

**ESTIMATES COMMITTEE
(1972-73)**

FIFTH LOK SABHA

TWENTY FOURTH REPORT

MINISTRY OF FINANCE

**Revision of the form and contents of the Demands
for Grants**



**LOK SABHA SECRETARIAT
NEW DELHI**

November, 1972

Price : Rs. 1. 80 Paise

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK
SABHA SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
ANDHRA PRADESH					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
2.	G.R. Lakshminpathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
			14.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
ASSAM					
3.	Western Book Depot, Pan Bazar, Gauhati.	7	15.	M/s. Usha Book Depot, 585/A, Chira Bazar, Khan House, Girigaum Road, Bombay-2 B.R.	5
BIHAR					
4	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37	MYSORE		
			16.	M/s. Peoples Book House, Opp. Jaganmohan Palace, Mysore-1.	16
GUJARAT					
5	Vijay Stores, Station Road, Anand.	35	RAJASTHAN		
6.	The New Order Book Company, Billis Bridge, Ahmedabad-6.	63	17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
HARYANA					
7.	M/s. Prabhu Book Service, Nal Subzimandi, Gurgaon, (Haryana).	14	UTTAR PRADESH		
MADHYA PRADESH					
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13	18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
MAHARASHTRA					
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6	19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	WEST BENGAL		
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26	20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
			21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
			22.	Firma K.L. Mukhopadhyay, 6/1A, Banchharam Akrur Lane, Calcutta-12.	82
			23.	M/s. Mukherji Book House, 8-B, Duff Lane, Calcutta-6	1

CONTENTS

	PAGES
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
I. INTRODUCTORY	(vii)
Part I.—Specific proposals made by the Ministry of Finance and connected Matters.	1—28
 No. and scope of Demands for Grants 	
2. Inclusion of all provisions relating to a service in one demand	1
3. Rationalisation of number of Demands	2—4
 Presentation and Structure of demands for grants 	
4. Demands accompanying budget statement to lay stress on major programmes activities	5—8
5. New Service/New Instrument of Service	9—12
6. Notes on Important Projects and Schemes	13
7. Presentation of detailed demand (Part III) to Parliament and rationalisation of their structure	14—16
8. Integration of Performance Budgets Part III of Demands	17—21
 Structure of Primary Units and appropriation 	
9. Appropriation of a standardised objects classification	22—23
10. Need for guidelines for planned and non-planned expenditure	24
11. Bringing out a 'Key' to the budget papers	25
12. Need to improve the document 'Budget at a glance'	26
13. Research Cell	27
14. Implementation of proposals	28
 Part II—Other Cognate Matters 	
15. Annual Report on the working of Commercial Undertakings brought out by the Bureau of Public Enterprises	31—33
16. White Papers on major undertakings	34—36
17. Framing of estimates more realistically	37
18. Rush of Expenditure at the end of year	38
19. Forward Looking Budgets for men and materials	39—40

20. Delays in issue of Sanctions	41-42
21. Enhanced Delegation of Financial Powers to Ministries	43
22. Need for proper utilisation of grants and loans given to State Governments and highlighting in budget papers the achievement of socio-economic objectives	44-46

APPENDICES

APPENDIX I—Note from the Ministry of Finance regarding revision of the form and contents of the Demands for Grants	47-51
APPENDIX II—O.M. from the Ministry of Finance regarding New Service/ New Instrument of Service-limits to be observed pursuant to the recommendations of the P.A.C.	52-59
APPENDIX III—Names of the Ministry/Departments where Performance Budget has been introduced and has yet to be introduced	60-61
APPENDIX IV—Summary of Recommendations/Conclusions contained in the Report	62-74

ESTIMATES COMMITTEE (1972-73)

CHAIRMAN

Shri Kamal Nath Tewari

MEMBERS

2. Shri Maganti Ankineedu
3. Shri Aziz Imam
4. Shri Onkar Lal Berwa
5. Shri Narendra Singh Bisht
6. Shrimati Marjorie Godfrey
7. Shri D. B. Chandra Gowda
8. Shri Krishna Chandra Halder
9. Shri Hari Singh
10. Shri A. K. M. Ishaque
11. Shri M. M. Joseph
12. Shri Tulsiram Dashrath Kamble
13. Shri L. D. Kotoki
14. Shri K. Lakkappa
15. Shri K. M. Madhukar
16. Shri G. S. Mishra
17. Shri Mohammad Tahir
18. Shri Mohan Swarup
19. Shri Nanubhai N. Patel
20. Shri T. A. Patil
21. Shri Mahadeepak Singh Shakya
22. Dr. H. P. Sharma
23. Shri N. Tombi Singh
24. Shri M. S. Sivasamy
25. Shri Pravinsinh Solanki
26. Shri 'C. M. Stephen
27. Shri K. Suryanarayana

28. Shri Venkatrao Babarao Tarodekar
29. Shri Krishnarao Thakur
30. Shri Nanjibhai Ravjibhai Vekaria

SECRETARIAT

Shri Avtar Singh Rikhy—*Joint Secretary.*
Shri M. S. Sundaresan—*Deputy Secretary.*
Shri Y. Sahai—*Under Secretary.*

INTRODUCTION

I, the Chairman, Estimates Committee having been authorised by the Estimates Committee to submit the Report on their behalf present this Twenty-Fourth Report on the Ministry of Finance-Revision of the Form and Contents of the Demands for Grants.

2. The Estimates Committee took the evidence of the representatives of the Ministry of Finance and Planning Commission on the 15th September, 23rd and 24th October, 1972. The Committee wish to express their thanks to the Secretaries, Department of Expenditure and Economic Affairs and other Officers of the Ministry of Finance and Planning Commission for placing before them the material and information they wanted in connection with the examination of the subject.

3. The Committee also wish to express their thanks to Shri H. M. Patel, M.P., who furnished Memorandum on the subject to the Committee.

4. The Report was considered and adopted by the Estimates Committee on the 22nd November, 1972.

NEW DELHI;

November 28, 1972.

Agrahayana 7, 1894 (S).

K. N. TEWARI,

*Chairman,
Estimates Committee.*

INTRODUCTORY

The Ministry of Finance *vide* their 'Note for the Estimates Committee' dated the 18th April, 1972 (Appendix I) have proposed certain changes in the existing form and contents of the Demands for Grants presented to Parliament and have sought the approval of the Estimates Committee to these proposals. They have made these proposals on the basis of the Report* submitted by a Team consisting of Deputy Comptroller and Auditor General (Convener), Joint Secretary, Ministry of Finance and Joint Secretary, Planning Commission, which was constituted *vide* Government's resolution dated the 22nd March, 1969, to consider certain matters relating to Accounts and Budget Heads arising out of the recommendations of the Administrative Reforms Commission in its Reports on "Finance, Accounts and Audit" and "Machinery of the Government of India and its Procedures of Work".

2. The Note is stated to have been seen and concurred in by the Comptroller and Auditor General of India.

3. The Estimates Committee (1962-63) in their Eleventh Report (Third Lok Sabha) had last dealt with the question of the revision of the form and contents of the Demands for Grants. The existing structure of the Demands for Grants has since then been continuing in that form except for certain additions in the schedules and statements etc.

4. The Committee have taken this opportunity to examine also certain other cognate matters aimed at rendering the Budget documents more informative and intelligible for proper appreciation of functioning of Government and also achieving the twin objectives of sound budgeting and accountability to Parliament. The Report has accordingly been divided into two parts, viz.—

PART I—Specific proposals made by the Ministry of Finance and connected matters; and

PART II—Other cognate matters.

*First Report of the Team on Reforms in the Structure of Budget and Accounts—Demands for Grants of the Government of India; October, 1971—Copies available in the Parliament Library.

**PART I—SPECIFIC PROPOSALS MADE BY THE
MINISTRY OF FINANCE AND CONNECTED
MATTERS**

NUMBER AND SCOPE OF DEMANDS FOR GRANTS
INCLUSION OF ALL PROVISIONS RELATING TO A SERVICE
IN ONE DEMAND

The Ministry of Finance in their note to the Committee have submitted that "at present the provisions relating to a Service are dispersed in various places. Provision for revenue expenditure on a service, grants to State Governments, the capital outlay and the loans relating to that service are included in four* separate demands and this renders an adequate appreciation by Parliament of the total outlay on a service difficult. It is, therefore, proposed that provisions relating to a service should all be included in one demand. (Reappropriation of funds between Revenue and Capital will not, however, be permitted)".

1.2 The proposal envisages that the Demand for Grant for each service should incorporate the budget provisions on revenue account as well as on capital account (including grants-in-aid to States and loans and advances) relating to that service. The schedule to the Appropriation Act would show separately amounts authorised for revenue and capital accounts, re-appropriation of funds between the two being prohibited. This arrangement is expected to result in a better appreciation of the allocations to the various services and effective control over expenditure by the concerned Ministries/Departments, besides facilitating preparation of performance budgets and linking of the budget provisions with plan allocations.

1.3. The Committee have no objection to the provisions relating to a service being included in one Demand. They note that reappropriation of funds between Revenue and Capital will not, however, be permitted.

*Under the present arrangement, provisions for expenditure on revenue account and expenditure on capital account are made in two separate Demands for Grants presented on behalf of Ministries/Departments. Expenditure on Grants-in-aid to States/Union Territories and provision for all loans and advances made by the Central Government are made in two composite demands presented by the Ministry of Finance, though disbursement thereof is controlled by the different Ministries/Departments.

RATIONALISATION OF NUMBER OF DEMANDS

REPORT

2.1 The Ministry have put forth that "following the above principle, the number of demands presented on behalf of a Ministry is proposed to be rationalised. The arrangement recommended by the Team, besides facilitating easy comprehension of the range of activities of a Ministry, will also lead to a more effective budgetary control in the departments within a Ministry as the provisions relating to each service, for which a Department is responsible, will all be included in a distinct Demand. There will not normally be any occasion, as happens at present, for more than one Department of a Ministry operating on provisions included in a single demand."

2.2 The Team, having observed certain amount of imbalance* in the present system of presentation of Demands for Grants, recommended that a Ministry|Department in charge of a number of distinct services may present a separate Demand for each of the major services. The provisions relating to other miscellaneous functions|services administered by the Ministry|Department as well as those relating to the Secretariat of the Ministry|Department may be included in another Demand. For example, the Department of Agriculture in the Ministry of Agriculture, may present a separate Demand each for Agriculture, Animal Husbandry and Dairy Development, Fisheries and Forest, besides a separate Demand to include the provisions for the Secretariat of the Department and the other services administered by it. The Ministries|Departments which are in charge of only one major function or service may present only one composite Demand covering all their requirements including provisions for the Secretariat. For example, the three Departments in the Ministry of Agriculture other than the Department of Agriculture, namely, Departments of Food, Co-operation and Community Development may present one composite Demand each.

*At present a number of Demands are presented on behalf of each Ministry/Department. In some Ministries, as, for example, the Ministry of Education, the requirements of more than one department or service are included in a single Demand while, in the case of others, there is a separate Demand for each department even though the amount of provision may not justify separate Demand. For instance, under the Ministry of Labour and Rehabilitation a separate Demand is being presented for the Director General of Mines Safety even though the total expenditure of the Directorate is only of the order of Rs. 60 lakhs. A separate Demand is generally presented for the Secretariat expenditure of each Ministry/Department irrespective of the amount involved. Thus, the Ministry of Information and Broadcasting has a Demand for its Secretariat expenditure amounting to only about Rs. 30 lakhs, while the total provision of funds for its revenue and capital expenditure included in three other Demands aggregated nearly Rs. 37 crores.

This will make for a more meaningful presentation of the programmes and activities under the various services/departments in a compact and comprehensible manner.

2.3. The Team has also drawn up a model of the Demands for Grants of the Ministry of Agriculture on the lines of the above broad classification. It was noticed therefrom that no separate head like "Payments to Indian Council of Agricultural Research" and "Purchase of Foodgrains and Fertilisers" had been shown in the revised structure of Demands. When asked whether it would not be desirable to maintain a distinct character of these organisations/schemes, since they involved crores of rupees, the Secretary, Department of Economic Affairs, during evidence informed the Committee that they would include totality of expenditure on ICAR in Part III in the Statement showing provisions for payment as Grants-in-Aid to Non-Government Bodies. Similarly, the purchase of foodgrains would be shown under Food Department and the Expenditure on fertilisers under Department of Agriculture. He emphasised that no information would be taken away; it would be available elsewhere. When further asked how the provisions relating to research organisations will be shown under the head 'Research', the Secretary replied:

"Even now our approach is departmental. Therefore, if agricultural research is conducted in different departments... That will require work other than what we can do.... that agriculture will be divided into forestry, fisheries etc. Research relating to forestry will be under forestry research relating to fisheries will be under fisheries and so on.....All agricultural research will come under one head."

2.4. With regard to the preparation of structure of Demands for Grants in respect of other Ministries/Departments, as had been done in the case of Ministry of Agriculture, the Secretary, Department of Economic Affairs informed the Committee that all the Departments and the Financial Advisers had been asked to prepare the same and the progress of work was at different stages.

2.5. The Committee have no objection to the proposed rationalisation of the number of Demands for Grants. They would, however, like to stress that there are certain statutory and autonomous/semi-autonomous organisations like the Indian Council of Agricultural Research, Council of Scientific and Industrial Research, etc. which are mainly financed by Government involving substantial amounts.

