	6,22	1,00,00
TOTAL (PLAN)			**4,52,00,00**	**1,09,00,00**	**86,33,62**	**20,00,00,00**	**10,45,00,00**	**91,81,33**	**16,00,00,00**

REVENUE SECTION (NON- PLAN)									
1.	3451	Department of Planning	48,00	36,15	24,65	42,00	42,00	26,61	42,00
2.	3451	Planning Commission	53,99,00	52,98,35	58,25,22	48,17,00	59,81,00	52,29,63	62,28,00
3.	3451	Programme Evaluation Office	5,68,00	5,62,50	5,61,28	4,80,00	6,00,00	4,63,33	7,15,00
4.	3451	Departmental Canteen	35,00	35,00	34,97	43,00	43,00	32,97	45,00
5.	3475	Manpower Research Services to Govt. etc.	6,50,00	6,50,00	6,50,00	5,50,00	6,00,00	4,40,25	5,70,00
TOTAL (NON-PLAN)			**67,00,00**	**65,82,00**	**70,96,12**	**59,32,00**	**72,66,00**	**61,92,79**	**76,00,00**
Grand Total (PLAN + NON-PLAN)			**5,19,00,00**	**1,74,82,00**	**1,57,29,74**	**20,59,32,00**	**11,17,66,00**	**1,53,74,12**	**16,76,00,00**

***** provisional figures upto January, 2011

1.4 Percentage of expenditure incurred during the last quarter of each financial year in 11th Plan.

PLAN

(Rs. In Crore)

Year	Budget Estimates	Revised Estimates	Actuals	Expr. In the last quarter	Expdr. in the last quarter as % of RE
2007-08	90.00	51.00	42.33	23.51	46.10%
2008-09	602.00	50.00	37.97	22.88	45.76%
2009-10	452.00	109.00	86.34	49.67	45.57%
2010-11	2000.00	1045.00	(*) 219.68	139.84	13.38%

(*) Provisional Expenditure up to March, 2011.

NON-PLAN

(Rs. In Crore)

Year	Budget Estimates	Revised Estimates	Actuals	Expr. In the last quarter	Expdr. in the last quarter as % of RE
2007-08	39.32	42.00	39.57	9.10	21.67%
2008-09	42.00	54.13	54.73	10.76	19.88%
2009-10	67.00	65.82	70.97	12.25	18.61%
2010-11	59.32	72.66	(*) 68.78	12.47	17.17%

(*) Provisional Expenditure up to March, 2011.

Trend in utilisation of funds

1.5 The details of BE 2010-11 of some of the schemes of the Ministry of Planning and the amount expended (upto January, 2011) are given in the table below:-

(Rs. in crore)

Scheme	BE 2010-11 (Both under Revenue and Capital Sections)	Actuals (upto January, 2011)
New Initiative in Skill Development through PPP	10.00	0.03
Modernization of Office Systems	15.11	3.83
Unique Identification Authority of India	1900.00	67.01
Expertise for Planning Process	4.40	1.75
50th Year Initiative for Planning/ Plan Formulation, Appraisal and Review	14.00	3.35
Strengthening Evaluation Capacity in Govt.	10.00	1.82
Plan Accounting and Public Finance Management System	11.88	2.52
Expert Group on Transport Policy	3.00	0.30
UNDP Assistance for Capacity Development for District Planning	13.19	2.79
Total	**1,981.58**	**83.40**

As evident from the table above, allocations made in BE 2010-11 have been largely unspent.

1.6 On the issue of utilisation of budgetary resources by the Ministry of Planning, the Standing Committee on Finance, in their Thirteenth Report on Demands for Grants (2010-11) of the Ministry of Planning took note of the significant and persistent shortfall in utilization of the Plan expenditure over the years. The Committee, therefore, emphasized that appropriate corrective measures be initiated to address and overcome the problem of inappropriate projection of fund requirements in formulating budget estimates for programmes and schemes. The Ministry, in their action taken notes, while assuring that the observations of the Committee had been noted for compliance in future, also informed that the trends of expenditure on various schemes was proposed to be monitored closely during the year, to ensure timely utilisation of budgeted allocations.

1.7 On being asked to enumerate the reasons for shortfall in utilisation of budgeted funds again in the year 2010-11, the Ministry of Planning furnished a written reply as follows:-

> "The Hon'ble Standing Committee on Finance had last year made observations about the problem of inappropriate projection of fund requirements in formulating budget estimates for programmes and schemes which are left unutilized owing to various factors. Keeping in view the observations/recommendations of the Hon'ble Committee, maximum possible efforts have been made to formulate budget estimates as per realistic requirements. However, expenditure in some of the Plan schemes has not been satisfactory for reasons as furnished in the table below:

(Rs. in crore)

Scheme	BE 2010-11	Expdr. upto Jan. 11	Expdr. upto Mar. 11 (Provisional)	Reasons
New Initiative in Skill Development through PPP	10.00	0.03	0.04	The scheme involved various other stakeholders, which delayed the decision making process regarding the proposals under the scheme.
Modernisation of Office Systems	15.11	3.83	5.25	Some of the projects could not be completed due to technical and other reasons and payments could not be made to some contractors in respect of disputed contracts.

Unique Identification Authority of India	1900.00	67.01	182.67	*** Explained below.
Expertise for Planning Process	4.40	1.75	2.05	The requisite number of consultants could not be appointed and Foreign tours could not be performed as initially envisaged.
50th Year Initiative for Planning/Plan Formulation, Appraisal and Review	14.00	3.35	5.38	Mainly due to execution of less proposals, printing of less Manuals and Reports, holding of only a few conferences/seminars etc.
Strengthening Evaluation Capacity in Government.	10.00	1.82	2.73	On account of non finalization of various proposals for procurement of hardware items and reduction in expenditure under the Publication heads on account of uploading of various Reports on the website.
Plan Accounting and Public Finance Management System	11.88	2.52	4.54	Non-engagement of staff, lower than anticipated payment of consultant charges for the DPR and less procurement of Machinery and Computers.
Expert Group on Transport Policy	3.00	0.30	2.78	Budget utilization is satisfactorily.
UNDP Assistance for Capacity Development for District Planning	13.19	2.79	2.79	Since the States were having unspent balances, further funds were not released.

*** Out of a total Plan BE of Rs.2000 crore, the budget provision in respect of Unique Identification Authority of India (UIDAI) itself was earmarked at Rs.1900 crore. The main reasons for under utilization of funds in Unique Identification Authority of India (UIDAI) are as under:

i) Vacancies in various cadres could not be filled as per projections;

ii) Due to delay in setting up of Regional Offices, provision could not be fully utilized;

iii) Many of the proposed Conferences/Workshops could not be held;
iv) Due to less enrollment, satisfactory utilization of funds under Advertising and Publicity could not be made;

v) Due to late finalization of proposal for hiring of UBCC; and

vi) Land could not be allocated by Ministry of Urban Development and Construction work as planned could not be executed.

Efforts have been made to make the allocations realistic keeping in view the past trends of expenditure and the projected requirements. It is hoped that regular monitoring of the expenditure of the schemes will ensure optimum utilization of funds allocated in the year 2011-12".

II. MID- TERM APPRAISAL OF 11TH PLAN

Objective of 11th Plan

2.1 The Eleventh Plan (2007-12) sought to build on the gains achieved in the Tenth Plan and shift the economy to a path of faster and more inclusive growth. Inclusiveness a critical element in the strategy was to be achieved by ensuring that growth is broad based and is combined with programmes aimed at overcoming deficiencies in critical areas which affect large numbers of the vulnerable sections of population, particularly the Scheduled Castes (SC) and Scheduled Tribes (ST), the other Backward Classes (OBC), Women and the minorities.

2.2 Asked to comment on the performance so far during 11th Plan, the Member-Secretary, Planning Commission, during oral evidence stated as follows:

> "…we are now in the last year of the 11th Plan. We have a huge task before us and the reason I wanted to mention the realisation of the first four years is, while we may take credit for having come out of the crisis, we still need to see where we would be at the end of the financial year. In the 10th Plan we could not go beyond 82 per cent. So, we are now actually in the current financial year and we have a huge task ahead of us to ensure that the allocations that have been made for the Ministries, we have to work hard to ensure that they are able to utilise those in a meaningful manner.
>
> Major achievements have been operationalisation of the Right to Education, and the challenge before us is the Right to Food. That is the big challenge that would have an impact on fiscal management and Plan achievement. There are two areas of concern – oil prices and indebtedness of industrialised countries and inflation".

2.3 The sectoral growth performance of the economy is given in the table below:-

Sectoral Growth Rates (in %) (At Factor Cost, 2004-05 prices)

Year	Agriculture	Industry	Services	GDP
Eleventh Plan(Target)	4.0	10-11	9-11	9.0
2007-08	5.8	9.7	10.3	9.3
2008-09	-0.1	4.4	10.1	6.8
2009-10 (QE)	0.4	8.0	10.1	8.0
2010-11 (AE)	5.4	8.1	9.6	8.6

QE= Quick Estimates AE = Advance Estimates

2.4 Questioned on the extent to which the Eleventh Plan could achieve the stated objective i.e. Faster and More inclusive Growth and, the corrective steps that may have been taken/ proposed, following the mid-term appraisal of the Plan, the Ministry of Planning in a written submission informed as follows:-

> "The Eleventh Plan objective was to achieve inclusive growth at an annual rate of 9 per cent. The Mid Term Appraisal projects that the Eleventh Plan will achieve an annual average growth rate of 8.1 per cent per year. The Mid Term Appraisal reveals that the economy has weathered an exceptionally difficult global environment very well and is now well poised to return to 9 per cent growth by the terminal year of the Eleventh Plan. For this, macro-economic policies have to ensure that fiscal consolidation takes place as planned, the investment environment remains supportive, and in particular, that investment in infrastructure is given renewed thrust, especially through PPP"**.**

Asked further about the supportive policies that may have been put in place and that need to be put in place to achieve the targeted growth rate, the Ministry of Planning responded in a written reply by stating as follows:

> "The Eleventh Five Year Plan (2007-12) envisaged an annual average growth rate of 9% of Gross Domestic Product (GDP) with target growth rate of 4% in the agricultural sector, 10 to 11% in the industrial sector and 9 to 11% in the services sector. During the first year of the Eleventh Plan (2007-08) the growth rate of GDP was estimated at 9.3 %. However, the growth rate decelerated to 6.8% in 2008-09 on account of global slowdown and low growth rate in the agriculture sector due to erratic rainfall and drought like situation in the country. The Advance Estimates of National Income released by the Central Statistical Office (CSO) on 7th

February, 2011 indicate that during 2009-10 GDP recorded an estimated growth rate of 8.0% (Quick Estimate) and is expected to realise a growth rate of 8.6% (Advance Estimate) during the year 2010-11.

The supportive policies in respect of each sector of the economy to achieve the targets have been spelt out in the Eleventh Five Year Plan Document. However, some of the major schemes aimed at accelerating the growth rate of agriculture sector include: Accelerated Irrigation Benefit Programme (AIBP), Accelerated Power Development Reform Programme (APDRP) and Rashtriya Krishi Vikas Yojana (RKVY). In addition, implementation of other schemes such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Pradhan Mantri Gram Sadak Yojana (PMGSY) aimed at improving rural infrastructure would have implications for agricultural productivity. The measures to speed up the growth process in the industry and services sectors, inter alia, include: Technology Upgradation Fund Scheme (TUFS), Industrial Infrastructure Upgradation Scheme (IIUS), Indian Leather Development Programme, Micro and Small Enterprises Cluster Development Programme, Integrated Infrastructure Development (IID) Scheme, Credit Guarantee Scheme for lending to Micro and Small Enterprises (MSEs), introduction of Financial Sector (Regulation & Development) Bill 2007, constitution of Financial Inclusion Fund and Financial Inclusion Technology Fund, Viability Gap Funding for Public Private Partnership (PPP) in infrastructure projects, liberalisation of Foreign Direct Investment (FDI) Policy, Software Technology Parks Scheme, launching of National Skill Development Mission (NSDM), etc.

The continuation of the favourable economic environment along with a normal monsoon to support agriculture and continuation of supportive policy environment for industrial and services sectors expansion could provide sustained levels of growth and restore the economy to the high growth path in 2011-12 and beyond".

2.5 In response to a specific question as to whether the economy is in a position for transition to a growth rate of higher than 9 per cent in the twelfth Plan period, the Ministry of Planning in a written reply submitted as follows:-

"India's strong macroeconomic fundamentals suggest that an annual average GDP growth rate of higher than 9 per cent can be achieved despite slower growth in industrialised countries provided supportive policies are put in place. The Indian economy has proved its resilience, by withstanding the massive external shocks created by the global Crisis of 2008-09. The strength of the Indian economy is primarily featured by:

- High level of domestic investment and savings rates that have almost reached the eleventh plan target during the first three years of the plan

- The demographic dividend that the country is reaping recently, with higher proportion of population entering the workforce
- Presence of robust corporate sector contributing enormously to the productivity and investment in the economy
- Sustained fiscal consolidation and financial sector management

The policy thrust for achieving a high growth trajectory on sustainable basis needs to be centred around (a) improving agricultural productivity, (b) making our export more competitive, (c) further expansion in physical infrastructure, (d) expansion of quality education and skill development and last but not the least, inclusion of inflation management as an integral component of growth strategy".

2.6 Asked to comment on the view that the GDP is merely related to human development and income disparities among different sections of the society has widened in the country, the Ministry of Planning stated *inter-alia* in a post-evidence reply as under:-

"The Planning commission takes cognizance of the fact that there is no automatic link between high GDP growth rate and human development and reduction in economic disparity. Development is multi-dimensional. Different countries have adopted different development models contextual to their level of socio-economic and political status with a view to address the issue of human development. In the Indian context, the Eleventh Five Year Plan has been explicit about the multi-dimensional aspect of development and has adopted inclusive growth as the main objective of development planning. The plan objectives are captured in 27 monitorable targets classified under six major categories at the national level such as: (a) Income and Poverty (b) Education (c) Health (d) Women and Children (e) Infrastructure (f) Environment.