The provisions therefor have hitherto been made in distinct Demands for Grants. The Committee would like Government to consider the advisability of retaining a separate Demand for Grant for such organisations, failing which it is necessary that the provisions made for various activities of these organisations are clearly brought out in a schedule in the relevant Demands for Grants with suitable self-explanatory notes.

... 2.6. The Committee consider that it is but appropriate that the provision for Secretariat proper of the Ministries/Departments should continue to be shown in a separate Demand as at present, but where for an unavoidable reason, the expenditure on Secretariat is included in a composite Demand, the expenditure on the Secretariat should be mentioned clearly and pointedly so that the Members know the expenditure on it as distinct from expenditure on activities of the Ministries/Departments

2.7. The Committee have no doubt that Government would review the structure of Demands for Grants in respect of other Ministries/Departments as done already in the case of Ministry of Agriculture by the team of officers appointed by Government and that these would be finalised in consultation with Audit, keeping in view the observations made by the Committee in the earlier paragraphs.

PRESENTATION AND STRUCTURE OF DEMANDS FOR GRANTS DEMANDS ACCOMPANYING BUDGET STATEMENT TO LAY STRESS ON MAJOR PROGRAMMES|ACTIVITIES

3.1. The Demands are proposed to be presented to Parliament at two levels*, with certain improvements therein to make them more compact and comprehensible. It is stated that "the Demands, which will accompany the Budget Statement, will lay stress on the major programmes and activities of the departments. In order that these may not be lost sight of in the midst of a mass of details, it is proposed that these demands should highlight only those aspects of the Budget which are important for an appreciation of the resources allocation at the level of the Government as a whole. Accordingly, the demands will show distinctly all the major programmes of a department and where a programme includes a number of activities|schemes|organisations each of these for which provision of funds in a year is Rs. 10 lakhs or more will also be shown distinctly. Other activities|schemes|organisations under a minor head for which provision in a year is less than Rs. 10 lakhs will be grouped together. In the context of need for the implementation of the plan the 'Plan' provisions relating to each programme|activity| scheme|organisation will be shown distinct from non-Plan provisions."

3.2. The above changes envisage that—

- (i) Part II of the Demands will show the details of expenditure upto the level of major and minor heads of account which will broadly correspond to functions and programmes of Government, with a further break-up in respect of schemes costing Rs. 10 lakhs or more, others being grouped together.
- (ii) Break-up of provisions by 'objects' of expenditure such as establishment charges, travel expenses, etc. will not be given in Part II.
- (iii) The plan and non-plan components of the provisions relating to a minor head or the activities|schemes|organisations will be shown distinctly in Part II.

*The present arrangement is that Part II (including Part I which gives the name of service and total provision) of the Demand are presented along with the Budget Statements and Part III (including Part IV which gives details of recoveries by Circles of Account) of the Demands are not formally presented to Parliament but adequate number of copies are placed in the Parliament Library.

(iv) Part II of Demands will be accompanied by a short note explaining their scope and reasons for major variations in estimates under different heads. All other statements given at present will be transferred to Part III of the Demands.

These changes are expected to bring about a proper appreciation of the resource allocation at national level, focus attention of Parliament to major programmes and activities, facilitate Plan appraisal and also facilitate preparation of Performance oriented Budgets.

3.3. During evidence, the Secretary, Department of Economic Affairs, stated that it was a matter of re-arrangement of information between Part II and III of the Demands. The intention was to make a distinction between the scrutiny which the Parliament had to exercise at the stage of general debate when the Members would be concerned not with the details of expenditure of a particular Department or the particular tax proposal but with the way in which the Government proposed the distribution of total expenditure as between different activities. The scrutiny of how a particular Department was going to spend would come at the next stage when Parliament would consider the Demands for Grants of the individual Ministry.

3.4. The Committee have been informed subsequently in a written note that—

With the adoption of the proposed changes, the following documents will be presented along with the Annual Financial Statement on the Budget day:

- (i) Budget at a Glance
- (ii) Explanatory Memorandum on the Budget
- (iii) Finance Bill
- (iv) Memorandum explaining the provisions of the Finance Bill
- (v) Part II of the Demands for Grants.

Before the Demands for Grants are discussed by the House the following documents will be presented:

- (1) Part III of the Demands. These will incorporate, besides the schedules and Annexures mentioned in paragraph 19(d) of the Report of the Team of Officers, the Notes on important schemes and projects of the concerned Ministries which are presently published as a separate document.
- (2) Plan Budget Link. At present this document contains, besides abstracts linking the Budget outlays with Plan heads of development, schedules relating to Demands for Grants showing the Plan provisions included in the various Demands. As under the new arrangement the Demands for Grants themselves will exhibit the Plan provisions separately, the schedules would no longer be necessary. Other portions of the Plan Budget Link will be presented.

3.5. Asked about the difficulties in retaining in Part II, the existing statements showing items attracting new service|new instrument of service, items of major work and grants-in-aid to non-government bodies, the Secretary, Department of Economic Affairs stated that they thought these were more relevant at the time of detailed discussion. He stated "regarding the new service and new instrument of service there may be advantage....If you agree we can try that for a year***. We have agreed earlier that we will give a list of new services in Part II, but to give notes on them will also throw a tremendous burden on us. We will include a list in Part II."

3.6. The Committee appreciate the concept that in the Demands (i.e. Part II) accompanying the Budget statement stress should be laid on major programmes and activities of the Departments highlighting those aspects of the Budget which are important for an appreciation of the resource allocation at the 'National' level. The Committee would, however, like to point out that Government are at present furnishing useful information about activities covered by way of notes in Part II of the Demands as well as by a separate brochure entitled 'Notes on Important Projects and Schemes'. Part II of the Demands also contain schedules indicating details of New Service|New Instrument of Service, Major Works, Grants-in-aid to Non-Government Bodies (in excess of certain limits).

*Part II of the Demands may be accompanied by a short Note on the Demands explaining their scope and reasons for major variations in the estimates under different heads. All the other statements, viz., the statement of important items of non-plan expenditure, grants-in-aid to bodies other than State Governments in excess of certain limits, items of expenditure attracting the limitations of new service/new instrument of service, details of expenditure on Major Works and details of the number of staff for which provision is made etc. may be transferred to Part III of the Demands.

3.7. The Committee have no objection to these proposals of Government provided it is ensured that Part III of the Demands would be made available to Members of Parliament along with other budget documents or at least two weeks in advance of the date for discussion of the Demands for Grants of the relevant Ministry|Department. Till such time this can be done on an assured basis, the Committee would like Government to continue the present practice so that information on these important matters is made available to Members well in advance of the discussion in the House.

NEW SERVICE|NEW INSTRUMENT OF SERVICE

4.1. In regard to the New Service|New Instrument of Service, guidelines were issued by the Ministry of Finance vide their O.M. No. F.8(60)-B|69 dated the 27th July, 1970 (Appendix II), in pursuance of the recommendations contained in the Eleventh and Fiftieth Reports of the Public Accounts Committee (Fourth Lok Sabha), laying down the nature of the cases of new service|new instrument of service and the limits beyond which (a) prior approval of Parliament was required and (b) report to Parliament was necessary along with the ensuing batch of Supplementary Demands.

4.2. To an enquiry as to what details were given when Parliament's approval was sought for New Service|New Instrument of Service, the Ministry stated in a written reply that: "A list of items attracting the limitations of 'New Service|New Instrument of Service', for which provision is included in the Budget estimates is appended as a separate section to the volume of Demands for Grants of each Ministry|Department....The more important of these items are explained in the notes on Demands for Grants and/or in the Notes on Important Projects and Schemes. During the course of the year, for fresh items of 'New Service|New Instrument of Service', Parliament's approval is sought through supplementary Demands."

4.3. Asked what check was exercised by the Ministry of Finance to see that the guidelines were in fact observed by the Ministries|Departments, the Secretary, Department of Economic Affairs stated during evidence that "when the information is given to us, we certainly scrutinise it and if we find that it is not adequate, we ask for further information. That way, we certainly try and make sure that the Ministries give us full information.

4.4. The Committee feel that mere listing of the new services|new instrument of service for which provision is included in the budget estimates does not serve fully the purpose underlying the recommendations made earlier by the Public Accounts Committee. They consider that comprehensive notes on new services|new instrument of service to bring out the objective underlying the service|activity the financial implications thereof, the time schedule for completion and commissioning, the contribution expected to be made in the economic and industrial field etc. may be clearly set out in notes to be included in Part II of the Demands.

GRANTS-IN-AID TO PRIVATE INSTITUTIONS

4.5. In regard to grants-in-aid to private institutions, the Public Accounts Committee in their Eleventh Report (Fourth Lok Sabha) recommended that the limits (i.e., recurring grants Rs. 5 lakhs and non-recurring grants Rs. 10 lakhs) for bringing cases to the notice of Parliament, should apply in the case of moneys disbursed by Government as a whole rather than by individual Ministries|Departments. Government in their reply stated that this proposal would lead to various difficulties, such as, centralisation of the work of payment or authorisation or at least approval for such payments, which would mean withdrawal of powers delegated to various authorities in this regard, maintenance of central record for such payments etc. and requested that the suggestion might not be insisted upon.

The Public Accounts Committee in their Fiftieth Action Taken Report (Fourth Lok Sabha) considered the difficulty expressed by Government and stated:

"The Committee feel that the difficulty can be overcome. As pointed out by Government themselves, the number of cases of grants to the same institution by two or more Ministries|Departments 'is likely to be very small'. A list of institutions receiving grants-in-aid of more than Rs. 1 lakh from any Ministry may be drawn up on the basis of grants given to various institutions during the last three years and brought up to date every year. Whenever a Ministry sanctions a grant to such an institution, it may forward a copy of the sanction to the Ministry of Finance or the coordinating Ministry nominated in this behalf which will keep a watch over the total grant sanctioned. The individual Ministry may be required to consult the coordinating Ministry before sanctioning a grant of Rs. 1 lakh or more to ensure that the limits accepted by Government are not exceeded."

4.6. The Committee enquired whether the above suggestion of the Public Accounts Committee was being implemented, the Secretary, Department of Expenditure, stated during evidence that "There are a number of difficulties which we pointed out to the Public Accounts Committee. We have said Government does not find it possible to accept the suggestion.....It requires lot of detailed work..... Parliament can ask question as to how many grants have been given to a particular institution." When pointed out that this information should be given by Government *suo motu* in the Budget papers and in case of procedural difficulties the data for the proceeding year can be given, he said "That we shall examine."

4.7. The Committee reiterate that the limits of grants to private institutions should apply to the totality of grants sanctioned by Government as a whole rather than the grants sanctioned by individual Ministries|Departments. They see no serious difficulty in following the suggestion made by the Public Accounts Committee by devising suitable procedural measures.

SUBSIDY TO FOODGRAINS TRANSACTIONS

4.8. The Public Accounts Committee in their Eleventh Report (Fourth Lok Sabha) recommended that a subsidy should be shown as a separate sub-head under each relevant Demand supported by adequate details regarding the extent of subsidy on each commodity and the reasons for it in the Explanatory Memorandum so that Parliament is made fully cognizant of the extent and quantum of the subsidy being voted upon and the reasons for it. The Committee also desired that in regard to subsidy on foodgrains transactions, statements showing the financial results of State Trading in foodgrains should be incorporated along with adequate details in the explanatory note to the relevant Demand for Grants. The statement should *inter alia* show the Quantity and Value Accounts and the Gross Profit and Loss position in respect of major foodgrains for the previous year as also the cumulative profit/loss on different foodgrains. It should also indicate the average cost price and sale price in order to bring out clearly the amount of the subsidy. The average cost price should show details such as actual price paid to the indigenous producer and the country from which the foodgrain is imported, administrative expenditure, freight, incidental and other charges, losses in transit handling and storage.

Government in their reply stated that—

"The provision for subsidy in foodgrains transactions will be exhibited in future against a distinct sub-head in the relevant Demand for Grant. While commodity-wise details in respect of the previous year will be given, it will not be practicable to give similar detail in respect of the year current at the time the Budget is presented and the Budget year. Similarly, the actual trading results for the previous year, together with the details of foodgrains imported|procured will be indicated in the Budget documents, if the Committee so desires, but it will not be possible to do in so far as transactions of the current and Budget year are concerned. However, the likely average cost of purchase both in respect of imported and indigenously procured foodgrains and the likely subsidy, including per quintal subsidy, in respect of major food-

grains will be indicated. Details of administrative charges, incidentals, etc. will be shown in the actual trading results of the previous year and will be included in the calculation of subsidy for the current and the Budget year."

4.9. To an enquiry whether the details of foodgrains transactions were being given in the Budget documents as agreed to by Government, the Ministry of Finance stated in a written reply that the necessary details were given in the Explanatory Memorandum on the Budget for the year 1970-71. In the subsequent year, however, this could not be given as the information received was too late and that too in an incomplete form. It was also stated that they were taking up the matter with the Food Department with a view not to repeating this omission next year.

4.10. During evidence, the Secretary, Department of Economic Affairs stated:

"In 1970-71, as was explained in our reply, we did cover most of the information that was requested and that was found to be satisfactory. Somehow in 1971-72, because we received the information late, we were not able to give the same details. In government departments, once there is a slack, that continues the next year also. We did not give the details in 1972-73 also and we were rightly reminded by the Committee that we have not for two years done what we had done earlier. As I said, I have already taken it up with the Food Department that we should be given all relevant information well in time before the preparation of the budget documents and we hope that, from next year onwards, we will be able to give again the full details."