Reduction in income disparities and upliftment of the socio-economic conditions of people of low-income households has always been the priority of the Government's development policy. The strategy has been to generate employment opportunities in rural & backward areas and also to develop infrastructure to bring a tangible improvement in the income and standard of living of the people. A number of programmes and schemes have been initiated by the Government, with a view to improve the human development indicators and reduce income disparity. These include, *inter-alia*, National Rural Health Mission (NRHM)……. Implementation of Bharat Nirman for building rural infrastructure is another initiative to create an enabling environment so that benefits of growth reach all the sections of the society".

<u>Formulation of the Twelfth Plan (2012 – 2017)</u>

2.7 Responding to a specific query about the present status of formulating the Twelfth Plan, the Ministry of Planning stated in written reply as under:-

> "The Planning Commission is currently in the process of preparing the Approach to the Twelfth Plan. Sectoral Working Groups/Steering Committees/Task Force are being set up to make recommendations on various policy matters. The action for preparation for Twelfth Plan will be initiated after the approval of Approach Paper to the Plan by the National Development Council".

Agriculture Sector

2.8 The Agriculture sector occupies center-stage to promote inclusive growth, enhance rural incomes and sustain food security. An important sectoral target of the Eleventh Plan was to raise the rate of growth of GDP in agriculture to 4 percent from 2.5 per cent in the Tenth Plan. Higher agriculture growth was expected to contribute directly to the overall GDP growth and even more so to inclusiveness.

2.9 When pointed out that the failure in achieving the 4 % agricultural growth rate had led to excluding a large section of the people from the growth process and resulted in failure in achieving the 11th Plan objective i.e. Faster and More inclusive growth, the Ministry of Planning in a written submission stated as under:-

> "The average of the annual growth rates of agriculture and allied sectors during first four years of the Eleventh Five Year Plan is around 2.9 percent which represents an improvement over the Tenth Plan average of 2.5 percent. While recognizing the importance of agricultural growth as an important element of inclusiveness due to its impact on poverty reduction, the mid-term appraisal of the Eleventh Five-Year Plan by the Planning Commission expects growth rate for agriculture and allied sector during the Eleventh Plan period to be between 3-3.5 percent. Leaving out the extreme cases of low base year performance, such a growth rate would be one of the best as was observed during 1992-98. Further, for inclusive growth the targeted programmes such as MNREGS and Bharat Nirman Programmes are expected to make a significant contribution.
>
> The Eleventh Five Year Plan envisaged an over-all GDP growth rate of 9% per year on an average including annual average growth rate of 4% for agriculture sector. The agricultural growth rate was included as one of monitorable targets keeping in view the fact that more than 60% of Indian population still depend on agriculture as a livelihood. Higher growth

performance in agriculture sector would imply that the benefits of growth do not bypass the rural population and thus the growth becomes inclusive.

The agriculture sector registered a growth rate of 5.8% during 2007-08 declined substantially in 2008-09 to the negative zone. This was due to the adverse effect of monsoon and drought-like situation in many parts of the country. The growth rate in agriculture registered at 0.4% remained an area of concern in 2009-10 as well. The Advance Estimates of National Income brought out by CSO on 7th February 2011, indicates higher growth for agriculture sector at 5.4% during 2010-11. During the first four years of the Eleventh Five Year Plan the average annual growth rate in agriculture sector is estimated at about 2%.

Indian economy has shown strong resilience to the global crisis and exhibited fast recovery to the higher growth trajectory in spite of slow- down in the agricultural sector. The performance of the economy in the first four years of the Eleventh plan as indicated by the macro economic aggregates recently released by the CSO indicates that a GDP growth rate of above 8 percent is easily achievable. Therefore, the overall economic situation suggests that it is possible to achieve inclusive growth through supportive policy measures.

Maintenance of higher Agriculture growth is one of the strategies for achieving inclusiveness in the growth process. The government is implementing a number of flagship programmes/schemes under the inclusive growth model of the Eleventh Plan with a view to eliminate poverty, improve the human development indicators and ensure social inclusiveness. These include, inter-alias: National Rural Health Mission (NRHM), Sarva Sikhsha Abhiyaan (SSA), Mid-day Meal Scheme, Integrated Child Development Scheme (ICDS), Targeted Public Distribution System (TPDS), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Swaranjayanti Gram Swarojgar Yojana (SGSY), Swarna Jayanti Shahari Rojgar Yojana (SJSRY), etc. Effective implementation of these programme/ schemes along with faster economic growth is expected to bring significant improvement in welfare and living standard of all groups of people".

2.10 Regarding the specific policy measures initiated/proposed for accelerating the agriculture growth rate to the targeted level, the Ministry of Planning has stated as follows:-

"Some of the specific measures initiated/proposed for accelerating agricultural growth rate are as following:

(a) Rashtriya Krishi Vikas Yojana (RKVY) has been launched during the Eleventh Plan which incentivizes States into making higher expenditure on agriculture and allied sector and provides flexibility in sanctioning and implementation of projects/programmes at the State level based on the locally relevant strategies for development of agriculture sector.

(b) Substantial increase has been provided in plan outlay of the Department of Agriculture and Cooperation from an expenditure level of Rs.4677 crore (including Rs 40 crore for Watershed Development in Shifting Cultivation Areas (WDSCA)) in 2006-07, which was the final year of the Tenth Five Year Plan, to Rs.15075 crore (BE) (including RKVY and WDSCA) in 2010-11 to provide momentum to the growth of agriculture sector.

(c) National Horticulture Mission has been launched in 2005 to promote diversification of agriculture to high value horticultural, floriculture and medicinal/aromatic crops. The Mission is likely to have an expenditure of Rs.986 crore during 2010-11.

(d) National Food Security Mission has been launched during the Eleventh Plan to increase production of rice, wheat and pulses in the selected districts of the country. The Mission is likely to have an expenditure of Rs.1074 crore during 2010-11.

(e) Substantial increase has been provided in plan outlay of the Department of Animal Husbandry, Dairying and Fisheries from an expenditure level of Rs.677 crore in 2006-07, which was the final year of the Tenth Five Year Plan, to Rs.1300 crore (BE) in 2010-11 to give impetus to the development of livestock and fisheries sectors which have high growth potential.

(f) Allocation to Department of Agricultural Research & Education has been almost doubled from 2006-07 expenditure level of Rs.1283 crore to Rs.2300 crore (BE) in 2010-11.

(g) Public investment in agriculture and allied sectors has increased considerably which may be seen from the figures given below:-

The latest available information in respect of public and private investment in agriculture and allied sectors since 2006-07 is given in the following table:

Gross Capital Formation (GCF)in Agriculture and Allied Sectors

(Rs in crores at 2004-05 prices)

Year	GDP in Agriculture & Allied Sector	Public Sector	Private Sector	Total	per cent of GCF agriculture in Agriculture GDP
2006-07	611409	22978	71422	94400	15.4
2007-08	640315	23040	86966	110006	17.2
2008-09	650461	24452	114145	138597	21.3

Source: National Account Statistics 2010

A recent press release of the Ministry of Statistics and Programme Implementation in respect of quick estimates of national income, consumption expenditure, savings and capital formation, without its industry-wise break-up of public and private sector components, bring out the following position:

Gross Capital Formation (GCF) by Industry of Use in Agriculture, Forestry and Logging and Fishery (Rs in crores at 2004-05 prices)

Year	GDP Agriculture, Forestry and Logging and Fishery	Gross Capital Formation	per cent of GCF agriculture in Agriculture GDP
2007-08	655080	105034	16.0
2008-09@	654118	128659	19.7
2009-10*	656975	133377	20.3

@ Provisional Estimates

* Quick Estimates

Source: Central Statistical Organisation, New Delhi Press release dated 31st January 2011".

2.11 The Standing Committee on Finance has brought to the notice of the Ministry of Planning that one of the reasons for decline in agricultural production is said to be that farmers are not being adequately paid remunerative price for agricultural produce. As a result, agricultural production decreases and to meet the shortfall in agricultural production, huge sums are spent for import of food items, on subsidies etc. On the other hand, owing to decrease in agricultural production, the farmers are rendered jobless and compelled to take up employment under MGNREGA. In this regard, the policy measures that are required to address this situation, as furnished by the Ministry of Planning in post-evidence reply is given below:-

"Efficient and competitive functioning of the agricultural markets and adequate marketing infrastructure are required for remunerative prices to the farmers for agricultural produce. To ensure remunerative price for the agricultural produce the Govt. of India has taken up several steps including implementation of the policy of minimum support prices and the market intervention scheme. For efficient functioning of the markets the States are being persuaded to amend their respective Agricultural Marketing Produce Committee Act in line with the Model Agricultural Produce Marketing Committee Act formulated by the Department of Agriculture & Cooperation. Alternative channels of marketing the agricultural produce through direct sale and contract farming are being promoted which are expected to result in competitive marketing of the agricultural produce. Further programmes are being implemented to strengthen the agricultural marketing infrastructure including rural godowns, cold storages and the agricultural markets. As far as the agricultural production is concerned, as per the third advance estimate the food grains production has increased to 235.88 MT in 2010-11 as compared to 218.11 MT in 2009-10".

2.12 To a specific question as to how are the issues of revival of agriculture sector as a whole and improving the irrigation potential of the country proposes to be addressed, the pos-evidence reply as submitted by the Ministry of Planning is given below:-

"In addition to harnessing the irrigation potential and conservation of water resources, the growth of agriculture sector requires technology generation through responsive research, its transfer to the farmers, efficient delivery of support services, diversification towards horticulture and livestock. This will require reforming the incentive structures, institutions and enhanced public investments".

Allocation to Agriculture Sector

2.13 To spur the growth in the agriculture sector, the Government has intended to follow a four-pronged strategy covering (a) agricultural production; (b) reduction in wastage of produce; (c) credit support to farmers ; and (d) a thrust to the food processing sector. However, allocation to the agriculture sector seems to be insignificant for spurring the growth of the sector. The details of allocation to some of the components of agriculture sector are shown in the table below :

Sl. No.	Allocation in 2011-12 (in Crore)	Objective
1.	Rs. 400	Green Revolution in Eastern Region
2.	Rs. 300	To attain self-sufficiency in production of pulses within next 3 years
3.	Rs. 300	To increase the domestic production of oil palm
4.	Rs. 300	To meet the growing demand for vegetables by increase in the productivity and market linkage
5.	Rs. 300	As a measure of promoting balanced nutrition by higher production of Bajra, jowar, ragi and other millets.

2.14 Questioned on the allocation of negligible amount to some of the components of agriculture sector, at a time when country is facing acute shortage in agriculture production, the Ministry of Planning in a post-evidence reply stated as under:-

> "The allocation for the sub-schemes of the Rashtriya Krishi Vikas Yojana extending Green Revolution in the Eastern Region is Rs.400 crore and Rs.300 crore each for increasing production of pulses, oil palm, vegetables and coarse cereals. This will be supplemented through the on-going schemes like Rashtriya Krishi Vikas Yojana, National Food Security Mission, Macro Management of Agriculture and also from the State budget".

Targeted Subsidies to the Poor

2.15 According to the Mid-Term Appraisal of 11 Plan, the major Central Government subsidies in the system at present are on food, petroleum products and fertilisers. The main subsidies at the state level are on account of the power sector and irrigation.

2.16 Responding to a question on the efforts being made for providing targeted subsidies to the poor to meet their essential requirements, the Ministry of Planning in a written reply stated:-

> "In order to ensure the availability of food grains particularly wheat and rice to a vast segment of Indian population, especially the poor, Government of India operates the Targeted Public Distribution System (TPDS). Under this system, Government procures and makes available food grains to the vulnerable sections through the vast network of Fair Price Shops throughout the country. The difference between the economic cost of food grains and their sales realization under TPDS and other welfare schemes is borne as the food subsidy by the Government. In addition, the Central Government also procures food grains for meeting the requirements of the buffer stock. Therefore, a part of the food subsidy also goes towards meeting the carrying cost of the buffer stock. Currently, under TPDS, the allocation of food grains are made to 6.52 crore Below Poverty Line (BPL) families including 2.43 crore Antyodaya Anna Yojana (AAY) families who are provided 35 Kg food grains per month at highly subsidised prices at Rs.2 per kg for wheat and Rs.3 per Kg for rice. Besides, food grains are also provided to 11.52 crore Above Poverty Line families with varying quantum depending on availability.
>
> It may be added that as per the announcement made in the President's Address to the Parliament in June 2009, the Government of India is committed to enact the National Food Security Act, wherein food grains would be distributed to the targeted/ poor people as per entitlement at highly subsidized prices.
>
> About 9.3 million tonnes of PDS Kerosene is supplied to rural/urban poor for the lighting and cooking purposes. Ministry of Petroleum & Natural Gas (MOP&NG) is also launching a scheme of LNG connections to the families below poverty line to benefit the clean fuel availability for the rural poor.
>
> Efforts are being made by MOP&NG in partnership with UIDAI for biometric identification based distribution system.
>
> Irrigation and water pricing are under the State Subjects as per the Constitution and subsidies on them are decided by the State Governments themselves. However National Water Policy 2002 states that

“Besides creating additional water resources facilities for various uses, adequate emphasis need to be given to the physical and financial sustainability of existing facilities. There is, therefore, a need to ensure that the water charges for various uses should be fixed in such a way that they cover at least the operation and maintenance charges of providing the service initially and a part of the capital costs subsequently.”