4.11. The Committee consider it singularly unfortunate that details of subsidy on food transactions which had been agreed to be given by Government, were not given in the Budget papers for 1971-72 and 1972-73. They hope that there will be no laxity on this account in future and full details of subsidy on food transactions, such as average cost price and sale price, actual price paid to the indigenous producer and the country from which it is imported, administrative expenditure, freight, incidental and other charges, losses in transit, handling and storage, per quintal subsidy etc. would be given in the budget papers. The Committee consider that giving of full information on foodgrains subsidy, which involves crores of rupees every year, is vital from the point of view of Parliamentary accountability.

NOTES ON IMPORTANT PROJECTS AND SCHEMES

5.1. Regarding 'Notes on Important projects and Schemes', the Committee note that at present these do not clearly bring out all significant aspects of the projects\schemes. In evidence, the Secretary, Department of Expenditure agreed to give all the information which was necessary to understand whether schemes were taken up in proper time, completed and gone into production within the scheduled time and within amounts originally sanctioned or estimates had gone up together with reasons therefor etc. He said that they would make a study to see on what lines the information could be improved.

5.2 The Committee attach great importance to the 'Notes on Important Projects and Schemes' which are presented along with the Demands for Grants. It is these notes which enable Members of Parliament to understand the objective underlying the expenditure. It is, therefore, of the utmost importance that these Notes on Important Projects and Schemes should be self-contained and bring out inter alia all significant aspects like the objective underlying the scheme, the financial implications, the time schedule for its completion, the contribution it would make to the industrial, economic and national sphere, etc.

In the case of the continuing schemes, the notes should clearly set out the precise progress made in implementing the project\scheme in accordance with the original schedule, the reasons for variations and their implications both in financial terms and in their impact on the national economy.

5.3. The Committee would like Government to give separately the notes on new service(new instruments of service and continuing projects\schemes under implementation.

5.4. The Committee welcome the assurance given by the Secretary Department of Economic Affairs to the effect that "in this Note on important projects, we will give information so that it is possible to know the position at a glance. Ministries would also be asked to state what is holding up the progress... This would enable the Members to know how the schemes are progressing and whether proper provisions are made or not." The Committee would like this assurance to be implemented in letter and spirit.

PRESENTATION OF DETAILED DEMANDS (PART III) TO PARLIAMENT AND NATIONALISATION OF THEIR STRUCTURE

6.1. The Ministry have stated that "the detailed demands (i.e. Part III) which will be presented separately but well before the dates of discussions of the demands for grants of the various Ministries|Departments will facilitate the detailed discussions on the demands and will give all the information relevant for the demands. Thus these will show* distinctly all the programmes|activities|schemes or organisations for which provision in a year is Rs. 1 lakh or more and in respect of schemes etc. costing Rs. 10 lakhs and above the demands will show their further break up by items of expenditure which are called objects of expenditure e.g. salaries, travel expenses, office expenses, grants-in-aid etc. Here also, Plan and non-Plan provisions will be shown distinctly. These demands will besides include informative schedules listing grants to besides other than State Governments in excess of certain limits, items of expenditure attracting the limitations of new service|new instrument of service, major works, details of number of staff for which provision is made etc. The distribution of the provisions by Circles of account which is an accounting detail necessary for Accounts Offices only will not be included in the demands but communicated direct to the Accounts Officers concerned by the Ministries|Departments concerned."

6.2. These changes contemplate—

- (a) resumption† of formal presentation of Part III Demands to Parliament;
- (b) elimination altogether from Part III of Information in respect of programmes|activities for which provision in a year is less than Rs. 1 lakhs.
- (c) elimination of objective-wise break-up of provisions under activities|schemes costing less than Rs. 10 lakhs in a year;
- (d) elimination of exhibition of provisions by Circles of Account (at present given in Parts III and IV of the Demand); and

*At present Part III gives details of provisions namely (a) the distribution of the provisions by Circles of Account, (b) further break-up of the provision under each sub-head into detailed heads and/or detailed schemes, and (c) the plan and non-plan break up of the provision under each sub-head.

†Since 1963-64, Part III of the Demands is not being formally presented to Parliament but sufficient number of copies are being placed in the Parliament Library.

(e) transfer of present statements and schedules from Part II to Part III of the Demands.

6.3. As regards (d) above, it is stated that the break-up of budget provisions into different circles is a matter of accounting and payment procedure and does not add to the information presented to Parliament for the purpose of reviewing the Budget Estimates. In this regard, the Estimates Committee (1962-63) in their Eleventh Report (Third Lok Sabha) on revision of the form and contents of Demands for Grants had agreed that circle-wise expenditure is primarily meant for departmental rather than parliamentary use.

6.4. Asked about the time-lag between the presentation of the Budget statement and Part III of the Demands, the Secretary, Department of Economic Affairs stated that the presentation of Part III Demands would start three weeks after presentation of the main Budget and the process would continue for another two to three weeks. Their endeavour would be to present Part III Demands for particular Ministry at least 4 to 5 days before their consideration by Parliament. He realised the inadequacy of this time and said that they would try to present the Demands about a week before they were taken up for discussion. When pointed out that at least two weeks time should be given to Members to study the Demands, he undertook to review the position and said that next year they might not be able to give more time but in the following year they would certainly do so.

6.5. The Committee appreciate the Government's proposal to formally lay Part III of Demands on the Table of the House. As already observed, this Part of the Demand which is going to be made comprehensive by inclusion of detailed information, should be laid on the Table of the House well in advance of the date of discussion fixed for the Demands. The Committee consider that Part III of the Demands should be presented at least fifteen days in advance of the consideration in the House so that Members have sufficient time to examine its contents in detail. The Committee take note of the difficulties expressed by the representatives of Government in making this Part of the Demands available two weeks in advance for the next year i.e. 1973-74, but they have been assured that all procedural and administrative details would be got over for the presentation of Demands for the following year i.e. 1974-75.

6.6. The Committee need hardly point out that since details of various schemes and proposals are settled by the Government well in advance of the commencement of the financial year and Demands

of only a few Ministries|Departments come up for detailed discussion in the House, it should not be too difficult to ensure presentation of Part III of Demands at least fifteen days in advance of the consideration in the House.

6.7. The Committee note that Government propose to make Part III Demands compact by not exhibiting therein details of programmes|activities for which provision in a year is less than Rs. 1 lakh, object-wise break-up of schemes costing less than Rs. 10 lakhs and break-up by circles of account.

INTEGRATION OF PERFORMANCE BUDGETS WITH PART III OF DEMANDS

7.1. The Ministry have stated that "as the detailed demands (i.e. Part III) are intended to serve as a tool for management, it is also proposed that performance budgets* should gradually be integrated with these demands and the responsibility for preparation and presentation of the detailed demands should in due course be transferred to the Ministries|Departments concerned as and when they are equipped to undertake this work."

7.2. The Team in its Report has stated:—

"With the recasting of the heads of accounts in terms of functions, programmes and activities, the major and minor heads shown in the Demands for Grants will also correspond to functions, programmes and activities of Departments. In due course, therefore, Performance Budgets, will have to be integrated with Part III of the Demands. As part III of the Demands, as we visualise, will essentially be a tool of management for the departments, to aid them not only in itemised control over expenditure but also in performance reviews, we feel that the responsibility for the preparation and presentation of this document (Part III of the Demands) should gradually be transferred to the Ministries|Departments. But, before this is done, it has to be ensured that the departments are adequately equipped to undertake this work. The Ministry of Finance should issue suitable guidelines to the Ministries|Departments regarding the preparation and presentation of Part III of the Demands so as to secure uniformity."

7.3. The Estimates Committee (1957-58) in its Twentieth Report† (Second Lok Sabha) on Budgetary Reforms had recommended that the performance-cum-programme system of budgeting would be ideal

*Government have decided to progressively introduce performance budgeting in Government departments in direct charge of developmental programmes. The performance Budgets are presented in terms of the programmes and activities of the departments and their cost. The financial requirement for each activity is supported by physical data on targets, achievements etc. Since 1970-71, these Performance Budgets are being circulated separately by the respective Ministries/Departments although their preparation continues to be done in consultation with the Ministry of Finance.

†Paras 21 and 22 of the Report.

for a proper appreciation of the schemes and outlays included in the budget, especially in case of large scale developmental activities. The performance budgeting should be a goal which should be reached gradually and by progressive stages without any serious budgeting dislocation. They had hoped that the experiment towards performance budgeting on a selecting basis in order to supplement the traditional budget would be expedited and that the 1959-60 budget would contain concrete results of it at least in the case of selected Ministries or projects. Government in their reply at the action taken stage had informed the Committee that it might be possible to make a beginning in the budget for 1960-61.

7.4. The Administrative Reforms Commission had recommended in January, 1968 that the process of introduction of performance budgeting might be completed by 1970-71 in all the departments, the activities of which were developmental in character. The following observations of the Commission in this regard are pertinent:

"In the light of the sad experience in recent years with regard to the effective implementation of many development schemes and projects, we attach great importance to an early introduction of performance budgeting for all development programmes. It would help create a built-in mechanism for watching the progress in attaining programme targets and taking timely corrective action when things go awry. It will also help reinforce the principle of accountability to Parliament."

The Committee had desired to know whether any time-bound programme for the introduction of performance budgeting was prepared and the extent to which the same had been adhered to. The Secretary, Department of Economic Affairs during evidence informed the Committee:

"We have not got a time-bound programme in the sense when different departments will do it, but we did get a target for all the Departments that by 1974-75 all the Departments should introduce a performance budget. I wish I could say that this time table would be fully adhered to, but perhaps it will not be because we find that things are not going on as well as they should. But we do hope to cover every Department and Ministry".

At a later stage he informed the Committee:

"In more than half the departments performance budgets are being prepared and in the course of the next three years

it is our hope that all the departments will be preparing them on the same lines."

The position about the names of Ministries/Departments where Performance Budgets has been introduced and has yet to be introduced is given in Annexure III.

7.6. Regarding the evaluation and performance Budget already introduced, the Secretary, Department of Economic Affairs stated that they had not yet done this exercise and their effort was to make the practice more common and later on do the assessment. In this connection, during evidence, Government were asked to give their comments on the following observations by a knowledgeable person of 'Performance Budgeting':—

"Apart from the inadequacies of data regarding targets, norms and other relevant performance indicators which are inherent in first attempts of this kind, and of which the Government themselves are aware, the question is whether we can say that in the departments and organisations covered so far, performance budgeting has been really introduced. The answer is a definite no. We have only partially succeeded in converting the existing Demands for Grants into that format of a performance budget with whatever data that could be had. This does not amount to installing the technique in any sense of the term".

The Secretary, Department of Economic Affairs during evidence informed the Committee that he looked at the performance budget as an instrument for internal audit rather than an instrument for exercising parliamentary control, though it might generally help the Members of Parliament. It was a process and it had three stages in it. The first was to define the activities of a particular Department in a certain meaningful way. The second stage of classifying the accounting heads would come when they got the second report of the Team, presently working on it. The third stage would come when for selected activities they would work out and prescribe norms and standards. He stated that they had taken first step only so far, and they were certainly a long way from that kind of performance budget.

7.7. With regard to the integration of Notes on Important Projects and Schemes and Performance Budgets with Part III of the Demands in due course, the Committee had asked for the following information:

(a) Whether any time-bound programme for integration of performance budget with the details to be given in Part III had been prepared.

(b) Part III of the Demands and the Performance Budgets might continue to be presented separately to Parliament till the format and contents of Performance Budgets were improved, evaluated and introduced in all the Departments/Ministries?

The Secretary, Department of Economic Affairs informed the Committee:

"Ultimately it can be done and should be done.... Let us first get all the Ministries adjusted to the notions of performance budgeting and think in terms of performance budgeting.... At a later stage, we will think of introducing norms and all that. Till such time, there is no point in omitting the information contained in Part III."

With regard to part (b) he stated:

"For the time being we should like to present Part III as we do now. Before we try to integrate things we must have perfect knowledge of them."

7.8. With regard to transferring of responsibility for preparation and presentation of detailed Demands in due course to the Ministries/Departments, as and when they were equipped to undertake the work, a point was raised if this arrangement without a central control, would not lead to horizontal tendencies. The witness replied:—

"You are perfectly right. That is why I have been emphasising that the budgetary control which you as Parliament want to exercise and which we, as your instruments in the Ministry of Finance, would be undertaking will have to be centralised in the Finance Ministry of the Government. There is no question of decentralising that..... I entirely agree with you that it does not mean that the budget as such would be made by the individual ministries; it cannot be done."

7.9. The Committee have no objection in principle to the proposal that performance budgets should gradually be integrated with Part III of the Demands. But till such time as this integration has taken place in all the Ministries/Departments concerned, Part III of the Demand should continue to be presented separately as at present.

7.10. The Committee need hardly point out that the technique of performance budgeting has yet to be perfected and that we have

reached so far only first stage of defining the activities of a Department in a certain meaningful manner. In fact, the second stage of classifying the Accounting Heads in order to relate them to the Performance Budget has yet to be completed. The third stage which is really one of intimate and significant interest to Members of Parliament of working out and prescribing norms and standards which would enable them to evaluate and critically review the work has yet to be evolved. The Committee cannot too strongly stress the need for ensuring that all these stages for making Performance Budget a useful document are completed without further delay and that concrete action should be taken to see that Performance Budget is prepared by all Ministries/Departments who are charged with developmental and other Plan activities.