Planning Commission has been emphasizing for fixing the irrigation water pricing so as to at-least recover the O&M cost of the irrigation systems. The Mid Term Appraisal of the Eleventh Five Year Plan (Para 21.81 (4)) notes that “A major factor contributing to rapid fall in water tables in India is the availability of free or cheap power”. Keeping this in view, Planning Commission suggests that

“As a means of containing ground water use, States should move away from the wide spread practice of under pricing power for agriculture. If it is difficult to raise power rates, consideration should be given to imposing a cess on electricity for agriculture use to be earmarked for ground water recharge”.

It is also pertinent to mention here that 13th Finance Commission has linked the provision of maintenance grants to irrigation systems to setting up of the Water Resources Regulatory Authorities by the States. State Governments in their own interest adopt the suggestions of the Planning Commission and the 13th Finance Commission for addressing the subsidy related to irrigation.

Government is contemplating replacement of existing method of fertilizer subsidy payment through industry to direct payment to the poor farmers. The Government has set up a task force led by Shri Nandan Nilekani, Chairman, UIDAI to work out the modalities of cash transfer directly to the poor. The task force is expected to submit the report by June, 2011. Government has set a deadline of March 2012 for kicking off direct payment of fertilizer subsidy to poor farmers below the poverty line.

It may be mentioned that Fertilizer subsidy payment is Non-Plan Expenditure and Planning Commission is not directly concerned about this issue”.

2.17 Responding to a specific question as to whether containing the non-plan expenditure especially subsidies in food, fertilizer and petroleum for centre and power and irrigation sectors for the States would be feasible at a time when two successive Plan periods (10^{th} and 11^{th} Plans) could not achieve the targeted agricultural growth rates, the Ministry of Planning in a written submission informed as given below:-

> "It is expected that any reduction in non-plan expenditure especially subsidies will be designed in a manner which promotes their efficient use and also take into consideration its impact on agriculture growth.
>
> Provision of minimum nutritional support to the poor through subsidized foodgrains and ensuing price stability in different States are the twin objectives of the food security system. In fulfilling its obligation towards distributive justice, the Government incurs food subsidy. While the economic cost of wheat and rice has continuously gone up, the issue price has been kept unchanged since 1 July 2002. The Government, therefore, continue to provide large and growing amounts of subsidy on foodgrains for distribution under the TPDS, other nutrition-based welfare schemes, and market operations.
>
> Though the provision for Agricultural power subsidy have to be discouraged, however, due to substantial gap between Average Revenue Realization (ARR) and Average Cost of Supply (ACS), a mechanism is in place under Section 65 of the Electricity Act. 2003, whereby the States have been providing subsidy amount as determined by the respective SERCs. By providing the subsidy amount, the losses of the State Power Utilities substantially gets reduced.
>
> The growth is dependent on various factors which *inter-alia* includes availability of irrigation. There is no direct subsidy component involved in irrigation. This being a State Subject, it is for the State Government to decide about the fixing and collecting of irrigation water price for the effective O&M of the systems. Irrigation projects are capital intensive projects and are prioritized and constructed by the State Government themselves from their Plan funds. National Water Policy States that 'Besides creating additional water resources facilities for various uses, adequate emphasis need to be given to the physical and financial sustainability of existing facilities. There is, therefore, a need to ensure that the water charges for various uses should be fixed in such a way that they cover at least the operation and maintenance charges of providing the service initially and a part of the capital costs subsequently'.
>
> However in many States the water rates are so low that they do not even recover the part of the O&M cost of the systems which has led to

dilapidated systems working far below their intended performance level. In tune with the National Water Policy, Planning Commission has been emphasizing for fixing the irrigation water pricing so as to at-least recover the O&M cost of the irrigation systems.

Government has recently moved away from the product price subsidy regime to nutrient based subsidy regime for phosphatic and potassic fertilizers w.e.f. April 1, 2010. The move to shift to a nutrient based subsidy regime is aimed to enable the government to unshackle the fertilizer industry, boost investments in the fertilizer industry, facilitate balanced fertilization through new fortified products, promote extension services by the fertilizer industry, increasing farm productivity and returns for the farmer. The policy is expected to reduce volatility in the demand for fertilizer subsidy in addition to containing the subsidy bill".

2.18 The Standing Committee on Finance during the oral evidence of the representatives of the Ministry of Planning has raised issues on the proposal of direct cash transfer to the poor broadly related to (i) prevention leakages and misuse; (ii) identification and target the beneficiaries; and (iii) the need for proposing direct cash transfer to the poor, when some State Governments implementing universal Public Distribution System successfully. The Ministry of Planning submitted the following in post-evidence replies:

"In the Union Budget 2011-12 Speech, Hon'ble Union Finance Minister has indicated the following:

> Government provides subsidies, notably on fuel and food grains, to enable the common man to have access to these basic necessities at affordable price. A significant proportion of subsidized fuel does not reach the targeted beneficiaries and there is large scale diversion of subsidized kerosene oil. A recent tragic event has highlighted this practice. We have deliberated for long the modalities of implementing such subsidies. The debate now has to make way for decision. To ensure greater efficiency, cost effectiveness and better delivery for both kerosene and fertilizers, the Government will move towards direct transfer of cash subsidy to people living below poverty line in a phased manner.
>
> A taskforce headed by Shri Nandan Nilekani has been set-up to work out the modalities for the proposed system of direct transfer of subsidy for kerosene, LPG and fertilizers. The interim report of the task force is expected by June 2011. The system will be in place by March 2012".

As indicated therein, the Government has set up a task force to examine the modalities of direct cash transfer of subsidies such as fertilizers, kerosene and LPG. The Task Force is yet to submit its report to the Government.

Targeted Public Distribution System (TPDS) has been introduced in 1997 with focus on poor. Under TPDS, foodgrains @ 35 kg. per family per month are allocated to States/Union Territories for 6.52 crore Below Poverty Line (BPL)/ Antyodaya Anna Yojana (AAY) families for distribution at subsidized rates through Fair Price Shops. Depending upon the availability of foodgrains in the central pool and past offtake, foodgrains are also allocated to Above Poverty Line (APL) families. Presently, the allocations of foodgrains to APL families range between 10 kg and 35 kg per family per month.

At present, under the TPDS, the Central Issue Prices (CIPs) for rice and wheat for AAY, BPL and APL categories have not been revised since December, 2000, July, 2000 and July, 2002. If the PDS is to be universalized, in order to manage the affordable level of food subsidy, the issue prices of rice and wheat may have to be increased substantially from the present Central Issue Prices (CIPs). Besides, the procurement, storage, allocation and transportation for distribution of larger quantities of food grains required under Universal PDS would be impossible for the Government to manage. Further the specific focus on the poor would get diluted.

The Government has been receiving from time to time complaints of malpractices in distribution of foodgrains under TPDS. Strengthening and streamlining of TPDS is a continuous process. To improve functioning of TPDS, Government has been regularly requesting State/UT Government for continuous review of lists of BPL and AAY families, ensuring timely availability of foodgrains at Fair Price Shops (FPSs), ensuring greater transparency in functioning of TPDS, improved monitoring and vigilance at various levels and introduction of new technologies such as Computerization of TPDS operations at various levels.

In order to streamline functioning of TPDS, especially better targeting of the food subsidy, State Government of Uttar Pradesh, Haryana & Delhi have proposed to introduce a new mode of transfer of food subsidy on a pilot basis for BPL/AAY families in selected districts. Accordingly, the Department of Food and Public Distribution has formulated a 'Pilot Scheme on direct transfer of food subsidy in cash (instead of foodgrains and sugar) to BPL/AAY beneficiaries under TPDS' in five districts (2 districts each in Uttar Pradesh and Haryana and one in NCT of Delhi). The objective of the scheme is to transfer food subsidy more efficiently and transparently to targeted BPL and AAY beneficiaries with minimization of malpractices in TPDS".

Backward Regions

2.19 The Eleventh Plan recognizes that inclusive growth necessitates a sharper focus on slower growing states, especially the backward regions within these states. Higher levels of public investment are required to redress the imbalance in development of physical and social infrastructure, which would in turn provide the basis for overall faster rates of growth in economy in subsequent plan periods.

2.20 Questioned on the extent to which the Eleventh Plan has facilitated the development of the backward regions, within the slower growing states, the Ministry of Planning in a written reply submitted as under:-

> "Development of an area is primarily the responsibility of the concerned State Governments who have to redress the imbalance in development in the backward regions within the States through higher public investment. The Central Government on its part supplements the efforts of the State Governments in redressing the imbalance in development by providing Additional Central Assistance under various Special Area Programmes. This effort is supposed to change facet of the backward regions within the States. However, no specific study has been done to ascertain the extent of this change".

2.21 Also questioned as to how the Planning Commission, without studying the extent of change in the development of backward regions, could focus on slow growing states, especially the backward regions so that these become developed in a time-bound manner, the Ministry of Planning in a written reply stated as given below:-

> "As stated earlier, the development of an area is primarily the responsibility of the concerned State Governments who have to redress the imbalance in development in the backward regions within the State through higher public investment and the Central Government on its part supplements the efforts of the State Governments in redressing the imbalance in development by providing Additional Central Assistance under various Special Area Programmes. The Backward Regions Gant fund (BRGF) covering 250 backward districts of 27 States was initiated in 2006-07. Further, a Special Bundelkhand Drought Mitigation Package was approved by the Government in November, 2009. During 2010-11, the Central Government has further approved grant to 60 Selected Tribal and Backward Districts through an Integrated Action Plan (IAP) as an effort towards development of backward and tribal regions. It is true that so far no study to know the extent of change in development in these districts

> has been done. However, the World Bank evaluation study of BRGF has found the programme useful".

2.22 In response to a further query as to whether the efforts of the State Governments in redressing the imbalance in development are enough to complement the supplements from the Central Government in order to gain momentum towards development of backward regions, the Ministry of Planning in a written submission informed as under:-

> "While approving the Annual Plans of the States, the allocations under various sectors and for various schemes are thoroughly examined in the Planning Commission to see the extent of efforts made by the State Governments in redressing the imbalance in development in the States. In addition, various poverty alleviation schemes and flagship programmes such as Mahatma Gandhi National Rural Employment Guarantee Act, Indira Awas Yojana, Sarva Shiksha Abhiyan, National Rural Health Mission etc. are designed such that backward regions and disadvantaged groups benefit. However, no specific assessment has been made in this regard".

2.23 It is estimated that during the Eleventh Five Year Plan out of the total projected investment of Rs.1436559 crore to be incurred by the Centre and the states in the Eleventh Plan, Rs.435349 crore (or 30.3%) from public sector and Rs. 61,95,91 (or 69.7%) from private sector would be spent exclusively towards improvement of rural infrastructure.

2.24 When asked on the utilization of funds so far towards improvement of rural infrastructure, the Ministry of Planning has submitted as follows:-

> "As against the projected private investment of Rs. 6,19,591 crore during the 11th Plan, the private investment in the first 3 years of 11th Plan is estimated at Rs. 3,65,272 crore. The information on funds spent exclusively on rural infrastructure is not compiled by the Infrastructure Division".

III. STRENGTHENING EVALUATION CAPACITY IN GOVERNMENT

3.1 This scheme seeks to provide quick and useful evaluative information for planners/policy-makers and to create a database on development evaluation. For the year 2011-12, a provision of Rs.10.00 crore has been made under this scheme for taking up evaluation of all major schemes approved by Development Evaluation Advisory Committee (DEAC). The Plan Coordination Division along with Programme Evaluation Organisation of Planning Commission has chalked out a comprehensive programme to get the work done through reputed agencies in the field.

3.2 The details of BE, RE and actuals since 2008-09 under the scheme "Strengthening Evaluation Capacity in Government" are given in the table below:-

(Rs. in crore)

BE 08-09	Actuals 08-09	BE 09-10	Actuals 09-10	% of increase / decrease of BE 09-10 over 08-09	BE 10-11	Actuals 10-11	% of increase / decrease of BE 10-11 over 09-10	BE 11-12	% of increase / decrease of BE 11-12 over 10-11
12.00	1.40	12.00	1.67	No Change	10.00	1.82	-16.67%	10.00	No Change

3.3 When asked whether there was a need to restructure the scheme in view the persistent under-utilization of funds allocated since 2008-09, the Ministry of Planning has stated in their written reply as under:-

> "The fund under the scheme "Strengthening Evaluation Capacity in Government" had been allocated to Programme Evaluation Organization (PEO) at the rate of Rs.12.00 crore, Rs. 12.00 crore, Rs. 10.00 crore and Rs. 10.00 crore during the years 2008-09, 2009-10, 2010-11 and 2011-12 respectively. But the actual expenditure during the last three years (excluding the year 2011-12) had been Rs. 1.40 crore, Rs. 1.67 crore and 1.82 crore respectively. The consistent dismal utilization of funds allotted under the scheme was due to the following reasons:
>
> a) PEO has been facing inadequate staff position, both in its field units (7 Regional Evaluation Offices and 8 Project Evaluation Offices) and also at PEO headquarters, as a result of which the desired number of evaluation studies couldn't be completed.

b) PEO has been conducting evaluation studies both by PEO-inhouse and also by outsourcing to empanelled research institutions. The outsourced agency are not able to complete the studies and submit the reports within one year period of time for which the fund sanctioned to a particular institute cannot be released within one year.

c) The pre-evaluation process of the studies is comparatively time consuming for which PEO is not in a position to launch the study within a stipulated period of time.

d) However, at present, there is no need of restructuring the scheme, as because the object heads of the fund such as Office Expenses (OE), Publication, OAE, Professional Services and other charges are covering almost all aspects.

During the year 2011-12, PEO has proposed to complete at least 12 evaluation studies (by both PEO-inhouse and through outsourcing basis). It has also been proposed to spend the BE of Rs 10.00 crore during the year 2011-12 as below:

	Heads	Expenditure (in Rs. crore)
(a)	Office expenses	1.00
(b)	Publication	0.75
(c)	OAE	1.50
(d)	Professional services	6.00
(e)	Other charges	0.75
	Total	10.00”

3.4 The Standing Committee on Finance in their 3rd Report (15th Lok Sabha) had urged the Ministry to fill up the vacancies in PEO so as to enable in improving the development planning and implementation of programmes. However**,** there appears to be no improvement in this regard. Asked about the corrective steps taken / proposed for filling up the vacancies in PEO and to strengthen the system for carrying out effective evaluation studies, the Ministry of Planning in a post-evidence reply stated as follows:-

“Programme Evaluation Organization (PEO) has been conducting evaluation studies on centrally sponsored schemes including flagship programmes of Govt. of India on the behest of the implementing ministry priotised by Development Evaluation Advisory Committee (DEAC) from time to time. These evaluation studies are conducted either by PEO in-house (utilizing the manpower of the PEO field units) or by outsourcing the empanelled research institutes. Recently PEO has completed 3 in-house studies, such as (1) Cooked Mid Day Meals (CMDM), (2) Rural Roads

Components of Bharat Nirman (3) Sarva Shiksha Abiyan (SSA). The findings of the evaluation studies of the PEO are valued very high by the implementing ministries who are accepting most of PEO recommendations.

Due to inadequate staff position (both at headquarter office & field units), PEO is not able to utilize 100% of the fund under the scheme “Strengthening Evaluation capacity in Government”. 50% of the posts of the Director level are vacant in PEO headquarters. The PEO field units are also facing staff shortage. Mostly these posts (Director / Deputy Advisor, Senior Research Officer and Research Officer) belong to Indian Economic Services (IES). Planning Commission Administration is requesting IES Division of Ministry of Finance, Department of Economic Affairs to fill up the vacant post of PEO time and again. But DEA is not able to fill up the post due to shortage of staff with them.

Proposed suggestions for Strengthening PEO:-

(1) At least 02 additional posts of directors with statistical background (including the existing 04 sanctioned posts with economics background) should be created in PEO headquarters as because sampling design of evaluation studies needs statistical input.

(2) A data processing unit should be created in PEO headquarters consisting of, 2 Programmers, 2 Assistant Programmers and 5 Data Entry Operators for processing the data received from the PEO field units with respect to evaluation studies.

(3) The existing vacant posts in PEO (both headquarters and in field units) should be filled up”.

3.5 While there are approximately 150 Centrally Sponsored Schemes (CSSs), the largest 25 account for 93 per cent of total CSS expenditure. These large schemes must be subject to systematic and scientific ex-post evaluation to determine whether expenditures incurred have actually had the impact intended on outcomes. To undertake such evaluation, the Planning Commission has decided to establish an independent Evaluation Organisation (IEO) linked to but distinct from the Commission.

3.6 The present status of setting up of the proposed IEO, as informed in a written reply of the Ministry of Planning is given below:-

“The Union Cabinet in its meeting held on November 18, 2010 approved the establishment of an Independent Evaluation Office (IEO). However, the process of setting up of IEO could be initiated after Cabinet approves

> the modification sought by Planning Commission in the rank and status of DG, IEO".

3.7 Responding to a specific query as to why no allocation has been made for IEO in BE 2011-12, the Ministry of Planning in a written reply stated as under:-

> "On account of the procedural issues explained above, there may be some delay in setting up of IEO. Therefore, no significant expenditure is expected in the first quarter of 2011-12, raising a demand at the time of first supplementary for IEO would address the budget concerns of the organization. Any expenditure accrued towards setting up of the IEO, prior to first supplementary, would be met from Non-Plan Head of Planning Commission for expense on salary component and from the head 'Strengthening Evaluation Capacity in Government' for any other expense towards operationalising IEO".

3.8 When specifically questioned about the necessity of continuing with the scheme, "Strengthening Evaluation Capacity in Government" as the IEO has been proposed to set up for the same objective, the Ministry of Planning in a written reply submitted as follows:-

> "PEO has been utilizing the fund under the scheme 'Strengthening Evaluation Capacity in Government'. IEO has been set up for evaluating the flagship programmes of the Government of India initially. At present, PEO is completely separate set-up under Planning Commission. It has been functioning from 1952 and has been evaluating the Centrally sponsored schemes on the behest of the Implementing Ministries and under guidance of Development Evaluation Advisory Committee (DEAC). Besides the flagship programmes, there are a number of other centrally sponsored schemes which will be evaluated by PEO from time to time by utilizing the Plan fund of 'Strengthening Evaluation Capacity in Government'. Therefore, it is very much required that the scheme is continued".

IV. THE MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (MGNREGS)

4.1 Ensuring a minimum level of livelihood security in the rural areas has been one of the daunting tasks for successive Governments. Evolving the design of the wage employment programmes to more effectively fight poverty, the Central Government formulated the National Rural Employment Guarantee Act (NREGA) in 2005. National Rural Employment Guarantee Act, 2005 (NREGA) was launched with effect from 2nd February, 2006. During 2009-10, through an amendment the NREGA has been rechristened as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

4.2 The Standing Committee on Finance in their previous Reports had highlighted the issues of concern relating to the MGNREGA Scheme for addressing by the Government mainly relate to underutilization of the budgeted funds and inability to provide the mandated level of employment and wages. The Committee, while emphasizing the need to take corrective steps for overcoming the infirmities afflicting the Scheme, expected the Ministry of Planning to be furnished with detail action taken note indicating measures proposed and undertaken for addressing the concerns expressed; and also the details of the assets created under the MGNREG programme; and on account of MGNREG funds in congruence with other programme funds.

4.3 The Ministry of Planning in their action taken notes has informed the Committee as under:

> "Mahatma Gandhi NREGA is a demand based legislation. The Act provides a legal guarantee for atleast 100 days of wage employment to every rural household in every financial year for doing unskilled manual work on demand. There are no pre-determined targets for employment as well as for utilization of funds under the Act. Implementation of the Act is done by the State Governments/UT Administrations while funds are provided by the Central Government as per the provisions of the Act. MGNREGA is an on-going process. Funds under the Act are non-lapsable. Funds available with the States/UTs which remain un-utilized in a financial year are carried forward to the next financial year to be used for meeting the labour demand in that year. As the Act provides that work has to be provided to an applicant within 15 days of the demand failing which unemployment allowance becomes payable, funds have to be kept

upfront in order to meet any sudden spurt in the labour demand in an area.

The procedure for release of funds by the Central Government is as under:

> States have to submit an application in the prescribed format with necessary documents based on the actual demand that is generated at the field level. The first tranche is released based on the Labour Budget prepared by the District Programme Coordinator in bottom up approach with month-wise projections of demand, expenditure and distribution of work and submitted to Empowered Committee. The quantum of first tranche depends on the projection made for the initial six months of the financial year subject to limitation of 50% of the projection of the whole year. The 2nd tranche of funds is released on utilization of 60% of available fund by the districts/States and submission of proposal in the prescribed format along with other necessary documents. Since Central Government is committed to bear entire expenditure towards payment of wages to the unskilled workers besides bearing other expenses as stipulated in the Act, in case a State falls short of funds after release of the 2nd tranche, more funds may be released to the States on receipt of proposals alongwith necessary documents.

During the last 4 years of implementation of MGNREGS, the expenditure has always been more than 70% and therefore, funds have not been under-utilized. As explained above, funds have to be kept upfront and a good quantum of which remain in the pipeline keeping in view the nature of the programme. A National overview giving the status of implementation of the Act is given in the following table:-

PERFORMANCE OF THE MAHATMA GANDHI NREGA
(National Overview)

	(FY 2006-07) 200 Districts	**(FY 2007-08) 330 Districts**	**(FY 2008-09) 615 Districts**	**(FY 2009-10) 619 Districts**	**(FY 2010-11) 625 Districts (Nov, 2010)**
Total Job Card issued	3.78 Crore	6.48 Crore	10.01 Crore	11.25 Crore	11.41 Crore
Employment provided to households:	2.10 Crore	3.39 Crore	4.51 Crore	5.26 Crore	3.90 Crore
Persondays [in Crore]:					
Total:	90.5	143.59	216.32	283.59	135.27
SCs:	22.95 [25%]	39.36 [27%]	63.36 [29%]	86.45 [30%]	30.51 [23%]
STs:	32.98 [36%]	42.07[29%]	55.02 [25%]	58.74 [21%]	23.36 [17%]
Women:	36.40 [40%]	61.15 [43%]	103.57 [48%]	136.40 [48%]	69.14 [51%]
Others:	34.56 [38%]	62.16 [43%]	97.95 [45%]	138.40 [49%]	81.39 [60%]
Persondays per HH	43 days	42 days	48 days	54 days	35 days
Budget Outlay: (In Rs Crore)	11300	12000	30000	39100	40100
Central Release: (In Rs Crore)	8640.85	12610.39	29939.60 *	33506.61	24022.21
Total available fund [including OB]: In Rs. Crore.	12073.55	19,305.81	37397.06	49579.19	38595.73
Expenditure (In Rs. Crore.) [percentage against available funds]	8823.35 [73%]	15856.89 [82%]	27250.10 [73%]	37905.23 [76%]	18979.25 [49%]
Expenditure on Wages (In Rs. Crore.)	5842.37 [66%]	10738.47 [68%]	18200.03 [67%]	25579.32 [70%]	13261.26 [72%]
Average Wage paid per Persondays	65	75	84	90	98

Total works taken up (In Lakhs)**:**	8.35	17.88	27.75	46.17	66.26
Works completed:	3.87	8.22	12.14	22.59	2.67
Works break up:					
Water conservation:	4.51 [54%]	8.73 [49 %]	12.79 [46%]	23.43 [51%]	33.45 [50%]
Provision of Irrigation facility to land owned by SC/ST/ BPL and IAY beneficiaries:	0.81 [10%]	2.63 [15 %]	5.67 [20%]	7.73 [17%]	7.71 [12%]
Rural Connectivity:	1.80 [21%]	3.08 [17 %]	5.03 [18%]	7.64 [17%]	14.13 [21%]
Land Development:	0.89 [11%]	2.88 [16%]	3.98 [15%]	6.38 [14%]	8.24 [12%]
Any other activity:	0.34 [4%]	0.56 [3%]	0.28 [1%]	0.98 [2%]	2.54 [4%]
Rajiv Gandhi Seva Kendra	-	-	-	-	0.18 [0.27%]

Remaining Rs. 60.59 crore spent on minor heads in FY: 2008-09

As regards providing employment under the Act, it is also demand based. Members of a household are required to submit a written application for work. Further, number of days of employment availed by a household in a year also depends upon the availability of other employment opportunities in an area because a worker is free to avail any other employment opportunity available to him.

With a view to strengthen the implementation of Mahatma Gandhi NREGA and to ensure that more and more of the rural population is benefited, the Ministry has undertaken the following measures:

(i) Awareness generation among rural population has been taken up through intensive IEC activities involving both print as well as electronic media.

(ii) Administrative expenditure has been enhanced from 4% to 6% to enable the implementing agencies to appoint dedicated staff for effective implementation of the Act.

(iii) ICT based MIS has been made operational to make data available to public scrutiny. The data includes Job cards, Muster rolls, Employment demanded and allocated, number of days worked, shelf of works, Funds available/funds spent and funds released to various implementing agencies, Social Audit findings, registering grievances and generating alerts for corrective action.

(iv) Payment of wages to MGNREGA workers has been made mandatory through their accounts in Banks/Post Office to infuse transparency in wage disbursement. An amendment to this effect has been made in para 31 of Schedule-II of the Act.

(v) Rolling out Biometric based ICT enabled real time transactions of MGNREGA workers to eliminate fake attendance and false payments.
(vi) Periodic reviews in the Performance Review Committee meetings held on quarterly basis. State specific reviews are also undertaken
(vii) Independent Monitoring and verification by National Level Monitors and Eminent Citizens.
(viii) Visit by members of Central Employment Guarantee Council.
(ix) State and district level Vigilance and Monitoring Committees have been set up and instructions have been issued for holding regular meetings of the Committees.
(x) Instructions have been issued directing all States to appoint Ombudsman at district level for grievance redressal in a time bound manner.