STRUCTURE OF PRIMARY UNITS OF APPROPRIATION

ADOPTION OF A STANDARDISED OBJECTS CLASSIFICATION

8.1. The Ministry have stated that "at present items of expenditure otherwise called objects of expenditure are shown in the demands* under varied nomenclatures. The same item of expenditure is sometimes shown under sub-heads of different nomenclatures or sometimes an item of expenditure is shown distinctly in some demands but merged with other items under the sub-head 'Other charges' in some other demands. It is proposed to rationalise the presentation by adoption of a standard objects classification as recommended in Appendix III of the Team's Report."

8.2. The Team in its Report has drawn up a list† of 26 standard objects of expenditure like salaries, wages, travel expenses, etc. covering almost all types of common expenditure incurred by the various Ministries/Department. The Team has observed:

"It is not our intention that the classification suggested by us should be a rigid one. Besides these standard objects, it may be necessary to have certain other heads for the Departmental Commercial Undertakings like Railways, Defence, P&T etc. taking into account the nature of operations of the Departmental Commercial Undertakings. Similarly, there may be certain types of expenditure incurred by even other civil departments which may not be covered by the suggested standard objects classification, in which case some more objects may have to be added to this list to indicate such types of expenditure."

Apart from being more meaningful in presentation, it is expected to help in having uniform code numbers in budget and accounts in the event of eventual mechanisation of the compilation and consolidation of accounts.

8.3. The Committee welcome the proposal of the Government to rationalise presentation of items of expenditure by a standard object classification. They note that the official team in their Report have

*At present Demands for Grants are presented to Parliament in terms of major heads of account broken down to further details in successive stages to minor heads and group heads and terminating at the lowest level into sub-heads or primary units of appropriation.

†Appendix III of Team's Report—Copies available in the Parliament Library.

pointed out that this may have to be varied for Railways, Defence, P & T and even for other civil Departments to indicate more precisely the types of expenditure incurred by them. The Committee would suggest that the standard objects of classification may be drawn up in respect of these Ministries/Departments also in consultation with Audit so as to observe uniformity in treatment, as far as possible. The Committee would also suggest that a comprehensive review of the standard objects of classification may be done after two or three years of gaining experience so as to make the presentation rational and more meaningful for purposes of accountability to Parliament.

NEED FOR GUIDELINES FOR PLAN AND NON-PLAN EXPENDITURE

9.1. The Team in its Report observed that "a large chunk of expenditure which is now classified as "non-plan" is also developmental in character but is classified as "non-plan expenditure either because it is a committed expenditure on completed schemes of earlier plans or is a spill over from the earlier plan or is outside the plan allocation agreed to by the Planning Commission." It felt that this position had given rise to some misunderstanding about the nature of public expenditure and suggested the laying down of suitable guidelines in this regard by the Ministry of Finance and the Planning Commission.

9.2. During evidence, the Secretary, Department of Expenditure, while conceding the need for issue of clear-cut guidelines, stated that there was already understanding in regard to most of the items of expenditure. The difficulty arose when certain items were taken up in the middle of the year—for instance, when the nutrition programme for the children was taken up, the Planning Commission said that it would not fit in the Plan budget and it was, therefore, taken up for the first year as a non-plan item but subsequently as a plan item. It was also stated that the Plan document was not a rigid one and they could add to the original plan or subtract from it from year to year depending on circumstances. The representative of the Planning Commission stated that they had already circulated a note to various Ministries and Divisions of the Commission calling for their comments, and expected to finalise the guidelines by the end of the current financial year.

9.3. The Committee are unable to appreciate how in the absence of clear guidelines expenditure could be classified as Plan and non-Plan. The Committee would like the Planning Commission and Government to finalise the matter without further delay so that clear guidelines in this behalf are issued and observed in preparing the budget documents. These guidelines should also be clearly mentioned at a suitable place in the budget documents for the information of the Members of Parliament. The Committee have no doubt that in issuing the guidelines, the Planning Commission/Government would take into account the proposals of the Ministry of Finance to rationalise the Accounting Heads. ..

BRINGING OUT A 'KEY' TO THE BUDGET PAPERS

10.1. In response to a suggestion that the Government should issue a 'key' to budget papers covering not only the budgetary papers but also other publications brought out by the Ministry, to enable Members to know where they should look for a particular information, the Secretary, Department of Economic Affairs stated during evidence that "for the 1973-74 budget documents, we propose to introduce a key or a guide which would say what does each budget document contain and what kind of information would be available so that it shows the relation between one budget document and another."

10.2. As to the desirability of explaining the technical terms like budgetary control, capital gains, etc. used in the budget in some note, he said that "we should try and do it".

10.30. The Committee appreciate the acceptance of the suggestion that a key or a guide to the Budget papers would be brought out by the Ministry from the Budget for 1973-74. Attempt should also be made in the key|guide to explain some of the more difficult technical terms used in the Budget.

NEED TO IMPROVE THE DOCUMENT 'BUDGET AT A GLANCE'

11.1. The Committee note that in Canada a publication "How the Tax Dollar is Spent" is brought out by the Government at the time of the Budget, which shows at a glance how the money raised from public is spent. About the desirability of bringing out a similar publication by the Finance Ministry, the Secretary, Department of Economic Affairs stated during evidence that "we too present the document 'Budget at a Glance' which tries to give the broad information in a very succinct way. It is possible that we may present it in a diagrammatic form. We were doing it earlier, but we gave it up as it was not good. We will look into the Canadian form. We have to see whether the information which we give now, could be presented in a better way, in the form of diagram and tables. May be, some more information can also be given. We will certainly be glad to take the idea".

11.2. The Committee consider that the public at large have a right to know broadly how the money raised by way of taxation is being spent. The Committee note that the 'Budget At a Glance' being brought out by the Government gives some information about the broad heads under which the money is being raised by way of taxation and of disbursement thereof on capital and revenue account. The Committee feel that the information at present given is merely in the form of tables without any explanatory notes. The Committee would like Government to amplify this publication so as to give the public at large the requisite information in an intelligible manner which would make them appreciate the allocation of resources for developmental, plan and socio-economic activities and also make them aware of the expenditure which is being incurred on non-plan and administrative account.

RESEARCH CELL

12.1. In regard to having a research cell in the Budget Division to throw up ideas, in the light of experience and developments elsewhere, to improve the budget documents, the Secretary, Department of Economic Affairs stated in evidence that at present they did not have a separate cell in the Budget Division and were encouraging the present staff to do it. They were thinking of setting up in the Ministry a research cell for financial matters as a whole including taxation matters, expenditure control etc. If this large cell did not come about for some reason, he would not be averse to set up a small cell in the Budget Division itself to do the various things.

12.2. The importance of continuous research and study in budgetary matters in the interest of more intelligible presentation and better accountability to Parliament, needs no emphasis. The Committee would like Government to arrange for continuous research being carried out in this field with a view to make the information included in Budget papers more purposeful in the interest of accountability to Parliament and reflect the socio-economic and developmental objectives of Government. Elsewhere in the Report, the Committee have also suggested that an informative brochure may be brought out about resource allocation for various activities for the information of the public. The research staff could help to make this brochure comprehensive and presentable, keeping in view similar publications brought out on the subject by other countries.

IMPLEMENTATION OF PROPOSALS

13.1. Regarding the implementation of the proposals, the Ministry of Finance in their 'Note for the Estimates Committee' of April, 1972 stated that "It is proposed to implement them from the Budget for 1973-74". Subsequently in September, 1972, the Ministry pointed out certain difficulties, firstly, in incorporating the proposed changes in the Budget for 1973-74 and secondly, in adopting the revised accounts classification with effect from 1974-75, which according to their original programme was to coincide with the first year of the Fifth Plan. They, therefore, requested that the limited proposal of eliminating the circle-wise details of provisions etc. in Part III of the Demands might be agreed to so that it could be implemented from 1973-74 Budget.

13.2. During evidence in September, 1972, the Secretary, Department of Economic Affairs stated that "with the approval of the Committee, we propose to introduce the form etc. embodied in the recommendations of the Team in their First Report, from the next budget. We also hope that the recommendations regarding the account-heads will be available in a month or six weeks. This requires a lot of follow-up action and we hope to complete this by the first year of the Fifth Plan that is 1974....In the meantime we will make some progress on the other recommendation which is relating to the internal accounting."

13.3. The Committee note that Government propose to bring the necessary change in the form of budget, as per recommendation of the Official Team, appointed by them for the next budget, 1973-74. The Committee would like to stress that all matters connected with the revised structure of classification of budget should be finalised well in time, so that for the Fifth Plan, the budget can be prepared in the revised manner from the very first year of the Plan.

PART II — OTHER COGNATE MATTERS

30

ANNUAL REPORT ON THE WORKING OF INDUSTRIAL AND COMMERCIAL UNDERTAKINGS BROUGHT OUT BY THE BUREAU OF PUBLIC ENTERPRISES

14.1. The Bureau of Public Enterprises brings out a consolidated Annual Report on the working of the industrial and commercial undertakings of the Government of India and it is normally presented to Parliament in the month of May every year.

The Sutdy Team on Public Sector Undertakings set up by the Administrative Reforms Commission in its Report*, after pointing out the various shortcomings in the Annual Reports of the individual undertakings and suggesting the lines on which information contained therein is required to be improved, observed that "the considerations that we have outlined in earlier paragraphs relating to the reports of individual undertakings hold good with even greater force for this consolidated report." They stressed the need for supplying Parliament with precise and full information on the working of public enterprises.

14.2. Asked if any study of the information given in the above consolidated report had been made in the light of deficiencies pointed out by the Study Team, the Director General, Bureau of Public Enterprises replied in the affirmative and said that they had felt the deficiencies and already made certain changes. Apart from review of individual enterprises they were now giving a general appreciation of overall performance under different heads like sales, production, exports, inventories etc. When pointed out that in the case of steel plants information regarding the percentage of utilisation of capacity was not available anywhere in the Report, he stated that information regarding the performance capacity and actual production was given at different places and they would give the percentage also hereafter.

14.3. The Secretary, Department of Expenditure stated that "the point that the Annual Report should contain a correct appraisal of the working of the undertaking rather than just give a mass of details through which one has to wade through is well taken. We shall see to it that the various suggestions made by the ARC and the Study Group are examined....shall see to what extent the

Bureau of Public Enterprises' report could be made into a very informative and critical appraisal of the financial working of the undertaking." He added that apart from capacity utilisation, the Report "should also contain the reasons for not reaching the rated capacity. If it is a project under construction and if the progress is delayed it should contain the reasons for the delay. It should state whether there is any improvement or deterioration as compared to the previous year."

Regarding making the report available to Parliament in time, the Director General, Bureau of Public Enterprises stated that "This report is based on the audited accounts of the different public enterprises. These audited accounts are available only after the month of November. After that we take about one and a half months or two months to compile our own report and prepare our analysis. Then the press will take about three or four months to give the English and Hindi versions. So, we cannot get it out before the month of May." When pointed out that a way had to be found to make the report available well in time, the Secretary, Department of Expenditure stated "We shall try to see what can be done."

14.4. The Committee attach the greatest importance to the role and contribution of public sector which has come to occupy a commanding position in national economy. The investment in public undertakings already exceeds Rs. 4,000 crores and the outlay thereon in the Fifth Five Year Plan is bound to be on a greatly enhanced scale. It is, therefore, of vital importance that the Members of Parliament are kept informed about the performance and achievements of the public sector and its contribution to the national economy.

14.5. The Committee find that the annual report being brought out by the Bureau of Public Enterprises at present covers only some aspects of the functioning of the public undertakings. It fails to indicate clearly the basic and important problems facing these undertakings, their major deficiencies and the remedial measures taken or proposed to be taken by Government. In the opinion of the Committee, this Report should inter-alia bring out:—

- (a) the contribution made by undertakings in achieving a self-reliant and self-generating economy and in achieving the social and economic objectives;
- (b) the extent to which the role and objectives envisaged for the undertakings have been achieved;

- (c) quality and price of goods manufactured by these undertakings and the extent to which these have given satisfaction to the public;
- (d) percentage utilisation of rated capacity; and
- (e) cumulative and annual loss on these undertakings, reasons therefor and the remedial steps taken or proposed to be . . . taken by Government.

14.6. The Committee need hardly point out that if this annual report is to serve the purpose of informing the Members of Parliament it should be made available to them along with other budget documents so that the Members can study and make use of it when the relevant Demands for Grants come up for discussion in the House. The Committee are unable to appreciate why the mere process of compilation and printing of annual report should take as many as 5 to 6 months. The Committee would like Government to take concerted measures to ensure that the process of compilation and printing is speeded up so that the report is made available to Members of Parliament along with other budget papers.

14.7. The Committee, therefore, recommend that an examination of the information provided in the consolidated report brought out by the Bureau of Public Enterprises should immediately be undertaken with a view to improving its format and giving to Parliament information on all vital aspects affecting these undertakings in a properly analysed manner. Detailed proposals for improving the report and presentation of data in a meaningful manner and its timely submission to Parliament should be drawn up and submitted to the Committee on Public Undertakings for approval before implementation.

WHITE PAPERS ON NEW MAJOR UNDERTAKINGS

15.1. In regard to the desirability of bringing out White Papers* in respect of new public undertakings or expansion of existing public undertakings|departmental manufacturing units involving an outlay of Rs. 100 crores or more, containing information about the size, capital investments, product mix, economics and profitability, alternative schemes considered etc., the Ministry stated in written reply that "Government would have no objection to bring out white papers on new public undertakings or expansion of existing public undertakings, involving an expenditure of Rs. 100 crores or more in either case, giving the information regarding the size, the capital investments involved, the product mix and the rationale thereof as well as the economics and profitability of the proposed undertaking or expansion. The techno-economic data furnished in the white paper may *inter alia* indicate the various considerations which have influenced Government's decision in favour of the proposed project. It may not, however, be feasible to furnish such information in respect of the various alternative schemes which may have been considered at different stages in the process of decision making."

15.2. Asked about the difficulties to furnish also the information in respect of various alternative schemes considered at different stages, the Secretary, Department of Expenditure stated during evidence that "the investment decision is taken on the basis of a feasibility report. The feasibility report itself does not clearly show as to how many alternatives were considered. If the alternatives are considered, then it is possible to include that information also. Unless a feasibility report is prepared for each and every alternative scheme, it is very difficult to say why one is preferred to the others. I do not think we have reached a stage where we have got a number of feasibility reports prepared for alternative scheme and kept on the shelf and then one of them is selected in preference to others."

*As recommended by the Committee on Public Undertakings para 7.18 in their 68th Report (Fourth Lok Sabha) and para 25 of 14th Report (Fifth Lok Sabha) on Bokaro Steel Ltd.

15.3. In this connection, it is pertinent to note the following observations made in the Mid-Term Appraisal of the Fourth Plan:—

“Experience underlines the need for adequate project preparation and follow up action. For instance, in the Fourth Plan, poor project preparation has been a major factor accounting for some of the various slippages. Not only the materialisation of capacity has been delayed but costs have substantially escalated. Slippings have sometimes resulted in bunching of projects, causing undue strain on financial and technical resources and on fabrication facilities. Extra imports which could have been avoided with proper planning and implementation have become necessary. In order to avoid repetition of this experience, it is proposed to lay emphasis in the second half of the Fourth Plan on proper project preparation for the Fifth Plan. The administrative Ministries have been requested to initiate action in the matter and prepare a shelf of well worked-out and properly evaluated projects. This would make it possible to select projects for inclusion in the Fifth Plan on the basis of proper criteria. This will also facilitate their subsequent implementation. Stress is being laid on the institution of a proper monitoring system both in the Ministries and in the Planning Commission so that there is a proper follow-up of implementation and timely corrective action.”

15.4. On his attention being drawn to the above, the Secretary, Department of Expenditure stated that “So far as the shelf of projects is concerned, it is still in the form of an idea. The Planning Commission has started a Project Appraisal Division with the idea of examining various projects which are possible and creating a shelf of projects. When there is such a shelf of projects and information relating to various possible projects is available, then we shall be able to exercise choice. We have no objection to give that information in a White Paper of this kind. But this Project Appraisal Division has just been started. There will be no objection to give that information if the alternative projects are ready.”

15.5. The Committee recommend that White Papers on new public undertakings or expansion of existing public undertakings involving an outlay of Rs. 100 crores or more to start with, in either case should be brought out by Government containing information on all significant aspects.

15.6. They would suggest that similar White Papers should also be brought out in respect of departmental manufacturing units which entail an expenditure of Rs. 100 crores or more, to start with. These White Papers should be presented to Parliament as and when ready, at any rate before the discussion on Demands for Grants.

FRAMING OF ESTIMATES MORE REALISTICALLY

16.1. There is a general tendency that the estimates for projects|schemes are pitched low at the time of their approval by the Parliament. The Committee enquired about the instructions issued by the Government to ensure realistic framing of estimates at the beginning and further steps needed in the matter. The Ministry in a written reply stated that "Instructions have been issued from time to time laying emphasis on framing estimates realistically. In so far as projects|schemes are concerned, the Ministries are required to give detailed information on the objectives of the proposed project|scheme, its scope, demand assessment and details of product mix and its capacity, foreign collaboration, if any, capital cost estimates, likely dates of completion of the project and commencement of production, if any, estimates of profitability and likely return on capital employed when the project achieves full rated capacity production and cost benefit analysis. After receipt of the above information, detailed scrutiny is made in the Finance Ministry."

16.2 Asked about the desirability of including the above information in the Budget papers, the Secretary, Department of Expenditure stated that they would try to include such information as was available at the time of preparation of Budget. He added that at present this information was provided through Notes on important projects given with Budget, Annual Report of Ministries and Bureau of Public Enterprises etc. They would try to see that all information was presented in documents.

16.3. The Committee feel that despite instructions issued by Government from time to time for framing project estimates realistically, the general tendency to pitch the estimates low at the time of approval of projects by Parliament still persists. They suggest that all the information that is submitted by the Ministries to the Finance Ministry at the time of investment decisions, should be brought out and highlighted, at one place, say, in the **Notes on Important Projects and Schemes**, so that Members of Parliament are kept contemporaneously informed.

RUSH OF EXPENDITURE AT THE END OF THE YEAR

17.1 There is a general phenomenon of rush of expenditure towards the end of the financial year. About the measures taken to avoid this, the Committee have been informed that pursuant to the recommendations of the Public Accounts Committee and the Ad-systematic review of progress of expenditure from month to month the Finance Ministry in 1957, 1964 and 1969 stressing the need for systematic review of progress of expenditure from month to month and assuring the Ministries that underspending in one year would not prejudice the Budget estimates for the next year.

17.2 In this connection, it is interesting to note the following observation of the Study Team of the Administrative Reforms Commission on 'Financial Administration':—

"The worst cases of rush of expenditure are those where moneys are withdrawn and, in contravention of rules, are deposited elsewhere or normally 'paid' to a contractor who is yet to complete the work. Such instances when detected should be severely dealt with; we believe that proper investigation will reveal that cases of this type are by no means few. In other words many types of items are covered by the general phrase 'rush of expenditure' and these must be properly sorted out for purposes for remedial action where necessary."

17.3. Asked whether any critical study was being made every year to find out worst cases of rush of expenditure and take effective remedial measures, the Secretary, Department of Expenditure stated during evidence that they had not made any study of such cases but the instances which had come to their notice whenever any Ministry had taken out money and kept in deposit, they had taken very serious notice of it. They had never allowed any Ministry to draw the money and keep in deposit or with the contractor. They were also trying to control the inventories. He added that due to certain reasons like working season starting from November etc., they could not help some 'bunching' in the last quarter.

17.4. The Committee feel that a study to find out "worst cases" of rush of expenditure at the end of the year, as suggested by the Study Team of the Administrative Reforms Commission would be useful and should be undertaken by the Finance Ministry with a view to checking the tendency of rush of expenditure more effectively.

FORWARD LOOKING BUDGETS FOR MEN AND MATERIALS

18.1. Following the recommendation of the Administrative Reforms Commission that a forward looking budget should be attempted, the Ministry of Finance have issued instructions in September, 1969 to the Ministries|Departments stating that "One of the causes of shortfalls from the expected levels of expenditure on projects, leading to gaps between the budget estimates and the actual expenditure is the absence of proper forward planning of the manpower and materials needed for the projects. This makes the budget estimates unrealistic and the targets originally set are also not reached. The preparation of a forward looking budget in terms of men and materials for a few years and its periodical review will help the administrative authorities in framing realistic budget estimates as well as in controlling the performance from year to year."

18.2. Asked about the progress made, role assigned to the Planning Commission in the matter and by what time the system would be reflected in the budget papers, the Secretary, Department of Expenditure stated during evidence that "This is a process which has now started and it will take some time.....We have not specifically stipulated that the Planning Commission should be assigned a role in this matter but we always think that in such matters the Ministries will always associate the Planning Commission in drawing up such plans. As regards the progress made by the Ministry the process has started and Ministries are having technical cells so that this can be done. Our endeavour will be to see that this kind of forward planning of men and material is taken up atleast in the Fifth Five Year Plan."

18.3. In this connection, the Committee would like to draw the attention of the Ministry to the following observation|recommendation of the Administrative Reforms Commission in their Report on Public Sector Undertakings:

"The capacity of a public enterprise to plan ahead depends upon knowing in advance how much funds will be made available to it. As a substantial portion of the capital expenditure comes from the Government, it is not possible for a public undertaking to make a good enough forecast without atleast a provisional indication of the level of funds that will be forthcoming from the Government. Even though

the Plan gives an indication of the funds likely to be available over a period of five years, it does not afford a five-year perspective in the latter years of the Plan. The Public Corporations in the United Kingdom which also face this problem find their task rendered much easier because the British Government approve each year the general lines for a corporation's plans for development and capital expenditure for the next five years and are also willing to agree to long-term commitments where possible and appropriate."

The Commission accordingly recommended:

"To enable public enterprises to undertake long-term capital planning on a realistic basis, Government should each year discuss with the enterprises and approve its plans for development and capital expenditure for the next five years, agreeing to appropriate long-term commitments as well."

18.4. The Committee feel that rather than merely issuing the instruction and leaving further action to the initiative of the Ministries/Departments, a more active role is required to be played by the Ministry of Finance and the Planning Commission to develop the concept of 'forward looking budgets' so that advance planning of men and materials is taken up seriously at least in the Fifth Five Year Plan.

DELAYS IN ISSUE OF SANCTIONS

19.1. With a view to avoiding delays in the commencement of projects the Administrative Reforms Commission in their Report on 'Finance, Accounts and Audit' recommended that:

"A definite time-limit, say, 3 months, should be prescribed for the consideration of schemes by the Finance Ministry. If the decision of that Ministry is not reached within the prescribed period, the case should automatically be put up to the Finance Minister who will decide upon the action to be taken and will communicate the decision to administrative Minister concerned."

19.2. Government have accepted the above recommendation subject to the modification that in the case schemes which are not complete in all respects (i.e. where additional information or clarifications has been sought by the Finance Ministry), the administrative Ministries will also have to observe a similar time limit in furnishing the additional information etc. and that the proposed 3 months time-limit for Finance Ministry will be computed from the date complete information has been furnished by the administrative Ministries.

19.3. Asked about the number of cases placed before the Finance Minister, number of cases referred to the administrative Ministries for seeking additional information and whether they were satisfied with the arrangement, the Secretary, Department of Expenditure stated during evidence that they generally brought the cases to the notice of the Finance Minister. He added that they were not very much satisfied about the delays which were taking place in the Administrative Ministries as well as in the Finance Ministry and were trying to improve the arrangement. A Public Investment Board consisting of the concerned Secretaries which included the Planning Secretary and the Secretary of Ministry concerned was being set up to look into cases which were pending over two months in the Ministry and then take decision regarding the sanction of the Scheme. This arrangement would bring about considerable improvement. The Board would take final decision subject to the approval of the Finance Minister and the Cabinet, where necessary.

19.4. The Committee note that Government have set up Public Investment Board in order to streamline and speed up decisions on investments. The Committee would like to watch the working of the Investment Board. The Committee, however, need hardly emphasise that the considerations weighing with the Public Investment Board in taking decisions about investments particularly those involving rupees hundreded crores and more would be brought to the notice of Members of Parliament in Budget documents.

ENHANCED DELEGATION OF FINANCIAL POWERS TO MINISTRIES

20.1. A new arrangement for budgeting and financial control and delegation of financial powers to Ministries was introduced by Government in October 1968 (*vide* Ministry of Finance O.M. No. F.10(3)—E(Coord)|67 dated the 13th October, 1968). The essential feature of this arrangement was that the Finance Ministry would exercise its control mainly by proper scrutiny of the schemes etc. before inclusion in the budget and through an adequate system of reporting and test checks. Besides indicating instructions regarding avoiding lump sum provision in the budget, powers of reappropriation, creation of posts etc., it also envisaged the creation of Internal Financial Cells in Ministries for giving financial advice internally and Internal Work Study Units for conducting staffing and methods of work studies.

20.2. The Committee enquired whether any review of delegation of enhanced powers had been made by the Ministry, the Secretary, Department of Expenditure stated during evidence that "the last review was made in 1968 whereby many powers were given to the Administrative Ministries. On the basis of the A.R.C. report, we are also considering various recommendations in regard to the delegation of financial and administrative powers. Recently in the case of P&T Board we have given enhanced powers but the case is yet to be considered by the Committee of Secretaries. So, a review is being taken on the basis of the recommendations of A.R.C."

20.3. While the Committee are not averse to the idea of greater decentralisation of powers, they consider that it should not lead to unnecessary proliferation of institutional arrangement already existing in the fields of financial advice, work study, etc. They feel that a review of the system introduced in 1968 should be conducted by next year i.e. before the commencement of the Fifth Plan, with a view to removing bottlenecks, if any, and achieving the desired results with the utmost economy consistent with efficiency.

NEED FOR PROPER UTILISATION OF GRANTS AND LOANS TO STATES GOVERNMENTS AND HIGHLIGHTS IN BUDGET PAPERS THE ACHIEVEMENTS OF SOCIO-ECONOMIC OBJECTIVES

21.1 In regard to the instructions issued by Government to avoid diversion of funds earmarked for centrally sponsored schemes by State Governments and earmarked for projects|schemes by Ministries|Departments, the Ministry stated in a written reply that "Assistance for Centrally sponsored schemes is allocated of scheme-wise basis and is also released scheme-wise in the light of progress of expenditure. Assistance is released provisionally by the individual Ministries administratively concerned with the scheme towards the end of the financial year on the basis of the expenditure actually incurred during the first three quarters and expenditure anticipated in the last quarter. Pending releases of funds by the Ministries at the end of the year, the Ministry of Finance provide ways and means advances in monthly instalments during the first ten months of the financial year, each instalment representing 1/12th of the allocations for the Centrally sponsored scheme. These ways and means get adjusted against the provisional payments that Ministries release at the end of the year. The assistance so released is subsequently adjusted on the basis of the actual figures of expenditure duly audited by Accountant General." As regards diversion for funds by Ministries|Departments, it has been stated that under the present instructions issued in 1965, there can be no diversion of funds intended for Plan schemes to non-Plan activities both under Revenue Heads and under Capital Heads, without the concurrence of the Finance Ministry.