Activities which are permissible under MGNREGA have been stipulated in para 1 of Schedule-I of the Act. Number of works taken up under each of the categories during the last 4 years is given in at the table below:-

MGNREGA – Number of Works taken up

S. No.	Work Categories	2006-07	2007-08	2008-09	2009-10	2010-11 upto Nov,10
1	Rural Connectivity	180049	308091	503277	764466	1413190
2	Flood Control and Protection	17905	51125	95308	185711	282426
3	Water Conservation and Water Harvesting	267760	473480	587970	1097990	1566105
4	Drought Proofing	77580	125229	196878	364229	567617
5	Micro Irrigation Works	28060	90484	145301	299297	420662
6	Provision of Irrigation facility to Land Owned by {Scheduled caste and scheduled tribes, Beneficiaries of land reform, Beneficiaries of Indira Awaas Yojana, Others, etc. to be indicated separately}	80894	262709	566603	772862	771352
7	Renovation of Traditional Water bodies	60415	133327	253920	396358	508587
8	Land Development	89192	287731	397777	637728	824455
9	Any Other activity Approved by MRD	33505	56147	27626	98391	254074
10	Rajiv Gandhi Seva Kendra					17715
		835360	**1788323**	**2774660**	**4617032**	**6626183**

4.4 One of the infirmities afflicting the MGNREGA is presence of widespread corruption in the scheme. Further, the impact of MGNREGA has been felt in terms of shortage of workers for agricultural activities, which in turn affects the agricultural production. On the corrective steps that are required to be taken to address these issues, the Ministry of Planning in a post-evidence reply stated as under:-

> "Complaints alleging irregularities in the implementation of MGNREGA in various States are received in the Ministry. As implementation of the Act is done by the State Governments in accordance with the Schemes formulated by them as per the provisions of the Act, all complaints received in the Ministry are forwarded to the concerned States for taking appropriate action as per law. In complaints of serious nature, the Ministry deputes National Level Monitors to investigate the complaints. Reports of the NLMs are shared with the concerned State Governments for taking corrective action. Further to curb the cases of corruption/irregularities in the implementation of Mahatma Gandhi NREGA, the following measures have been taken by the Ministry:-
>
> (i) ICT based MIS has been made operational to make data available to public scrutiny. This includes Job cards, Muster rolls, Employment demanded and allocated, number of days worked, shelf of works, funds available, funds spent and funds released to various implementing agencies, Social Audit findings, registering grievances and generating alerts for corrective action. Biometric based ICT enabled real time transactions of MGNREGA workers to eliminate fake attendance and false payments is also being rolled out.
>
> (ii) Performance of the States is reviewed in the meetings of the Performance Review Committee which are held on quarterly basis.
>
> (iii) States have been asked to include monitoring of Mahatma Gandhi NREGA in the agenda of District and State level Vigilance and Monitoring Committee meetings so that in case any serious issues are raised, action may be taken by the Ministry.
>
> (iv) Payment of wages to MGNREGA workers has been made mandatory through their accounts in Banks/Post Office to infuse transparency in wage disbursement. Use of Business correspondent model in areas not served by banks/post offices has also been initiated.
>
> (v) Under Section 24(1) of the Act, Comprehensive Social Audit rules are being formulated in consultation with C&AG with a view to strengthen the process of social auditing of expenditure under the Act.

(vi) States have been asked to set up District level Ombudsman for redressal of grievances.

As regards impact of Mahatma Gandhi National Rural Employment Guarantee Act, 2005, it is stated that MGNREGA works by their very nature place stress on increasing land productivity, recharging ground water and increasing water availability. While the Ministry has not sanctioned a specific study on the impact of MGNREGA on agricultural productivity, finding of different studies suggest that assets created under MGNREGA have been useful and productive and lead to an increase in agricultural productivity. It is also stated that under MGNREGA, any adult who demands work will be provided work any time during the year, irrespective of his being an agricultural labourer or otherwise. Moreover, Mahatma Gandhi NREGA provides a supplementary means of livelihood for the rural people, primarily during their lean periods. Members of the household are free to avail other available employment opportunities in addition to the 100 days of guaranteed employment per household provided under the act on demand".

V. INDIRA AWAAS YOJANA (IAY)

5.1 The Indira Awaas Yojana (IAY) is a flagship scheme of the Ministry of Rural Development to provide houses to the Below Poverty Line (BPL) families in the rural areas. It has been in operation since 1985-86. Under this programme preference is given to the BPL families belonging to SCs/STs. 60% of the total allocation during a financial year is to be utilized for construction of dwelling units for Scheduled Castes and Scheduled Tribes. The funding of IAY is shared between the Centre and States in the ratio of 75:25. In the case of Union Territories (UTs), entire funds of IAY are provided by the Centre. However, in the case of North-Eastern States, the funding pattern has been revised and at present is in the ratio of 90:10.

5.2 The Standing Committee on Finance, in their Report presented to the Parliament on 10 December, 2010 had reiterated their earlier recommendation to suitably enhance the financial assistance provided under Indira Awaas Yojana (IAY) programme to cover the actual construction cost of dwelling units.

5.3 The Ministry of Planning has informed Committee the current status of action taken on the above-mentioned recommendation as under:

> "In so far as Indira Awaas Yojana is concerned, it may be mentioned that in addition to the unit cost of Rs. 45,000/- in plain areas and Rs. 48,500/- in hilly/difficult areas, the beneficiaries can also avail of loan up to Rs. 20,000/- under the Differential Rate of Interest (DRI) scheme at interest rate of 4%. Thus, total support available is about Rs.65,000/- for a house against an estimated cost of about 70,000. Beneficiary is also expected to contribute through his own labour".

VI. NEW INITIATIVE IN SKILL DEVELOPMENT THROUGH PPP

6.1 The Scheme "New Initiative in Skill Development Through PPP" Plan initiative aims at enhancing the skill training capacity and streamlining the mechanisms for expansion by harmonizing the efforts of various Central/State Departments as also Private Sector with the projected outcome of 500 million skilled manpower by 2022.

6.2 The Standing Committee on Finance in their earlier Reports, mainly on the basis of the trend of budget allocation and utilization over the years, and the details furnished, had emphasized the need for overcoming the problem of lack of co-ordination amongst the varied agencies associated with the Scheme, "New Initiative in Skill Development through PPP" i.e, the PM's National Council on Skill Development, the National Skill Development Co-ordination Board (NSDCB) under the Planning Commission, and the National Skill Development Corporation (NSDC) under the Ministry of Finance. Instead of addressing the concern expressed by the Committee on the need for ensuring effective co-ordination among the agencies involved in implementing the Scheme, the Ministry had merely chosen to re-state the information furnished earlier on the mechanism of conceptualizing the 'Skill Development' Scheme for implementation. Apparently, no tangible creating a 500 million skilled work force by 2022 as the budgetary allocation made over the years had remained unspent. The Committee, therefore, reiterated the need expressed earlier for reviewing the Scheme by having a nodal agency for channelizing funding, co-coordinating, and facilitating the implementing agencies, both in public and private sectors involved in the Scheme. The Committee would like to be apprised of the measures taken in this direction and the additional skilled force created under the Scheme.

6.3 The Ministry of Planning in their Action Taken Notes informed as under: -

> "A Coordinated Action on Skill Development has been instituted by the government in 2008 with three tier structure viz. PM's Council on Skill Development for policy direction to be supported by National Skill Development Coordination Board (NSDCB) chaired by Deputy Chairman, Planning commission and National Skill Development Corporation under the Ministry of Finance.

The PM's Council on Skill Development has envisaged creation of 500 million skilled people by 2022 with emphasis on inclusivity so as to deal with divides of gender, rural / urban, organized / unorganized, employment and traditional / contemporary work place. The target of 500 million skilled people is to be achieved by different skilled development programmes implemented by 17 Central Ministries / Departments, State Governments and private partners coordinated by NSDCB and NSDC respectively.

The scheme 'New Initiatives in Skill Development through PPP' was formulated to facilitate operationalization of the mandate of the NSDCB i.e. to coordinate and facilitate the work being done by different Ministries so as to achieve the target of 500 million skilled manpower. All expenditure on the meetings of the NSDCB, its sub-Committees, regional consultations for setting up of State Skill Development Mission, professional studies for mapping the skill requirement etc. is proposed to be met out of the scheme. The scheme also proposes to provide grants-in-aid to state Skill Development Missions to equip them to address the specific problems of multiple interfaces within the States in securing approval for both Central and State Skill Development schemes. The guidelines for providing grants-in-aid to States are in final stage of approval.

Planning Commission has received a number of proposals for grants-in-aid for innovative and actionable research studies which are under examination.

The mandate of the scheme does not cover activities of the PM's Council and National Skill Development Corporation. Therefore, the scheme is only to facilitate the operationalization of functions of NSDCB. Realistic allocation of funds in the budget of Planning Commission is a reflection of prudent need based planning. The requirement of funds under this scheme is subjected to periodic review".

6.4 It has been brought to the notice of the Ministry of Planning that the utilisation of funds under the scheme "New Initiative in Skill Development through PPP" has not been found satisfactory since its conceptualization and remains unchanged in the year 2010-11 also as it could spend of Rs. 0.03 crore against BE of Rs. 10 crore. The Ministry has admitted that the shortfall in utilisation under the scheme is owing to involvement of various other stakeholders, which has delayed the decision making process regarding the proposals under the scheme.

6.5 Responding to a question as to would it not be appropriate to not set up a centralized institution to implement the scheme “New Initiative in Skill Development through PPP” as recommended by the Committee, instead of having a multi-tier structure with different agencies involved, the Ministry of Planning submitted the following in post-evidence replies:-

> “A Coordinated Action on Skill Development was formed in 2008 with three tier structure viz. PM’s National Council on Skill Development for policy direction to be supported by National Skill Development Coordination Board (NSDCB) chaired by Deputy Chairman, Planning Commission and National Skill Development Corporation under the Ministry of Finance.
>
> The PM’s National Council on Skill Development has envisaged creation of 500 million skilled people by 2022 which has to be achieved by different Skill development Programmes implemented by 17Central Ministries/departments, State Governments and private partners coordinated by NSDCB and NSDC respectively.
>
> The scheme under reference ‘New Initiative in Skill Development through PPP’ has been formulated by Planning Commission to facilitate operationalization of the mandate of the NSDCB i.e. to coordinate and facilitate the work being done by different Ministries so as to achieve the target of 500 million skilled manpower as envisaged by PM’s National Council on Skill Development. It is implemented solely by Planning Commission. No other agency is involved in implementing. All expenditure on the meetings of the NSDCB, its sub Committees, regional consultations for setting up of State Skill Development Mission was met out of the scheme. The total amount spent as on March 31st, 2011 is Rs. 5, 21,391.
>
> Further, the bulk of the provision under the scheme is under object head Grants-in-aid (Rs.7.60 crore) during the year 2010-11. A proposal for initiating a pilot project through State Skill Development Missions (SSDMs) in setting up Skill Development Centres in 40 un-serviced blocks in 8 selected States in the country has been approved. The funds could not be released due to shortage of time for completing all the formalities
>
> Moreover, the realistic allocation of funds in the budget of Planning Commission is a reflection of prudent need based planning. The requirement of funds under this scheme is subjected to periodic review. Therefore, the Standing Committee on Finance suggestion to ‘set up a centralized institution to implement the scheme ‘New Initiative in Skill Development through PPP’ may not be feasible at this juncture”.

6.6 On the issue of adequacy of infrastructure available for skill development, the Member-Secretary, Planning Commission informed the Committee during the oral evidence as follows:-

> "…..given the size of our population number of young people are coming out, number of people coming out of school, certainly this is not adequate but whatever seats exist in ITIs today at about 56 per cent of those seats having been created in the last three years. This is on the numbers and this was done by the simple expedient of holding meetings of the National Council for Vocational Training and affiliating both Government and private institutions who came to that standard as NCVT institutions and this is something which I would like to say if their pace is maintained that the regular ITI number of seats created in the existing infrastructure that will be quite significant. Also in very many States the practice of running multiple shifts not sequentially to concurrently was also commenced and many States are actually doing this and others are following the suits".

6.7 Further asked as to whether a legislation to make it mandatory for the industry to run the training centres for improving the skills, the Member-Secretary, Planning Commission has replied positively. The Member-Secretary also added as follows:-

> "Recently, we have appointed an Advisor on skill development. He is binding everything together in the sense that PM heads the Council for Skill Development. They have set up a National Skill Development Corporation, which is taking off but again as I said, however much we take off, we are talking of half a million of young people.
>
> The third structure in the Planning Commission is, we have a Skill Development Coordination Board where I am the Member-Secretary and the Deputy-Chairman is the Chairperson, and this is supposed to coordinate the work of 17 Ministries which are actually engaged in imparting skill. We have also recently been discussing the issue of tourism and what we can do with regard to tourism. I think we need to start from ABCD, agriculture onwards because now in civil aviation also we should be looking at pilot training. Apparently, people who have been flying us around are actually not qualified. We have to provide budget for setting up flying schools. We have to talk of public-private partnership. We have to talk of State Governments putting in their State Plan money for skill development. These are some things that we need to do.
>
> ……………………………………………………………………………………..
>
> Unless we put skill development and vocational training of a serious kind where people actually acquire skills, we will never be able to match the numbers. It is a fact. Otherwise, lot of things are being done by the private sector".

6.8 Further asked as to whether the issue of skill development and vocational training has been taken up with the Ministry of Human Resource and Development, the Member-Secretary responded as follows:-

> "I have called on the Minister once and I have put this across to him but then it is the Ministry which has to take the step forward. Apparently, the vocationalisation of secondary education is a kind of pilot programme, and they really need to build it into schools so that children come out of schools not as premature labour entering labour market with no skills, with no social protection or dropping out or wandering about or joining extremist elements.
>
> ………………………………………………………………………………………
>
> But definitely, it is school education and vocational education and good models from Germany, Korea, Australia and England which need to be learnt and actually adopted".

VII. ROLE OF THE PLANNING COMMISSION

7.1 The Planning Commission was established vide Government of India's resolution of 15th March, 1950. Given the experience of over six decades planning, it has been felt that the Planning Commission needs to re-orient its role on account of factors, which include *inter-alia*:

a. Disjunction between planning and budgeting; inability to finance the projects included in the plan resulted in time and cost overruns;

b. Prevalence of unequal growth rate across states and between states of the country;

c. Private investment constitutes 75% of the investment in the country. On the one hand the Planning Commission continues to undertake meaningless planning for the economy with little control over three-fourths of investment, on the other, it has failed in its task of planning public investment to ensure the adequate physical and social infrastructure and empower the population with skill levels to enable their productive participation in economic activities;

d. Formulation of Plan without proper analysis of capacities of implementing agencies;

e. Unfinished agenda in implementation of policies/programmes in all-important sectors such as agriculture, education, health, infrastructure, as spelt out in Plan document;

f. Since the responsibility for taking and implementing decisions on the suggestions made by the Planning Commission rests with the Central and the State Governments, the Planning Commission doesn't play any role in implementation, which is one of the barriers in achieving the objective envisaged the plan formulation.