21.2. Asked how the Finance Ministry and administrative Ministries ensured that the money earmarked for centrally sponsored schemes was not diverted by State Governments and what was the number of such cases that had come to their notice, the Secretary, Department of Expenditure stated during evidence that in so far as block grants were concerned, these were given to the States on the recommendations of the Planning Commission after a Working Group had gone into the needs of various programmes of the States, their own resources, assistance necessary from the Centre, progress made, etc. When the next year's plan was discussed the question whether the States had spent according to the earlier understanding was also

taken into account. The Plan Adviser who visited the States three or four times in a year was also supposed to look into the question whether the State Government had conformed to the broad plan approved by the Planning Commission or was making any deviation. There might be some sector adjustments but they were all made with the approval of the Planning Commission. Then finally audit also made a review of Plan expenses against plan allocations. These were some of the checks; in a federal Government, this control could not be carried too far from the Centre. As regards centrally sponsored schemes, like family planning, food production etc., he stated that they made it very clear to States that the money could not be transferred to any other projects|scheme. There was absolutely no scope for diversion of funds for these schemes.

21.3. When pointed out that despite these checks there were various sectors, are as or States where our Plans had not been able to give economic benefits although Constitutional guarantees and other policy statements were there and whether it was possible through the mechanism of Budget, to enlighten Members about the realisation of the committed objectives, the representative of the Planning Commission stated that "10 per cent of the amount of Central assistance is given to the States which are found to be below the national level for developing their the backward areas. Another 10% is also assigned for special problems. But this allocation was made part of the total central assistance given to the respective States; and in the budget of the Central Government the provision for central assistance to State Governments is made on a lump sum basis. Distribution to the States is not shown—not to speak of distribution for schemes and projects taken up by the State Governments. This is given to a certain extent in the documents which we subsequently present that is, the State Annual Plan and Central Plan, but not in the budget document—we are thinking that as we are making specific earmarked allocations for certain projects, it should be possible for us to identify some backward pockets or backward areas and allocate separately amounts which would be needed for programmes which would be worked out in collaboration between the Planning Commission and the State Government, in which case some indication can be given of what is proposed to be done in backward areas in different terms." He also agreed that "the policy so far followed has suffered from this limitation that the Planning Commission is not able to intervene in a positive way with the development of the backward areas and we have rested content with the provision of funds within the total lump sum provision for every State by way of block grants."

21.4. The Secretary, Department of Economic Affairs stated that "We may not be able to give the Parliament all the information that

the Parliament is entitled to but we can try to present that in a manner which will help in the right direction....the limitation of time and space in the budget documents is there, we will supplement them through Annual Plan Reports to give you a different kind of picture." Elaborating further, the Secretary, Department of Expenditure stated that "If we make the budget document too bulky, the purpose that you have in mind may not be served. The Planning Commission brings out an Annual Plan document, I would suggest for consideration of the Planning Commission that they should try to see that this document is available along with the budget documents. This year it was done and if they try to do that the Parliament has before them the budget documents, the Annual Reports of the Ministries and Annual Plan Reports, of the Planning Commission. The Parliament should insist that the Annual Plan Reports of the Ministries and the Planning Commission should try to bring out to what extent the socio-economic objectives which were kept before the country by the Government have been realised during the course of the previous year and what steps they are going further to take to achieve those objectives in the current year. If this is done, these three documents together will give you the information that you need."

21.5. The Committee feel that the checks at present exercise by Government and the Planning Commission to ensure proper utilisation of grants and loans given to State Governments for development of backward areas and other special problems are not effective enough. They would suggest that the existing procedures may be reviewed in order to ensure full and proper utilisation of these funds and securing due development of the weaker section or areas of the States.

21.6. The Committee also feel it necessary that Parliament should be contemporaneously informed through budget documents as to how far the various socio-economic objectives which had been kept before the country by Government had been realised during the previous years and what further steps were proposed in the budget year. For this purpose, they would suggest that the Ministry of Finance in conjunction with the Planning Commission may examine as to how far the information given at present in the budget papers, Annual Plan Document and the Annual Reports of the Ministries needs to be supplemented. It may also be ensured that the Annual Reports and the Annual Plan document are made available to Parliament before the Demands come up for detailed discussion.

NEW DELHI;

November 28, 1972.

Agrahayana 7, 1894 (S).

K. N. TEWARI,

Chairman,

Estimates Committee.

APPENDIX I
No. F. 3 (6)-B/72
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
(BUDGET DIVISION)

18 APRIL 1972

NOTE FOR THE ESTIMATES COMMITTEE

SUBJECT:—*Revision of the form and contents of the Demands for Grants*

The Estimates Committee in their Eleventh Report (Third Lok Sabha) had last dealt with the question of the revision of the form and contents of the Demands for Grants. The present structure of the Demands for Grants along with the necessary schedules and statements etc. has since then been continuing except that the schedules containing details of Plan provisions have, for the past two years been incorporated in a separate publication entitled "Plan—Budget Link". Two statements have also subsequently been added containing (i) details of Grants-in-Aid to non-Government bodies (in excess of certain limits) and (ii) items included in the Demands which attract the limitations of 'new service' or 'new instrument of service.'

2. The demands presented to Parliament are thus accompanied by—

- (i) schedules showing the details of provision for establishment charges and travel expenses included in each Demand,
- (ii) statement of important non-plan items of expenditure included in the Demands,
- (iii) statements of grants-in-aid to non-government bodies (in excess of certain limits),
- (iv) statements of items included in the Demands which would attract the limitations of 'new service' or 'new instrument of service.'
- (v) Notes on the Demands for Grants; and
- (vi) annexures showing the major works included in the Demands for works expenditure.

Along with the Demands, two supplemental documents are also brought out, namely, (i) a 'Plan-Budget Link', which links the plan outlay under each head of development with the related provisions in the Budget and also shows the details of Plan provisions included in each of the Demands; (ii) notes on important projects and schemes which give details of projects and schemes including Public Sector Undertakings controlled by the various Ministries/Departments.

3. From 1968-69, Performance Budgets in regard to a few selected departments/organisations are also being circulated to Members of Parliament. After considering the recommendations of the Administrative Reforms Commission in its Report on "Finance, Accounts and Audit", Government have decided to progressively introduce performance budgeting in Government departments in direct charge of development programmes. The Performance Budgets are presented in terms of the programmes and activities of the departments and their cost. The financial requirement for each activity is supported by physical data on targets, achievements etc. since 1970-71, these Performance Budgets are being circulated separately by the respective Ministries/Departments, although their preparation continues to be done in consultation with the Ministry of Finance.

4. The Administrative Reforms Commission in its Report on "Finance, Accounts and Audit" had also recommended a number of measures to make the Demands for Grants more compact and comprehensive. The recommendation of the Commission is reproduced below:—

"Recommendation—16

We recommend that the Budget Estimates included in the Demands for Grants and the corresponding central accounts compiled in the various accounts offices should be made more compact and comprehensible by the following measures:

- (a) The details containing the breakdown of primary units of appropriation into detailed heads may be eliminated from the central accounts compiled in the various accounts offices and to the extent considered necessary for administrative purposes be recorded only in the departmental accounts.
- (b) The entire structure of primary units of appropriation may be reviewed by the Ministry of Finance in the light

of the wider powers of reappropriation now available to the administrative Ministries and consistent with the objectives of simplifying the accounting structure.

(c) The structure for the Demands for Grants may be simplified by a grouping of individual schemes within a homogenous programme to the extent feasible and the detailed break-down for smaller schemes involving an expenditure of, say, less than Rs. 5 lakhs, may not be provided in the budget papers."

5. A Team of officers, consisting of the Deputy Comptroller and Auditor General as convener and Joint Secretary (Budget), Ministry of Finance, and Joint Secretary (Planning Commission) as members, was constituted to consider, *inter alia* the above recommendation of the Administrative Reforms Commission. The Team, after detailed examination, has in its Report made certain recommendations in regard to the Demands for Grants. A copy of the Report of the Team is appended (Appendix I). The Report incorporates a model of the Demands for Grants of the Ministry of Agriculture for the year 1971-72, as recast in the light of these recommendations, and a list of standard objects of expenditure or primary units of appropriation.

6. The more important of the proposals are briefly summarised below:—

(i) At present the provisions relating to a Service are dispersed in various places. Provision for revenue expenditure on a service, grants to State Governments, the capital outlay and the loans relating to that service are included in four separate demands and this renders an adequate appreciation by Parliament of the total outlay on a service difficult. It is, therefore, proposed that provisions relating to a service should all be included in one demand. (Reappropriation of funds between Revenue and Capital will not, however, be permitted).

(ii) Following the above principle, the number of demands presented on behalf of a Ministry is proposed to be rationalised. The arrangement recommended by the Team, besides facilitating easy comprehension of the range of activities of a Ministry, will also lead to a more effective budgetary control in the departments within a Ministry as the provisions relating to each service, for which a Department is responsible, will all be included in a distinct Demand. There will not normally be any occasion, as happens at present, for more than one Department of a Ministry operating on provisions included in a single demand.

(iii) Even within a demand certain improvements to make them more compact and comprehensible are proposed. The demands will be presented at two levels:

(a) The Demands, which will accompany the Budget Statement, will lay stress on the major programmes and activities of the departments. In order that these may not be lost sight of in the midst of a mass of details, it is proposed that these demands should highlight only those aspects of the Budget which are important for an appreciation of the resource allocation at the level of the Government as a whole. Accordingly, the demands will show distinctly all the major programmes of a department and where a programme includes a number of activities|schemes|organisations each of these for which provision of funds in a year is Rs. 10 lakhs or more will also be shown distinctly. Other activities|schemes|organisations under a minor head, for which provision in a year is less than Rs. 10 lakhs, will be grouped together. In the context of need for the implementation of the plan, the 'Plan' provisions relating to each programme|activity|scheme|organisation will be shown distinct from non-Plan provisions.

(b) The detailed demands, which will be presented separately but well before the dates of discussions of the demands for grants of the various Ministries|Departments will facilitate the detailed discussions on the demands and will give all the information relevant for the demands. Thus these will show distinctly all the programmes|activities|schemes or organisations for which provision in a year is Rs. 1 lakh or more and in respect of schemes etc. costing Rs. 10 lakhs and above the demands will show their further break up by items of expenditure which are called objects of expenditure e.g. salaries, travel expenses, office expenses, grants-in-aid etc. Here also, Plan and non-Plan provisions will be shown distinctly. These demands will besides include informative schedules listing grants to bodies other than State Governments in excess of certain limits, items of expenditure attracting the limitations of new service new instrument of service, major works, details of number of staff for which provision is made etc. The distribution of the provisions by Circles of accounts which is an accounting detail necessary for Accounts Offices only will not be included in the demands but communicated direct to the Accounts Officers concerned by the Ministries|Departments concerned.

(iv) As the detailed demands are intended to serve as a tool for management, it is also proposed that performance budgets should gradually be integrated with these demands and the responsibility

for preparation and presentation of the detailed demands should in due course be transferred to Ministries/Departments concerned as and when they are equipped to undertake this work.

(v) At present items of expenditure otherwise called objects of expenditure are shown in the demands under varied nomenclatures. The same item of expenditure is sometimes shown under sub-heads of different nomenclatures or sometimes an item of expenditure is shown distinctly in some demands but merged with other items under the sub-head 'Other charges' in some other demands. It is proposed to rationalise the presentation by adoption of a standard objects classification as recommended in Appendix III of the Team's Report.

The approval of the Estimates Committee to the proposals outlined in the preceding paragraph is solicited. Subject to the Estimate Committee's approval, it is proposed to implement them from the Budget for 1973-74.

8. The C&AG has seen and concurred in this Note.

Sd/- B. MAITHREYAN,

To

The Chairman and Members
of the Estimates Committee.

APPENDIX II

(Vide Para 4.1)

No. F8(60)-B|69

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

New Delhi, the 27th July, 1970

OFFICE MEMORANDUM

SUBJECT:—New Service|New Instrument of Service—Limits to be observed pursuant to the recommendations of the Public Accounts Committee.

The undersigned is directed to invite a reference to this Ministry's O.M. No. F. 8(10)-B|68 dated the 2nd November, 1968 and 25th January, 1969 on the above mentioned subject with which copies of 'Action Taken Statements', incorporating the views of the Government on the recommendations of the Public Accounts Committee contained in their 11th Report (4th Lok Sabha) were circulated to all the Ministries, etc. These 'Action Taken Statements' have been considered by the Committee and their observations thereon are contained in their 50th Report (4th Lok Sabha). For the convenience and guidance of the Ministries, etc. and for deciding the cases of the type, the limits to be observed in deciding whether a case relates to New Service|New Instrument of Service and for determining whether it be reported to Parliament, have been indicated in the enclosed statement drawn up on the basis of the Government decisions on the recommendations of the Committee. Ministries, etc. are requested to note these limits carefully and examine cases arising hereafter, involving 'New Service'|'New Instrument of Service', etc. in the light thereof. All doubtful cases may, however, continue to be referred to this Ministry for consideration.