7.2 On each of the afore-mentioned issues and the need expressed for re-orienting the role of the Planning Commission, the written submissions *inter-alia* made by the Ministry of Planning as under:-

"a). Disjunction between planning and budgeting; inability to finance the projects included in the plan resulted in time and cost overruns:

The Government of India has clearly laid down appraisal / approval system for the Projects. The guidelines issued by D/o Expenditure stipulate that no proposal is taken up for consideration for the EFC / PIB unless funds are fully tied up. The appraising agencies, therefore, ensure that funds for Project have been indicated in the Plan and provided for in the Budget, before Projects are recommended for approval by the EFC / PIB. In a number of cases, however, cost and time over-run have taken place for a variety of reasons. These relate to inadequate investigation, under estimation of costs, details on account of statutory clearances, etc. The Project Authorities are required to obtain Government's approval for revised cost estimates beyond a certain level of increase in the Project cost. The time and cost overrun in Projects is, therefore, normally not on account of inadequate budgetary provisions to begin with, but on poor pre-project preparation and project management. These issues have been documented in detail by the Ministry of Statistics & Programme Implementation (MOSPI) in their project monitoring reports. The Government has issued instructions and guidelines for proper project formulation so that time of cost overruns are minimized.

b). Prevalence of unequal growth rate across States:

The level of economic development as measured by per capita income varies widely across the states in India. The Eleventh Five Year Plan (EFPY) takes cognizance of the disparities among States, and regions within States. One of the basic objectives of the development planning in India is to reduce economic inequalities and raise the level of economic development in the country in a balanced manner. With a view to bring down disparities, the EFPY disaggregates 13 out of 27 monitorable national targets state-wise. The policy instruments in this regard include plan and non-plan transfer of resources from the Centre to States favouring less developed states, tax incentives for setting up of private industries in the backward regions, etc. A number of programmes have been initiated to reduce income disparity between States. These include Backward Regions Grant Fund (BRGF), Hill Area Development Programme/Western Ghats Development Programme, and Border Area Development Programme, etc.

The latest available statistics indicate significant improvement in the growth performance of low income States during the first three years of the Eleventh plan. The states of Bihar, Jharkhand, Orissa, and Uttarakhand registered average growth rate in per capita income above the national average of the country during these periods.

c). Private investment constitutes 75% of the investment in the country. On the one hand the Planning Commission continues to undertake meaningless planning for the economy with little control over three-fourths of investment, on the other, it has failed in its task of planning public investment to ensure the adequate physical and social infrastructure and empower the population with skill levels to enable their productive participation in economic activities:

The private and public sectors have specified roles in creation of physical and social infrastructure. While creation of social infrastructure is largely the responsibility of the Government, the physical infrastructure is created both by public and private sector according to their respective priorities. The provision for public investment is made through budget.

The Mid Term Appraisal of the Eleventh Five Year Plan (released in July, 2010), indicates that the private investment during 2007-08 and 2008-09 was estimated to be 2.21% and 2.42% of GDP, respectively. The public investment during the same period was 4.23% and 4.7% of the GDP. However, the contribution of the private sector in the total investment in infrastructure in the first two years of the Eleventh Plan (2007-08 and 2008-09) was 34.33% and 33.73%, respectively.

While the public sector largely funds the social infrastructure on priority basis, the plan effort has been directed towards accelerating the pace of private investment in infrastructure through PPP mode. Cabinet Committee on Infrastructure (CCI) has the mandate to initiate policies that would ensure time bound creation of world class infrastructure, develop long term structures which would maximise the role of PPPs.

The vocational or skill training is a 'Concurrent Subject' under the Constitution of India which means both the Central and State governments have dual responsibility in mobilizing the public investment and planning for skill training to empower the population with skill levels to enable their productive participation in economic activities.

…….Union Government had approved National Policy on Skill Development in 2009 to provide a framework for up scaling the skill development efforts in the country….

d). Formulation of plan without proper analysis of capacities of implementing agencies:

The formulation of plan is a long drawn continuous process wherein consultations are held with all the stakeholders including State Governments, Central Ministries / Departments / civil society and other groups. The formulation of Plan can be divided into three main components i.e. (i) Five Year Plan; (ii) Central Annual Plan; and (iii) State Annual Plans.

As regards the Five Year Plan, Planning Commission prepares an approach to the Plan consulting different stakeholders. After the finalization of the approach it formulates main plan, wherein regional consultations are held at State level, Steering Committees and Working Groups are constituted for detailed analysis…….

In the Central Annual Plan, the discussions are held with the Central Ministries / Departments and plans are finalized after taking into account the progress made under different programmes in terms of fund utilization and physical outcomes. The problems arising in implementing these programmes are discussed and taken care off.

The State Annual Plans are also formulated keeping in view the capacities of the State Governments. The subject-wise Working Groups constituted have in-depth discussions with representatives of the State Governments. The plan is finalized keeping in view the progress under different development heads by the State Governments.

Therefore, the plan formulation is a consultative exercise which takes into account financial and physical performance of Central Ministries / Departments and State Governments implementing the projects.

e). Unfinished agenda in implementation of policies/programmes in all important sectors such as agriculture, education, health, infrastructure, as spelt out in the Plan document:

Planning Commission in the Mid-Term Appraisal of the 11th Plan has noted that there is a revival of agricultural growth during 11th Plan as compared to the performance of the sector previously, increase in public investment in agriculture which is reflected in increased share of Gross Capital Formation as a proportion of agricultural GDP and increase in terms of trade for agriculture. Future agenda for agricultural growth will include generation and delivery of technology that increases production and ensures sustainability of natural resources;….reforming land and credit markets etc., and achieving inclusiveness through a more decentralised decision-making that focuses on solving specific local problems.

Education

India is a nation of young people - out of a population of above 1.1 billion, 672 million people are in the age-group 15 to 59 years, which is usually treated as the "working age population". It is predicted that India will see a sharp decline in the dependency ratio over the next 30 years, which will constitute a major ‘demographic dividend’ for India. In the year 2001, 11% of population of the country was in age group of 18-24 years which is expected to rise to 12% by the end of Eleventh Five Year Plan. India’s aim is to establish a literate knowledge society.

National Policy on Education

The Report of the Education Commission (Kothari, 1964-66) which was titled as ‘Education and National Development’, set a number of goals to be pursued: “To bring about major improvement in the effectiveness of primary education; to introduce work-experience as an integral element of general education; to vocationalise secondary education; to improve the quality of teachers at all levels and to provide teachers in sufficient strength; to liquidate illiteracy; to strengthen centres of advanced study and strive to attain, in some of our universities at least, higher international standards; to lay special emphasis on the combination of teaching and research; and to pay particular attention to education and research in agriculture and allied sciences." These assertions reiterated by the National Policy on Education – 1986 and the accompanying Programme of Action (modified further in 1992) have continued to guide all programmes in the education sector……………..

Literacy

Over the decades, considerable emphasis has been given to literacy, school enrolment, and network of schools. The literacy rate has gone up from 18.33 percent in 1951 to 64.84 percent in 2001. The decade of 1990s has been a watershed for basic education as the Census 2001 showed 12.63 percentage point increase in literacy, the highest since 1951. As per the latest NSS (64th Round, 2007-08), the literacy rate has gone up further to 71.7 percent.

Elementary Education

Access: Sarva Shiksha Abhiyan (SSA) is a flagship scheme for Universalization of Elementary Education (UEE) which has successfully ensured universal access to primary education. It addresses the educational needs of about 19.4 crore children in over 12.2 lakh habitations through 11.07 lakh schools-primary (7.86 lakh) and upper primary (3.21 lakh) schools. SSA has opened up 1.6 lakh primary schools and 1.45 lakh upper primary schools to increase access to primary schooling within 1 km in 99% of habitations and upper primary school within 3 km in 92% of habitations. It provided 2.63 lakh school buildings and 11.05 lakh Additional Class Rooms (ACR) to enhance intake capacity on account of SSA's enrolment drives besides recruiting over a million teachers…………………..

The dropout rate at primary level has declined from 39 per cent in 2001-02 to 25.55 per cent in 2007-08. However, the decline is less impressive at elementary level, where it declined from 55 per cent to only 43.03 per cent, and continues to remain high. Girls' dropout rate declined at a faster rate than that for boys.

Equity: The gender gap in enrolment at elementary level declined from 17.1 to 6.9 percentage points. Girls' dropout rate declined at a faster rate than that for boys due to targeted interventions for girls' education including setting up of 2573 residential schools (KGBVs). The GERs for SCs/STs also shows a rising trend. However, school retention for weaker sections needs to be re-emphasized and the regional & social disparities eliminated. There are nearly eight million out of school children and SCs, STs and Minorities account for about 75%. ………………………………………………………………………………………..

SSA has significantly increased access to elementary education by creation of adequate physical infrastructure, such as schools and school buildings, additional classrooms, providing drinking water facilities and construction of toilets. It has helped to create a massive strength of school teachers and also ensure their in-service training. It has addressed issues of equity by focusing on the education of girls, SCs, STs, Minorities and other disadvantaged groups and significantly reduced the number of out of school children. Issues relating to quality of education, teacher absenteeism, single teacher schools and low performing States remain major challenges that need to addressed.

Right of Children to Free and Compulsory Education Act, 2009 represents the consequential legislation to Article 21A inserted in the Constitution of India through the Constitution (86th Amendment) Act, 2002.The RTE Act has become operative with effect from 1st April 2010. The GOI had notified ``the Right of Children to Free and Compulsory Education Rules, 2010" in the Official Gazette on 9th April, 2010. The RTE Act provides the legislative framework for Universalization of Elementary Education (UEE). SSA has been harmonized with RTE mandate and the programme guidelines revised to meet the specific time frames lay down under the Act. The rules framed under the Act is designed to address all systemic issues and ensure satisfactory delivery of services with local accountability. Government has approved an aggregate outlay of 2.31 lakh crore including 24,064 crore provided by the 13th Finance Commission for implementation of RTE in partnership with States on a fund sharing arrangement of 65 : 35 upto 2014-2015.

Secondary Education: Our "demographic dividend" of a relatively younger population compared to developed countries is as much of an opportunity as it is a challenge. Over 70 per cent of Indians will be working age in 2025. In this context, universalizing access to secondary education and providing skill training is necessary.

Following the RTE and success of SSA, it has also become essential to move towards Universalization of Secondary Education. The Government of India has set its vision on making secondary education of good quality available, accessible and affordable to all young persons in the age group 15-16 years…………………………………………………………………….

Access, Equity and Quality in secondary sector:
A major scheme named Rashtriya Madhyamik Shiksha Abhiyan (RMSA) has been launched in the XI Plan with these objectives : (i) to achieve a GER of 75% for classes IX-X within 5 years by providing a secondary school within a reasonable distance of every habitation, (ii) to improve quality of education imparted at secondary level through making all secondary schools conform to prescribed norms, (iii) to remove gender, socio-economic and disability barriers, (iv) universal access to secondary level education by 2017, i.e., by the end of 12th Five Year Plan, and (v) universal retention by 2020. Major targets of the programme are, (i) to improve the enrolment ratio for classes IX-X to 70% by 2011-12 (ii) to provide facilities for estimated additional enrolment of 32.20 lakh students by 2011-12 through, (a) strengthening of 44,000 existing school, (b) opening of 11,188 secondary schools, mostly through up-gradation of upper primary schools, (c) appointment of 1.79 lakh additional teachers and (d) construction of 80,500 additional classrooms.

Besides, several schemes are implemented in secondary sector, which are aimed at increasing access, inclusion and excellence in the secondary sector , including ICT in schools, Inclusive Education of the Disabled at the Secondary Stage (IEDSS), Merit cum Means Scholarships, open and distance learning. Examination reforms are being undertaken in tune with the changing scenarios. Another major programme is vocationalisation of secondary education which provides for diversification of educational opportunities so as to enhance individual employability and address the skills shortage and the mismatch between demand and supply. Under this scheme, the government has already created infrastructure of 21000 sections in around 9619 schools with a capacity of 10 lakh students. This Scheme is being revised……………………………………………………

Higher Education

Higher education sector has witnessed tremendous increase in the institutional capacity since Independence. The number of universities / university level institutions has increased from 27 in 1950 to 504 in 2009 indicating and eighteen-fold increase. There are now 243 state universities, 53 State private universities, 40 central universities, 130 deemed universities, 33 institutions of national importance established under Acts of Parliament and 5 Institutions established under various State legislations. The number of colleges has increased from 578 in 1950 to 25951 in 2009 indicating a 45 fold increase. At the beginning of academic year 2009-10, the total number of students enrolled in the universities and colleges has been reported at 136.42 lakhs – 16.69 lakhs (12.24%) in university departments and 119.73 lakhs (87.76%) in affiliated colleges. The enrolment of woman students was 65.49 lakhs constituting 41.40% of the total enrolment. The number of doctoral degrees awarded in 2007-08 was 13,237. The regular faculty strength in universities was 0.90 lakhs and 4.98 lakhs in colleges, totaling 5.89 lakhs at the beginning of 2009-10. There are 66 Academic Staff Colleges engaged in faculty training.

With respect to technical education, intake is 14,09,742 students at degree level in 7,272 institutions and 5,08, 157 students at diploma level in 2324 institutions. Enrolment in Open & Distance learning is approximately 3 million. National Assessment and Accreditation Council assessed 4094 colleges and 159 universities as on 28 March 2010. During the XI Plan, large scale expansion in university education was envisaged by setting up 1455 new educational institutions comprising 30 Central universities, 8 IITs, 8 IIMs, 10 NITs, 20 IIITs, 3 IISERs, 2 SPAs, 374 Model colleges and 1000 polytechnics.

Inclusion: These are aimed at reducing the regional and social group imbalance and include such measures as: (a) Implementing the recommendations of the Oversight Committee for 27% reservation of seats for Other Backward Class (OBC) students (b) Implementing the recommendations of Sachar Committee (c) Merit scholarship to 2% of total enrolled students (d) Setting up a Higher Education Loan Guarantee Authority for students loan programme (e) Setting up of Equal Opportunity Office in all universities (f) Reduction in regional imbalances whereby the 374 new colleges will be established in the backward districts (g) Supporting the universities and colleges located in border, hilly, remote, small towns and educationally backward areas (h) Supporting the institutions with larger student population of SC / ST / OBC / Minority / Physically challenged and girl students (i) construction of 2000 girls hostels(j) setting up 1000 new polytechnics in uncovered districts…………………………………………………………………………….

Challenges ahead: India's aspirations to establish a knowledge society in the context of increasing globalization, presuppose that the higher and technical education essentially empowers our youths with requisite competitive skills and knowledge. Given the fact that the process of globalization is mostly technology and knowledge driven, we need highly specialized human capital to create, share, use and manage knowledge. Expansion, inclusion, rapid improvement in quality throughout the higher and technical education system by enhancing public spending, encouraging private initiatives and accelerating the long overdue major institutional and policy reforms would continue to be the core of the Plan efforts.

Health

Since Independence, India has built up a vast health infrastructure and health personnel at primary, secondary, and tertiary care in public, voluntary, and private sectors. For producing skilled human resources, a number of medical and paramedical institutions including Ayurveda, Yoga and Naturopathy, Unani, Siddha, and Homeopathy (AYUSH) institutions have been set up.

Considerable achievements have been made over the last six decades in our efforts to improve health standards, such as life expectancy, child mortality, infant mortality, and maternal mortality. Small pox and guinea worm have been eradicated…………………………………………………….

While making an assessment of the progress made so far against targets set for the Eleventh Plan, Planning Commission in its mid term appraisal has stated that some of the programmes are too new to measure impact in any specific manner. For example, National Rural Health Mission, the most important initiative in the health sector which began only in 2005, could roll out its expenditure significantly only in 2007-08. Hence, it is too early to judge its impact. Some of the relevant data, for example for Maternal Mortality Ratio and Infant Mortality Rate are only available for 2006 and 2008 respectively, which cannot reflect the impact of recent interventions………………………………………………………………….

In view of the importance of defining a comprehensive strategy for health for the Twelfth Plan, a High Level Expert Group on Universal Health Coverage has been set up to develop a blue print and investment plan for meeting the human resource requirements to achieve health for all by

2020. The Group would rework the physical and financial norms needed to ensure quality, universal reach and access of health care services, particularly in under-served areas and suggest critical management reforms in order to improve efficiency, effectiveness and accountability of the health delivery system.

f).Since the responsibility for taking and implementing decisions on the suggestions made by the Planning Commission rests with the Central and the State Governments, the Planning Commission does not play any role in implementation, which is one of the barriers in achieving the objective envisaged the plan formulation:-

Although the implementation of development programmes is the joint responsibility of the Central Ministries and the State Governments. Planning Commission does monitor implementation of programmes and schemes periodically. At the time of State Plan discussions, implementation of Centrally Sponsored Scheme is examined in detail. In addition, Half-Yearly Programme / Schemes' Reviews are carried out by the Planning Commission at Member-level with the State Governments as well as Central Ministries in the Central Monitoring Committees for Centrally Sponsored Scheme; representatives of Planning Commission participate and make their contribution. Therefore, Planning Commission is closely associated in the monitoring of Programmes and Schemes implemented by both in the Central Sector and Central Sector Schemes".

7.3 The Standing Committee on Finance, during the oral evidence with the representatives of the Ministry of Planning held on 19 April, 2011, when asked as to is not the present time, an appropriate time for evaluating the performance of the Planning Commission and redefining its role and objective so as to relate the planning process to the life of the common man and its effectiveness for the implementation of programmes and schemes, the Ministry of Planning *inter-alia* informed the Committee in post-evidence replies as follows:-

"Planning Commission during its existence over last more than 6 decades has been instrumental in defining the planning and policy formulation of various sectors of the Indian economy which has resulted in overall development of the country as reflected in improvement in various social and economic indicators. This has been possible due to interventions made by the Planning Commission through eleven five year plans.

Planning Commission is reassessing its role from time to time so as to meet the new challenges. It has always kept the interests of common man in sight while formulating the policies affecting them. Whether it is Sarva Siksha Abhiyan or recently enacted Right to Education Act or the Mahatma Gandhi National Rural Employment Guarantee Programme, Planning

Commission has always endeavoured to see that the interests of vulnerable sections is given due importance in national planning. In recent Plans, the Planning Commission has emphasised the importance of social development in the sustainability of the country's growth and development process. The objective of "Inclusive Growth", which is the central mandate of the 11th Plan, is an important indicator of this shift in emphasis.

It has been pointed out by various quarters that the policies though may be well intended, don't reach their ultimate targets in a desired manner. This may be true to a certain extent keeping in view the vastness of the country and multiplicity of the intermediate levels of implementation. In this context one of the recent initiatives of the Planning Commission is the establishment of the Unique Identification Authority of India which has been constituted in January, 2009. The authority is responsible for laying down plan and policies to implement UID scheme. Under the scheme, a unique identification number would be assigned to each resident in the country for better monitoring and targeting of government's welfare scheme and poverty alleviation initiatives. It also aims at eliminating the need for multiple identification mechanisms prevalent across various government departments.

An Independent Evaluation Office is also being setup by the Planning Commission, which will be at arm's length from Planning Commission, and will carry out independent evaluation of various schemes, particularly flagship schemes, from time to time. It will also advise planning commission and the implementing ministries in developing appropriate MIS consistent with evaluation objectives".

PART – II

Observations / Recommendations

<u>Analysis of Demands for Grants (2011-12)</u>

1. The Committee's examination of the Demands for Grants of the Ministry of Planning reveals that the formulation of budget for plan programmes and schemes has been reduced to an exercise of unrealistic estimates, underutilization of funds and huge spending in the last quarter. For instance, the plan provision in 2009-10 of Rs. 452.00 crore at BE was substantially reduced in RE to Rs. 109.00 crore but only Rs. 86.33 crore was spent, of which Rs. 49.67 crore (57.52%) was spent in the last quarter. Similarly, the plan allocation of Rs. 2000.00 crore in BE 2010-11 was reduced to Rs. 1045.00 crore (RE). But, the Ministry could spend only Rs. 219.68 crore (till 11 March, 2011), of which Rs. 139.84 crore (63.65%) was incurred in the last quarter. Inspite of the norms stipulated by the Ministry of Finance that not more than $33^{1/3}$% will be spent in the last quarter, incurring such large scale expenditure to the tune of almost 60% in the last quarter of the year clearly shows lack of financial discipline and accountability. As a result, the plan programmes and schemes have been badly affected with substantial shortfall in utilisation of funds year-after-year. In the case of scheme, "New Initiative in Skill Development through PPP", the shortfall in utilisation of budgeted expenditure was as much as 79% in 2009-10 and 70% in 2010-11(expected). There has also been substantial underutilization of funds allocated for schemes namely, "Modernization of office system" and "Strengthening Evaluation Capacity in Government". The shortfall in utilisation under the scheme, "Unique Identification Authority of India (UIDAI)", is 74% in

2009-10 and 96.5% in 2010-11. The Ministry has attributed the shortfall in 2010-11 to underutilization of funds in UIDAI for reasons, which include, delay in setting up of regional offices and finalization of proposal for hiring of UID Biometrics Centre of Competence (UBCC). The Committee had in their 13th Report on Demands for Grants for the year 2010-11 commented upon the Ministry's failure in regard to appropriate projection of fund requirements in formulating budget estimates for programmes and schemes. It is evident that the efforts that have been made by the Ministry in this regard have been found to be ineffective. The Committee expect the Ministry of Planning is supposed to be a role model for other Central Ministries / Departments in preparation of realistic budget estimates and utilization of allocated funds. They would, therefore, once again emphasize that a more stringent system of budget planning and control be put in place which will be subjected to effective monitoring at the highest level in the Ministry.

Mid-Term Appraisal of the 11th Plan

Objective of the 11th Plan

2. While the 11th Plan objective was to achieve faster and more inclusive growth at a targeted GDP growth rate of 9 percent per annum with growth rate of 4 percent in the agriculture sector, 10 to 11 percent in the industrial sector and 9 to 11 percent in the services sector, the mid-term appraisal projects GDP growth rate of 8.1 per cent. The Committee are dismayed that during the first four years of Plan period, while the agriculture sector has faced a substantial decline in growth rate with the average growth rate of 2.9 percent, industry and services sectors have registered an average growth rates of 7.55 percent and 10.02

percent respectively, which are lower than the targets envisaged. The Committee are anguished that despite policy measures that have been spelt out in the Plan document, the 11th Plan has failed to achieve the targets in respect of each sector of the economy. The Committee are concerned that inordinate delay took place in the Mid-Term appraisal itself, which was completed in December, 2010, leaving the Government with no time to take the remedial measures and achieve the targets. The Committee, therefore, desire the Ministry to create a conducive policy environment for each sector of the economy to attain the targeted level of growth as to take the economy to higher growth path in the 12th Plan.

<u>Formulation of the 12th Plan (2012-17)</u>

3. The Committee note that the preparation of the 12th Plan is being delayed for want of National Development Council's approval of the Approach Paper to the Plan. The Committee cannot but deprecate that the Planning Commission has failed to perform its basic function, as the 12th Plan, which should have been finalized by this time, is yet to see the light of the day. The Committee, while emphasizing the need for completing the procedural formalities at the earliest, urge upon the Planning Commission to ensure that the Approach Paper to the 12th Plan is finalized and placed in public domain without any further delay. In this regard, the Committee would like to emphasize that the Planning Commission, instead of dissipating its efforts on so many fronts, gives focused attention to important / key areas.

<u>Agriculture Sector</u>

4. The Committee note with serious concern that the country has not been able to overcome the plateau status reached in agriculture for more than a

decade. The 11th Plan had commenced with the slogan, "Faster and More Inclusive Growth", to achieve *inter-alia* an important sectoral target of raising the rate of growth in agriculture to 4 percent from 2.5 percent in the Tenth Plan. However, the average of the annual growth rates of agriculture and allied sectors during first four years of the 11th Plan has been 2.9 percent, thereby adversely impacting the livelihood of more than 60% of Indians who still depend on agriculture. The Committee are given to understand that the targeted growth of agriculture in remaining period of the Plan is 3 to 3.5 percent, for which the Government has put in place various schemes and programmes such as Rashtriya Krishi Vikas Yojana (RKVY) etc. But, the Committee are not convinced that in the remaining period of the 11th Plan the growth rate could be achieved. The Committee are of the view that in a country where 60% of the population is dependent on agriculture, the target of achieving 4 percent growth, should not remain a mere slogan. This is an area which needs to be addressed urgently and sympathetically. The Committee while emphasizing the need of radical change in the approach towards the agriculture sector for fast-track growth, are of the view that in addition to various schemes launched by the Government to spur agricultural growth, payment of fair and adequate remunerative prices to the farmers of their produce is *sine quo non* for the agriculture growth rate. The Committee desire the Ministry to make concerted efforts in this regard.

5. Another disquieting aspect that concerns agriculture growth is flow of inadequate funds to agriculture and allied sectors. Of the total Gross Capital Formation (GCF) in agriculture and allied sectors of Rs.138597 crore in 2008-09, the contribution from public sector constitutes only 17.64% (Rs.24452 crore) as

compared to 82.35% (Rs.114145 crore) from private sector. While the capital investment in agriculture and allied sectors has not been satisfactory, the budgetary allocation to agriculture sector in 2011-12 is less than adequate. For instance, an allocation for the sub-schemes of the Rastriya Krishi Vikas Yojana(RKVY) extending Green Revolution in the Eastern Region is Rs.400.00 crore and Rs.300.00 crore each for increasing production of pulses, oil palm, vegetables and coarse cereals. Similarly, though sixty percent of land is unirrigated, the budgetary allocation for irrigation in 2011-12 is meager. The Committee deprecate this tokenism on the part of the Government. Since the agriculture sector occupies center-stage to promote inclusive growth, enhanced rural incomes and sustained food security, the Committee expect that the Planning Commission, which is currently engaged in the exercise of preparation of the 12th Plan, would address the issues affecting agriculture and allied sectors with due seriousness and formulate appropriate remedial schemes / sectoral policies which is also conducive for private sector investment and participation, so that the revival in agriculture sector can be achieved.

Targeted Subsidies to the Poor

6. The Committee note that targeted PDS is in place through which subsidized food grain is distributed. However, the present system is not without flaws. The Committee further note that the Government propose to replace existing method of fertilizer subsidy payment through industry to direct payment to the poor farmers below the poverty line by March, 2012. They find that a taskforce has been set up to work out the modalities for the same. The Committee emphasize that the interest of the bargadaars or share-croppeers should be adequately taken care of in the new method of fertilizer subsidy.

In this connection, with regard to other items on which direct cash transfer is proposed, the Committee are not convinced that this would be a panacea for all ills of the present distribution system. They fear that the proposed system may also not be free from leakages and manipulations. Moreover, the Committee are informed that many State Governments are implementing universal PDS successfully, thus there is no reason why it should not be tried out at the Central level. Therefore, the Committee would recommend the Government to consider universalisation of the PDS in a phased manner.