Sd/- B. MAITHREYAN,
Joint Secretary to the Govt. of India.

To

All Ministries|Departments, etc. and All Financial Advisers in the Department of Expenditure (with five spare copies).

No. F. 8(60)-B|69

Copy forwarded for information to:—

1. **Lok Sabha Secretariat (P.A.C. Branch).** With regard to the recommendations of the Public Accounts Committee contained in Para 1.16 of their 50th Report (4th Lok Sabha), attention is invited to this Ministry's 'Action Taken' Statement No. F. 8(60)-B|69 dated 14 November, 1969.
2. **Comptroller & Auditor General of India, New Delhi.**
3. **Department of Expenditure (E. Coord. Branch), Department of Revenue and Insurance (C.B.E.&C. and C.B.D.T.) Department of Banking, Adm. III Branch of Department of Economic Affairs (for circulation in the Department and its attached and subordinate offices).**
4. **Finance Secretaries of all the State and Union Territory Governments.**

Sd/- K. S. SASTRY,

Deputy Secretary to the Govt. of India.

'NEW SERVICE' 'NEW INSTRUMENT OF SERVICE'—LIMITS TO BE OBSERVED IN DECIDING CASES RELATING TO

A—CASES FOR LIMITS BEYOND WHICH PRIOR APPROVAL OF PARLIAMENT IS REQUIRED

Nature of transactions	Limits beyond which prior approval of Parliament is required.
I	2
I. Public Sector Undertakings/Departmental Undertakings.	
(i) Setting up of new Government Companies, splitting up of an existing company, amalgamation of two or more Government Companies and taking up of a new activity by an existing Government Company or a departmental undertaking.	All Cases
(ii) Additional investments in an existing Departmental Undertaking.	Rs. 1 crore
(iii) Additional investment in or loans to an existing Government Company.	<i>Paid up Capital of the existing Company</i> <i>Limit</i>
Upto Rs. 1 crore	Rs. 20 lakhs
Above Rs. 1 crore and upto Rs. 25 crores.	Rs. 2 crores.
Above Rs. 25 crores and upto Rs. 100 crores.	Rs. 10 crores.
Above Rs. 100 crores	Rs. 15 crores.

Note 1. While applying the above limits Loans and Capital investments are to be taken together.

Note 2. Short term loans (Working Capital) of duration not exceeding one year, need *not* be treated as 'New Instrument of Service' but should be reported to Parliament with the ensuing batch of Supplementary Demands.

Note 2. For loans to Port Trusts, Delhi Municipal Corporation, Financial Institutions, etc. limits as in the case of Public Sector Companies are to be applied.

Note 4. Where there is no budget provision, prior approval of Parliament will be necessary in the case of loans exceeding Rs. 20 lakhs to an existing Government Company. This limit will apply in the case of long term loans.

II. Private Sector Companies/Private Institutions.

(a) Investments to be made for the first time All cases.

(b) Additional investments in or loans to an existing Company/ Institution. Rs. 1 crore.

Note 1. While applying these limits loans and Capital investments are to be taken together.

Note 2. In the case of Loans to statutory and other public institutions like University Grants Commission, Indian Institute of Technology, Khadi and Village Industries Commission, etc. limits as applicable to Private Sector Companies/Private Institutions should be applied.

Note 3. Where there is no budget provision, prior approval of Parliament will be necessary in the case of loans exceeding Rs. 10 lakhs.

III. Grants-in-aid to Private Institutions

Recurring—Rs. 5 lakhs and
Non-recurring—Rs. 10 lakhs
subject to the following:—

(a) The limits for non-recurring and recurring grants-in-aid to private Institutions would apply with reference to moneys disbursed by an individual Ministry/Department and not by Government as a whole.

(b) In the case of recurring grants exceeding Rs. 5 lakhs per annum the financial implications would be reported to Parliament where the grant is to be made for two years or more.

(c) In the case of Grants-in-aid under Export Promotion Schemes the limits applicable to Subsidies under these Schemes will apply to Grants-in-aid also.

IV. Grants-in-aid to statutory and other public Institutions.

Limit

(i) Institutions in receipt of grants-in-aid of less than Rs. 1 crore .	Rs. 10 lakhs
(ii) Institutions in receipt of grants-in-aid of more than Rs. 1 crore but less than Rs. 2 crores .	Rs. 20 lakhs
(iii) Institutions in receipt of grant-in-aid of Rs. 2 crores and above but below Rs. 3 crores. .	Rs. 30 lakhs
(iv) Institutions in receipt of grants-in-aid of Rs. 3 crores and above .	Rs. 50 lakhs

Note:—These limits would apply with reference to money disbursed by an individual Ministry / Department and *not* by Government as a whole.

V. Subsidies

(i) Subsidies under Export Promotion Schemes and on Foodgrain transactions.

(a) Export Promotion Schemes :

The budget provision should be split up as under :—

- (i) Product Promotion assistance (for Fabricated products like engineering and sports goods, etc.)
- (ii) Commodity Development assistance (for iron and steel, ferrous scrap), etc.
- (iii) Export credit development schemes (for subsidies to banks).
- (iv) Grants-in-aid and contributions to export development organisations (Export Promotion Councils, etc.)

- (v) Grants-in-aid for market development (for market research, fairs, exhibitions, publicity, etc.)

Parliament should be approached whenever it becomes necessary to augment the total provision for Export Promotion Schemes or provision under anyone of the heads referred to above by more than Rs. 1 crore.

(b) Foodgrain transactions :

Parliament will be approached whenever it becomes necessary to augment existing budget provision by more than Rs. 1 crore.

(ii) Other Subsidies

Rs. 10 lakhs

VI. Other Cases :

(i) New Commissions or Committees of Enquiry Rs. 4 lakhs (total expenditure)

(ii) Expenditure on a 'new Work' Rs. 25 lakhs

(iii) Other cases of Government expenditure. Each case to be considered on merits.

VII. Posts and Telegraphs**VIII. Defence****IX.**

All the above limits including those relating to Works Expenditure (Rs. 25 lakhs) applicable to other Ministries/Departments will apply in the case of these Ministries/Departments; subject to considerations of security in the case of Defence and that for investment in Ordnance Factories the limit of Rs. 1 crore should be made applicable with reference to investments in all the Factories as a whole. Civil Works, which do not form part of any project of the Departmental Undertakings (Ordnance Factories) should be treated like ordinary Defence Works. As such they would attract the limits of 'new instrument of service' if the cost thereof exceeds Rs. 25 lakhs or should be reported if the cost thereof exceeds Rs. 10 lakhs but does not exceed Rs. 25 lakhs. A list of such works should, however, be supplied to the Director of Audit, Defence Services.

B. CASES FOR LIMITS BEYOND WHICH REPORT TO PARLIAMENT IS NECESSARY ALONG WITH THE ENSUING BATCH OF SUPPLEMENTARY DEMANDS FOR GRANTS/NOTES ON DEMANDS FOR GRANTS.

Mature of transactions	Limits beyond which Report to Parliament is necessary.											
I	2											
I. Additional investment in an existing Departmental Undertaking.	Rs. 50 lakhs and above but below Rs. 1 crore.											
II. Additional investment in or loans to an existing Public Sector Undertaking/ Government Company.	<table> <thead> <tr> <th><i>Paid up Capital</i></th> <th><i>Limit</i></th> </tr> </thead> <tbody> <tr> <td>Upto Rs. 1 crore</td> <td>Rs. 10 lakhs and above but below Rs. 20 lakhs.</td> </tr> <tr> <td>Above Rs. 1 crore and upto Rs. 25 crores.</td> <td>Rs. 1 crore and above but below Rs. 2 crores.</td> </tr> <tr> <td>Above Rs. 25 crores and upto Rs. 100 crores.</td> <td>Rs. 5 crores and above but below Rs. 10 crores.</td> </tr> <tr> <td>Above Rs. 100 crores.</td> <td>Rs. 7.50 crores and above but below Rs. 15 crores.</td> </tr> </tbody> </table>		<i>Paid up Capital</i>	<i>Limit</i>	Upto Rs. 1 crore	Rs. 10 lakhs and above but below Rs. 20 lakhs.	Above Rs. 1 crore and upto Rs. 25 crores.	Rs. 1 crore and above but below Rs. 2 crores.	Above Rs. 25 crores and upto Rs. 100 crores.	Rs. 5 crores and above but below Rs. 10 crores.	Above Rs. 100 crores.	Rs. 7.50 crores and above but below Rs. 15 crores.
<i>Paid up Capital</i>	<i>Limit</i>											
Upto Rs. 1 crore	Rs. 10 lakhs and above but below Rs. 20 lakhs.											
Above Rs. 1 crore and upto Rs. 25 crores.	Rs. 1 crore and above but below Rs. 2 crores.											
Above Rs. 25 crores and upto Rs. 100 crores.	Rs. 5 crores and above but below Rs. 10 crores.											
Above Rs. 100 crores.	Rs. 7.50 crores and above but below Rs. 15 crores.											
	Note.	While applying the above limits Loans and Capital investments are to be taken together.										
III. Additional investment in or Loans to Private Sector Company/Institution.	Rs. 50 lakhs and above but below Rs. 1 crore.											
	Note:—	While applying the above limit Loans and Capital investments are to be taken together.										
IV. Subsidies	<p><i>Subsidies under Export Promotion Schemes</i></p> <p>Augmentation of total provision by re-appropriation of over Rs. 25 lakhs (and less than Rs. 1 crore) or re-appropriation of Rs. 25 lakhs and less than Rs. 1 crore) from one sub-head to another but without any overall augmentation of the total provision.</p>											
	<p><i>Subsidies on Foodgrain transactions.</i></p> <p>Re-appropriations in excess of Rs. 25 lakhs (but less than Rs. 1 crore).</p>											
V. Expenditure on a 'New Work'.	Rs. 10 lakhs and above but below Rs. 25 lakhs.											

VI. Transfer or a gift of Government assets to Public Corporations/Companies, Autonomous Bodies, Private Parties/Institutions, etc.

Rs. 1 lakh (To be reported through the Notes on Demands for Grants.)

*Note:—*In cases of urgency, where it may not be possible to wait till the matter is brought to the notice of Parliament through the Notes on Demands for Grants, arrangements may be made by entrusting the management of the property to the body or institution but the formal transfer of the title to the property should be effected only after a mention is made in the Notes on Demands for Grants.

APPENDIX III

(Vide Para 7.5)

Names of the Ministry/Departments where Performance Budget has been introduced and has yet to be introduced

Performance Budget has been introduced in the following Ministries|Departments:

1. Ministry of Irrigation & Power.
2. Ministry of Shipping & Transport.
3. Ministry of Health & Family Planning.
4. Ministry of Works and Housing (selected organisations).
5. Ministry of Foreign Trade.
6. Ministry of Information & Broadcasting (selected units).
7. Department of Food.
8. Department of Agriculture (selected organisation).
9. Department of Labour & Employment.
10. Department of Communications including the Posts and Telegraphs Department.
11. Department of Civil Aviation including the Indian Meteorological Department.
12. Andaman and Nicobar Administration: Departments of (i) Forest & (ii) Public Works.

Ministries|Departments in charge of developmental programmes which are yet to be covered are:

1. Department of Community Development.
2. Department of Cooperation.
3. Department of Education.
4. Department of Social Welfare.
5. Ministry of Industrial Development.
6. Ministry of Petroleum & Chemicals.
7. Ministry of Steel and Mines.
8. Department of Atomic Energy.

9. Department of Rehabilitation.
10. Department of Electronics.
11. Department of Culture.
12. Department of Science & Technology.
13. Department of Tourism.
14. Other Union Territory Administrations without Legislatures.

APPENDIX IV

Summary of Recommendations/Conclusions Contained in the Report.

S. No.	Reference to Para No. of the Report	Summary of Recommenda- tions/Conclusions
1	2	3
1.	1.3	The Committee have no objection to the provisions relating to a service being included in one Demand. They note that reappropriation of funds between Revenue and Capital will not, however, be permitted.
2.	2.5	The Committee have no objection to the proposed rationalisation of the number of Demands for Grants. They would, however, like to stress that there are certain statutory and autonomous Semi-autonomous organisations like the Indian Council of Agricultural Research, Council of Scientific and Industrial Research, etc., which are mainly financed by Government involving substantial amounts. The provisions therefor have hitherto been made in distinct Demands for Grants. The Committee would like Government to consider the advisability of retaining a separate Demand for Grant for such organisations, failing which it is necessary that the provisions made for various activities of these organisations are clearly brought out in a schedule in the relevant Demands for Grants with suitable self-explanatory notes.
3.	2.6	The Committee consider that it is but appropriate that the provision for Secretariat proper of the Ministries Departments should continue to be shown in a separate Demand as at present, but where for an unavoidable reason, the expenditure on Secretariat is included in a composite

Demand, the expenditure on the Secretariat should be mentioned clearly and pointedly so that the Members know the expenditure on it as distinct from expenditure on activities of the Ministries|Departments.

4. 2.7 The Committee have no doubt that Government would review the structure of Demands for Grants in respect of other Ministries|Departments as done already in the case of Ministry of Agriculture by the team of officers appointed by Government and that these would be finalised in consultation with Audit, keeping in view the observations made by the Committee in the earlier paragraphs.