Backward Regions

7. The Committee note that one of the basic objectives of the planning in India is to reduce inequalities and raise the level of economic development in the country in a balanced manner. It is, however, indeed saddening to note that even after lapse of more than six decades, there are 250 backward districts, out of which 60 selected Tribal and Backward districts in the country are affected by left-wing extremism. It is surprising that the Planning Commission has not yet conducted a study on impact of additional central assistance provided under various special area programmes and efforts made by the State Governments to redress the imbalance in development of the backward regions within the States. Alarmingly, the Planning Commission, an advisory planning body at the apex level, is depending on World Bank study on this vital issue. The Committee, therefore, recommend the Planning Commission to set up an Expert Group / Task Force for evaluating the impact of measures initiated towards development of backward regions and for formulating a roadmap to achieve the same in a focused and time-bound manner. In this regard, the Committee would like to emphasize that due share should be given to the backward States in the Annual Plan allocation. The Committee also disapprove of the Ministry's failure to maintain the data on funds spent exclusively on rural infrastructure. The Committee, therefore, recommend that expenditure data on rural infrastructure should be maintained and monitored in centralized manner to enable analysis of the progress made in this regard. The Committee further recommend that convergence of BRGF, MGNREGS and IAP should be done, followed by a well-defined district plan for development of backward regions.

<u>Strengthening Evaluation Capacity in Government</u>

8. The Committee are distressed to note that the scheme, "Strengthening Evaluation Capacity in Government", which is intended to evaluate the programmes and schemes of the Government has consistently failed to deliver owing to substantial shortfall in utilisation of funds to the extent of 88% in 2008-09, 86% in 2009-10 and 82% in 2010-11. The underutilization of funds has been attributed to shortage of manpower and delay in completion of evaluation studies outsourced. The Committee in their 3rd Report on Demands for Grants (2009-10) had urged upon the Government to fill up the vacancies in PEO. It is evident that no improvement has taken place because of lack of co-ordination between the Ministry of Planning and Department of Economic Affairs in this regard. Even, the much-awaited Independent Evaluation Organisation (IEO) is yet to take off due to procedural complexities. The Committee while emphasizing that the Ministry should take up the issue at the highest level to fill up the vacancies in PEO, the procedures involved in outsourcing of studies should be simplified for better response.

<u>Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)</u>

9. As regards the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), the Committee note from the data furnished that the shortfall in utilisation of total funds available was as much as Rs. 3250.20 crore (27%) in 2006-07, Rs. 3448.72 crore (18%) in 2007-08, Rs. 5146.96 crore (27%) in 2008-09 and Rs. 11,673.96 crore (24%) in 2009-10. In 2010-11, of the total available funds amounting to Rs.38,595.73 crore, the utilisation by the States

has only been to the extent of Rs.18979.25 (49% till November, 2010) leaving a significant amount to be spent in the last quarter. The average days of employment and wages per household provided under the scheme work out to only 43 days and Rs. 65 in 2006-07, 42 days and Rs. 75 in 2007-08, 48 days and Rs. 84 in 2008-09, 54 days and Rs. 90 in 2009-10 and 35 days and Rs. 98 in 2010-11 (till November, 2010), which is way below the mandate of providing 100 days of employment and a minimum wage of Rs. 100. The Committee are further dismayed that the percentage of works completed against the total works taken up has been consistently below 50 percent during the last four years with 45.98% in 2006-07, 45.97% 2007-08, 43.74% in 2008-09, 48.92% in 2009-10, and in 2010-11 it is expected to be much less as only 4.02% (till November, 2010) works have been completed. As emphasized by the Committee in their previous Reports, the issues of concern relating to the MGNREGS, which include, shortfall in utilisation of budgeted amounts, huge spending in the last quarter, inability to provide the mandated days of employment and wages, non-completion of works taken up etc., need to be thoroughly looked into for taking appropriate corrective steps. The Committee would like to emphasize here that the Government should ensure that the MGNREGS provides a supplementary means of livelihood for the rural people, primarily during their lean periods and it should not cause shortage of labourers for the main agricultural activities. The Committee also desire to be apprised of the status of implementation of the scheme in left-wing extremism hit districts. The Committee further recommend that a comprehensive study on impact of the MGNREGS on agricultural productivity and assets created under the scheme should be carried out.

Indira Awaas Yojana (IAY)

10. The Committee note with serious concern that the Government has not increased the financial assistance of Rs. 45,000/- in plain areas and Rs. 48,500/- in hilly/difficult areas provided for construction of dwelling units for the poor under Indira Awaas Yojana (IAY) to cover the actual construction cost. Instead, the Government should have considered other options like constructing permanent houses under reverse hypothecation in liberal and easy installments for repaying the loan amount by the beneficiaries. As emphasized by the Committee in their earlier Reports, it may not be feasible for the poor people from below the poverty line to raise the balance of the construction cost by way of loan of Rs. 20,000 at the interest rate of 4%. The Committee would, therefore, like to emphasize that IAY should be suitably redesigned so as to ensure that the beneficiaries do not suffer for want of funds.

New Initiative in Skill Development Through PPP

11. The Committee believe that the prosperity of a Nation rests with the skills of the People. The Committee are, however, disturbed at the way the scheme, "New Initiative in Skill Development", has been dealt with since its conceptualization. The utilisation of funds under the scheme, "New Initiative in Skill Development through PPP", has not been found satisfactory again in 2010-11 as the Ministry could spend Rs. 0.03 crore against BE of Rs. 10 crore. This is indicative of the fact that neither the Planning Commission nor the Government realized the importance of skill development. The admission made by the Ministry of Planning that the shortfall in utilisation under the scheme is owing to

involvement of various other stakeholders, which has delayed the decision making process regarding the proposals under the scheme, only gives credence to the Committee's view that there is a need for reviewing the Scheme by having a nodal agency for channelizing funding, co-ordinating, and facilitating the implementing agencies, both in public and private sectors involved in the scheme. The Committee would like to emphasize that Government should review this issue and not hesitate in entrusting the implementation of the scheme to a single nodal agency.

12. The Committee regret to note the fact, as deposed by the Member-Secretary, Planning Commission before the Committee, that given the size of younger population, the infrastructure available for skill development such as ITI etc. is not adequate. As conceded by the Member-Secretary, Planning Commission, a legislation to make mandatory for the industry to run the training centres for improving the skills should be brought in to redressing the mismatch between demand and supply of skilled workers. The Committee also desire that the vocationalisation of education should be done on priority especially at school level, say from 8th to 12th standards, so that the envisaged target of achieving 500 million skilled people by 2022 can be achieved.

Role of the Planning Commission

13. The Planning Commission came into existence in 1950 with the objective of raising the standard of living of the people by augmenting production and optimizing available resources. There is no denying the fact that the country has seen significant developments in many fields since independence. At the same time, there should not be any denial of the fact that given the experience of over

six decades of planning, the extent of progress made has been far from satisfactory. Despite a good number of policy measures initiated and interventions made at different levels, the development policies have not benefited the majority of the people in the country; which could be widely seen through prolonged prevalence of imbalance in development across States and within States, unsatisfactory performance in human development parameters, failure in achieving desired agricultural growth rate, high drop out at primary level education, absence of universalisation of higher education, mismatch between demand and supply of skilled personnel, inability in earmarking 2-3% of GDP to the health sector as envisaged etc., On the policy front also, planning in the country has failed to deliver the desired results owing to disjunction between planning and budgeting, lack of synchronization between the plans/policies and implementation and proper monitoring etc., The Committee regret to observe that the basic objectives of planning are yet to be achieved. When the issue calls for an immediate and serious introspection, the Committee are surprised to note that the Ministry of Planning is satisfied with tailor made solutions like implementation of UID scheme. The Committee can only observe that the Ministry of Planning / Planning Commission do not seem to have a futuristic vision in social planning in the post-reforms period. The Committee are of the view that while planning is very much relevant in India, the Planning Commission has to come to grips with the emerging social realities to reinvent itself to make itself more relevant and effective for aligning the planning process with economic reforms and its consequences, particularly for the poor. The Committee, therefore, recommend that the Government should constitute an Expert Group immediately for evaluating the performance of the Planning Commission and

redefining its role and objectives so as to relate the planning process to the life of the common man and its role in the implementation of programmes and schemes.

New Delhi; **YASHWANT SINHA**
20 June, 2011 **Chairman,**
30 Jyaistha, 1933 (Saka) **Standing Committee on Finance**

MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2010-11)

The Committee sat on Tuesday, the 19th April, 2011 from 1100 hrs to 1600 hrs.

PRESENT

Shri S. S. Ahluwalia – Acting Chairman

MEMBERS

LOK SABHA

2. Shri C.M. Chang
3. Shri Bhakta Charan Das
4. Shri Khagen Das
5. Shri Gurudas Dasgupta
6. Shri Nishikant Dubey
7. Shri Bhartruhari Mahtab
8. Shri Mangani Lal Mandal
9. Shri Rayapati Sambasiva Rao
10. Dr. Kavuru Sambasiva Rao
11. Shri N. Dharam Singh
12. Shri Manicka Tagore
13. Dr. M. Thambidurai

RAJYA SABHA

14. Shri Raashid Alvi
15. Shri Piyush Goyal
16. Shri Satish Chandra Misra
17. Dr. Mahendra Prasad
18. Dr. K.V.P. Ramachandra Rao

SECRETARIAT

1. Shri A. K. Singh – Joint Secretary
2. Shri R.K. Jain – Director
3. Shri T. G. Chandrasekhar – Additional Director
4. Shri Ramkumar Suryanarayanan – Deputy Secretary
5. Shri Kulmohan Singh Arora – Under Secretary

Part I
(1100 to 1330 hours)

WITNESSES

2. XX XX XX XX

XX XX XX XX

The witnesses then withdrew.

A verbatim record of proceedings was kept.

Part –II
(1400 hrs. to 1600 hrs.)

WITNESSES

Ministry of Planning

1. Ms. Sudha Pillai, Member Secretary
2. Shri Pronab Sen, Pr. Adviser
3. Dr. S.P. Seth, Pr. Adviser
4. Shri Ashok Sahu, Pr. Adviser
5. Shri Ranjan Chatterjee, Consultant
6. Shri Chaman Kumar, Addl. Secretary & Financial Adviser
7. Shri Arbind Modi, Consultant
8. Ms. Vandana Kumari Jena, Sr. Adviser
9. Ms. Naini Jayseelan, Sr. Adviser
10. Dr. Arbind Prasad, Sr. Adviser
11. Shri Prem Narain, Sr. Adviser
12. Shri Muralikrishna Kumar, Sr. Adviser
13. Shri G.B. Panda, Sr. Adviser
14. Shri Ravi Mittal, Adviser
15. Shri Ram Sewak Sharma, Director General (UIDAI)
16. Shri T.K. Pandey, Joint Secretary

5. The Committee then took oral evidence of the representatives of the Ministry of Planning in connection with examination of Demands for Grants (2011-12). The major issues discussed during the sitting broadly related to achievement of objectives of Eleventh Five Year Plan, present status of formulation of the twelfth plan, annual plan allocation to States, impact of inflation on the economy, adequacy of remunerative price to farmers and its impact on agricultural production, budgetary allocation to agricultural sector and irrigation, implementation of schemes namely, MGNREGA, Indira Awaas Yojana and New Initiative in Skill Development through PPP, direct cash transfer to the poor and role of the Planning Commission etc.

6. The Chairman directed the representatives of Ministry of Planning to furnish replies to the points raised by the Members during the discussion within ten days.

7. The Committee decided to defer hearing the representatives of the Ministry of Corporate Affairs on the Demands for Grants (2011-12) of the Ministry of Corporate Affairs to a later date.

The witnesses then withdrew.

A verbatim record of the proceedings was kept.

The Committee adjourned at 1600 hours.

MINUTES OF THE EIGHTEENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2010-11)

The Committee sat on Wednesday, the 25th May, 2011 from 1100 hrs to 1730 hrs.

PRESENT

Shri Yashwant Sinha – Chairman

MEMBERS

LOK SABHA

2. Shri C.M. Chang
3. Shri Harishchandra Chavan
4. Shri Nishikant Dubey
5. Shri Bhartruhari Mahtab
6. Shri Mangani Lal Mandal
7. Shri Rayapati Sambasiva Rao
8. Shri Magunta Sreenivasulu Reddy
9. Dr. Kavuru Sambasiva Rao
10. Shri Manicka Tagore

RAJYA SABHA

11. Shri S.S. Ahluwalia
12. Shri Raashid Alvi
13. Shri Vijay Jawaharlal Darda
14. Shri Piyush Goyal
15. Shri Moinul Hassan
16. Shri Satish Chandra Misra
17. Shri Mahendra Mohan
18. Dr. Mahendra Prasad
19. Dr. K.V.P. Ramachandra Rao

SECRETARIAT

1. Shri A. K. Singh – Joint Secretary
2. Shri R.K. Jain – Director
3. Shri T. G. Chandrasekhar – Additional Director
4. Shri Ramkumar Suryanarayanan – Deputy Secretary
5. Shri Kulmohan Singh Arora – Under Secretary

Part I

(1100 hrs. to 1400 hrs.)

2. . XX XX XX XX
XX XX XX XX

WITNESSES

3.	XX	XX	XX	XX
	XX	XX	XX	XX

A verbatim record of the proceedings was kept

The witnesses then withdrew

Part II
(1500 hrs. to 1730 hrs.)

WITNESSES

4.	XX	XX	XX	XX
	XX	XX	XX	XX

A verbatim record of the proceedings was kept.

The witnesses then withdrew

5. The Committee then took up the following draft reports for consideration and adoption: -

(i) Draft Report on Demands for Grants (2011-12) of the Ministry of Finance (Department of Revenue);

(ii) Draft Report on Demands for Grants (2011-12) of the Ministry of Planning; and

(iii) Draft Report on Demands for Grants (2011-12) of the Ministry of Statistics and Programme Implementation.

6. The Committee adopted the draft reports relating to the Ministry Finance (Department of Revenue) and Ministry of Statistics and Programme Implementation without any modifications/amendments. The Committee adopted the draft report relating to the Ministry of Planning with some changes as suggested by Members. The Committee authorised the Chairman to present these Reports to Parliament.

The Committee then adjourned at 1730 hours.