5. 3.6 The Committee appreciate the concept that in the Demands (i.e. Part II) accompanying the Budget statement stress should be laid on major programmes and activities of the Departments highlighting those aspects of the Budget which are important for an appreciation of the resource allocation at the national level. The Committee would, however, like to point out that Government are at present furnishing useful information about activities covered by way of notes in Part II of the Demands as well as by a separate brochure entitled 'Notes on Important Projects and Schemes'. Part II of the Demands also contain schedules indicating details of New Service|New Instruments of Service, Major Works, Grants-in-Aid to Non-Government Bodies (in excess of certain limits).

6. 3.7 The Committee have no objection to these proposals of Government provided it is ensured that Part III of the Demands would be made available to Members of Parliament along with other budget documents or at least two weeks in advance of the date for discussion of the Demands for Grants of the relevant Ministry|Department. Till such time this can be done on an assured

basis, the Committee would like Government to continue the present practice so that information on these important matters is made available to Members well in advance of the discussion in the House.

7. 4.4 The Committee feel that mere listing of the new services|new instrument of service for which provision is included in the budget estimates does not serve fully the purpose underlying the recommendations made earlier by the Public Accounts Committee. They consider that comprehensive notes on new services|new instrument of service to bring out the objective underlying the service|activity, the financial implications thereof the time schedule for completion and commissioning the contribution expected to be made in the economic and industrial field etc. may be clearly set out in the notes to be included in Part II of the Demands.

8. 4.7 The Committee reiterate that the limits of grants to private institutions should apply to the totality of grants sanctioned by Government as a whole rather than the grants sanctioned by individual Ministries|Departments. They see no serious difficulty in following the suggestion made by the Public Accounts Committee by devising suitable procedural measures.

9. 4.11 The Committee consider it singularly unfortunate that details of subsidy on food transactions which had been agreed to be given by Government, were not given in the Budget papers for 1971-72 and 1972-73. They hope that there will be no laxity on this account in future and full details of subsidy on food transactions, such as average cost price and sale price, actual price paid to the indigenous producer and the country from which it is imported, administrative expenditure, freight, incidental and other charges, losse

1

2

3

in transit, handling and storage, per quintal subsidy etc. would be given in the budget papers. The Committee consider that giving of full information on foodgrains subsidy, which involves crores of rupees every year, is vital from the point of view of Parliamentary accountability.

10. 5.2 The Committee attach great importance to the 'Notes on Important Projects and Schemes' which are presented along with the Demands for Grants. It is these notes which enable Members of Parliament to understand the objective underlying the expenditure. It is, therefore, of the utmost importance that these Notes on Important Projects and Schemes should be self-contained and bring out *inter alia* all significant aspects like the objective underlying the scheme, the financial implications, the time schedule for its completion, the contribution it would make to the industrial, economic and national sphere, etc.

In the case of the continuing schemes, the notes should clearly set out the precise progress made in implementing the projects'scheme in accordance with the original schedule, the reasons for variations and their implications both in financial terms and in their Impact on the national economy.

11. 5.3 The Committee would like Government to give separately the notes on new service|new|instruments of service and continuing projects|schemes under implementation.

12. 5.4 The Committee welcome the assurance given by the Secretary, Department of Economic Affairs to the effect that "in this Note on important projects, we will give information so that it is possible to know the position at glance. Ministries would also be asked to state what is holding up the progress. This would enable the Members to know how the schemes are progressing and whether proper provisions are made or not." The Committee would like this assurance to be implemented in letter and spirit.

1	2	3
13.	6.5	<p>The Committee appreciate the Government's proposal to formally lay Part III of Demands on the Table of the House. As already observed, this Part of the Demand which is going to be made comprehensive by inclusion of detailed information, should be laid on the Table of the House well in advance of the date of discussion fixed for the Demands. The Committee consider that Part III of the Demands should be presented at least fifteen days in advance of the consideration in the House so that Members have sufficient time to examine its contents in detail. The Committee take note of the difficulties expressed by the representatives of Government in making this Part of the Demands available two weeks in advance for the next year i.e. 1973-74, but they have been assured that all procedural and administrative details would be got over for the presentation of Demands for the following year i.e. 1974-75.</p>
14.	6.6	<p>The Committee need hardly point out that since details of various schemes and proposals are settled by the Government well in advance of the commencement of the financial year and Demands of only a few Ministries Departments come up for detailed discussion in the House, it should not be too difficult to ensure presentation of Part III of Demands at least fifteen days in advance of the consideration in the House.</p>
15.	6.7	<p>The Committee note that Government propose to make Part III Demands compact by not exhibiting therein details of programmes activities for which provision in a year is less than Rs. 1 lakh, object-wise break-up of schemes costing less than Rs. 10 lakhs and break-up by circles of account.</p>
16.	7.0	<p>The Committee have no objection in principle to the proposal that performance budgets should gradually be integrated with Part III of the Demands. But till such time as this integration has</p>

taken place in all the Ministries|Departments concerned, Part III of the Demand should continue to be presented separately as at present.

17. 7.10 The Committee need hardly point out that the technique of performance budgeting has yet to be perfected and that we have reached so far only first stage of defining the activities of a Department in a certain meaningful manner. In fact, the second stage of classifying the Accounting Heads in order to relate them to the Performance Budget has yet to be completed. The third stage which is really one of intimate and significant interest to Members of Parliament of working out and prescribing norms and standards which would enable them to evaluate and critically review the work has yet to be evolved. The Committee cannot too strongly stress the need for ensuring that all these stages for making Performance Budget a useful document are completed without further delay and that concrete action shall be taken to see that Performance Budget is prepared by all Ministries|Departments who are charged with developmental and other Plan activities.

18. 8.3 The Committee welcome the proposal of the Government to rationalise presentation of items of expenditure by a standard object classification. They note that the official team in their Report have pointed out that this may have to be varied for Railways, Defence, P&T and even for other civil Departments to indicate more precisely the types of expenditure incurred by them. The Committee would suggest that the standard objects of classification may be drawn up in respect of these Ministries|Departments also in consultation with Audit so as to observe uniformity in treatment, as far as possible. The Committee would also suggest that a comprehensive review of the standard objects of classification may be done after two or three years of gaining experience

1 2

3

so as to make the presentation rational and more meaningful for purposes of accountability to Parliament.

19. 9.3 The Committee are unable to appreciate how in the absence of clear guidelines expenditure could be classified as Plan and non-Plan. The Committee would like the Planning Commission and Government to finalise the matter without further delay so that clear guidelines in this behalf are issued and observed in preparing the budget documents. These guidelines should also be clearly mentioned at a suitable place in the budget documents for the information of the Members of Parliament. The Committee have no doubt that in issuing the guidelines, the Planning Commission|Government would take into account the proposals of the Ministry of Finance to rationalise the Accounting Heads.

20. 10.3 The Committee appreciate the acceptance of the suggestion that a key or a guide to the Budget papers would be brought out by the Ministry from the Budget for 1973-74. Attempt would also be made in the key|guide to explain some of the more difficult technical terms used in the Budget.

21. 11.2 The Committee consider that the public at large have a right to know broadly how the money raised by way of taxation is being spent. The Committee note that the 'Budget At a Glance' being brought out by the Government gives some information about the broad heads under which the money is being raised by way of taxation and of disbursement thereof on capital and revenue account. The Committee feel that the information at present given is merely in the form of tables without any explanatory notes. The Committee would like Government to amplify this publication so as to give the public at large the requisite information in

1 2

3

an intelligible manner which would make them appreciate the allocation of resources for developmental, plan and socio-economic activities and also make them aware of the expenditure which is being incurred on non-plan and administrative account.

22. 12.2 The importance of continuous research and study in budgetary matters in the interest of more intelligible presentation and better accountability to Parliament, needs no emphasis. The Committee would like Government to arrange for continuous research being carried out in this field with a view to make the information included in Budget papers more purposeful in the interest of accountability to Parliament and reflect the socio-economic and developmental objectives of Government. Elsewhere in the Report, the Committee have also suggested that an informative brochure may be brought out about resource allocation for various activities for the information of the public. The research staff could help to make this brochure comprehensive and presentable, keeping in view similar publications brought out on the subject by other countries.

23. 13.3 The Committee note that Government propose to bring about the necessary change in the form of budget, as per recommendation of the Official Team, appointed by them for the next budget, 1973-74. The Committee would like to stress that all matters connected with the revised structure of classification of budget should be finalised well in time, so that for the Fifth Plan, the budget can be prepared in the revised manner from the very first year of the Plan.

24. 14.4 The Committee attach the greatest importance to the role and contribution of public sector which has come to occupy a commanding position in national economy. The investment

1 2

3

in public undertakings already exceeds Rs. 4,000 crores and the outlay thereon in the Fifth Five Year Plan is bound to be on a greatly enhanced scale. It is, therefore, of vital importance that the Members of Parliament are kept informed about the performance and achievements of the public sector and its contribution to the national economy.

25. 14.5 The Committee find that the annual report being brought out by the Bureau of Public Enterprises at present covers only some aspects of the functioning of the public undertakings. It fails to indicate clearly the basic and important problems facing these undertakings, their major deficiencies and the remedial measures taken or proposed to be taken by Government. In the opinion of the Committee, this Report should *inter-alia* bring out:—

- (a) the contribution made by undertakings in achieving a self-reliant and self-generating economy and in achieving the social and economic objectives;
- (b) the extent to which the role and objectives envisaged for the undertakings have been achieved;
- (c) quality and price of goods manufactured by these undertakings and the extent to which these have given satisfaction to the public;
- (d) percentage utilisation of rated capacity; and
- (e) cumulative and annual loss on these undertakings, reasons therefor and the remedial steps taken or proposed to be taken by Government.

26. 14.6 The Committee need hardly point out that if this annual report is to serve the purpose of

1 2

3

informing the Members of Parliament it should be made available to them along with other budget documents so that the Members can study and make use of it when the relevant Demands for Grants come up for discussion in the House. The Committee are unable to appreciate why the mere process of compilation and printing of annual report should take as many as 5 to 6 months. The Committee would like Government to take concerted measures to ensure that the process of compilation and printing is speeded up so that the report is made available to Members of Parliament along with other budget papers.

27. 14.7 The Committee, therefore, recommend that an examination of the information provided in the consolidated report brought out by the Bureau of Public Enterprises should immediately be undertaken with a view to improving its form at and giving to Parliament information on all vital aspects affecting these undertakings in a properly analysed manner. Detailed proposals for improving the report and presentation of data in a meaningful manner and its timely submission to Parliament should be drawn up and submitted to the Committee on Public Undertakings for approval before implementation.

28. 15.5 The Committee recommend that White Papers on new public undertakings or expansion of existing public undertakings involving an outlay of Rs. 100 crores or more, to start within either case should be brought out by Government containing information on all significant aspects.

29. 15.6 They would suggest that similar White Papers should also be brought out in respect of departmental manufacturing units which entail an expenditure of Rs. 100 crores or more, to start

with. These White Papers should be presented to Parliament as and when ready, at any rate before the discussion on Demands for Grants.

30. 16.3 The Committee feel that despite instructions issued by Government from time to time for framing project estimates realistically, the general tendency to pitch the estimates low at the time of approval of projects by Parliament still persists. They suggest that all the information that is submitted by the Ministries to the Finance Ministry at the time of investment decisions, should be brought out and highlighted, at one place, say, in the Notes on Important Projects and Schemes, so that Members of Parliament are kept contemporaneously informed.

31. 17.4 The Committee feel that a study to find out "worst cases" of rush of expenditure at the end of the year, as suggested by the Study Team of the Administrative Reforms Commission would be useful and should be undertaken by the Finance Ministry with a view to checking the tendency of rush of expenditure more effectively.

32. 18.4 The Committee feel that rather than merely issuing the instructions and leaving further action to the initiative of the Ministries|Departments, a more active role is required to be played by the Ministry of Finance and the Planning Commission to develop the concept of 'forward looking budgets' so that advance planning of men and materials is taken up seriously at least in the Fifth Five Year Plan.

33. 19.4 The Committee note that Government have set up Public Investment Board in order to streamline and speed up decisions on investments. The Committee would like to watch the working of the Investment Board. The

1 2

3

Committee, however, need hardly emphasise that the considerations weighing with the Public Investment Board in taking decisions about investments particularly those involving rupees hundred crores and more would be brought to the notice of Members of Parliament in Budget documents.

34. 20.3 While the Committee are not averse to the idea of greater decentralisation of powers, they consider that it should not lead to unnecessary proliferation of institutional arrangement already existing in the fields of financial advice, work study, etc. They feel that a review of the system introduced in 1968 should be conducted by next year i.e. before the commencement of the Fifth Plan, with a view to removing bottlenecks, if any, and achieving the desired results with the utmost economy consistent with efficiency.

35. 21.5 The Committee feel that the checks at present exercised by Government and the Planning Commission to ensure proper utilisation of grants and loans given to State Governments for development of backward areas and other special problems are not effective enough. They would suggest that the existing procedures may be reviewed in order to ensure full and proper utilisation of these funds and securing due development of the weaker sections or areas of the States.

36. 21.6 The Committee also feel it necessary that Parliament should be contemporaneously informed through budget documents as to how far the various socio-economic objectives which had been kept before the country by Government had been realised during the previous year and what further steps were proposed in the budget year. For this purpose, they would suggest that

the Ministry of Finance in conjunction with the Planning Commission may examine as to how far the information given at present in the budget papers, Annual Plan Document and the Annual Reports of the Ministries needs to be supplemented. It may also be ensured that the Annual Reports and the Annual Plan document are made available to Parliament before the Demands come up for detailed discussion.