27

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

ESTIMATES COMMITTEE 1992-93

TWENTY-SEVENTH REPORT

TENTH LOK SABHA

SABHA SECRETARIAT
DELHI

TWENTY-SEVENTH REPORT

ESTIMATES COMMITTEE
(1992-93)

(TENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

FISCAL POLICY—MANAGEMENT OF DEFICIT—
EXTERNAL AND INTERNAL DEBTS

[Action Taken by Government on the recommendations contained in the Twelfth Report of Estimates Committee]

सत्यमेव जयते

Presented to Lok Sabha on 31.3.1993

LOK SABHA SECRETARIAT
NEW DELHI

March, 1993/Phalguna, 1914 (S)

E.C. No. 1293

Price: Rs. 12.00

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Seventh Edition) and Printed by the Manager, P.L. Unit, Govt. of India Press, Minto Road, New Delhi.

CONTENTS

COMPOSITION OF THE ESTIMATES COMMITTEE (1992-93)

Shri Manoranjan Bhakta—*Chairman*

MEMBERS

2. Shri Abraham Charles
3. Shri Rajendra Agnihotri
4. Shri Mumtaz Ansari
5. Shri Ayub Khan
6. Shri Sartaj Singh Chhatwal
7. Shri Somjibhai Dàmor
8. Shri Pandurang Pundlik Fundkar
9. Shri Santosh Kumar Gangwar
10. Shrimati Girija Devi
11. Shri Nurul Islam
12. Shri R. Jeevarathinam
13. Dr. Viswanatham Kanithi
14. Shri C.K. Kuppuswamy
15. Shri Dharampal Singh Malik
16. Shri Manjay Lal
17. Shri Hannan Mollah
18. Shri G. Davaraya Naik
19. Shri Rupchand Pal
20. Shri Sriballav Panigrahi
21. Shri Harin Pathak
22. Shri Harish Narayan Prabhu Zantye
23. Shri Amar Roy Pradhan
24. Shri Ebrahim Sulaiman Sait
25. Shri Moreshwar Save
26. Shri Manabendra Shah
27. Shri Mahadeepak Singh Shakya
28. Shri Rajnath Sonkar Shastri
29. Shri Manku Ram Sodhi
30. Shri Braja Kishore Tripathy

SECRETARIAT

1. Shri G.L. Batra—*Additional Secretary*
2. Shri K.K. Sharma—*Joint Secretary*
3. Shri B.B. Pandit—*Director*
4. Shri K.L. Anand—*Under Secretary*
5. Shri S.B. Arora—*Committee Officer*

COMPOSITION OF SUB-COMMITTEE ON ACTION TAKEN REPORTS OF ESTIMATES COMMITTEE (1992-93)

1. Shri Manoranjan Bhakta—*Chairman*
2. Shri A. Charles
3. Shri Sriballav Panigrahi
4. Shri Rupchand Pal
5. Smt. Girija Devi
6. Shri Ebrahim Sulaiman Sait
7. Shri Rajendra Agnihotri

INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Twenty-Seventh Report on Action Taken by Government on the recommendations contained in the Twelfth Report of the Estimates Committee (Tenth Lok Sabha) on the Ministry of Finance (Department of Economic Affairs)—Fiscal Policy—Management of Deficit—External and Internal Debts.

2. The Twelfth Report was presented to Lok Sabha on 28th February, 1992. Government furnished all the action taken replies indicating action taken on the recommendations contained in that Report by 16th December, 1992. The draft Report was considered and adopted by the Estimates Committee (1992-93) at their sitting held on 16th March, 1993.

3. The Report has been divided into following Chapters:—

(i) Report.

(ii) Recommendations/Observations which have been accepted by the Government.

(iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's reply.

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

(v) Recommendations/Observations in respect of which final replies of Government are awaited.

4. An analysis of action taken by Government on the recommendations contained in the Twelfth Report of the Estimates Committee (Tenth Lok Sabha) is given in Appendix. It would be observed therefrom that out of 24 recommendations made in the Report, 13 recommendations *i.e.* 54.16 per cent have been accepted by the Government and the Committee do not desire to pursue 8 recommendations *i.e.*33.33 per cent in view of Government replies. Replies have not been accepted in respect of the remaining 3 recommendations *i.e.* 12.5 per cent.

NEW DELHI;
March 26, 1993

Chaitra 5, 1915 (S)

MANORANJAN BHAKTA
Chairman,
Estimates Committee.

CHAPTER I
REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in their Twelfth Report (Tenth Lok Sabha) on the Ministry of Finance (Deptt. of Economic Affairs)–Fiscal Policy–Management of Deficit–External and Internal Debts.

2. The Committee's Twelfth Report (Tenth Lok Sabha) was presented to Lok Sabha on 28th February, 1992. It contained 24 recommendations. Action Taken Notes on all these recommendations have been received from the Ministry.

3. Replies to the recommendations and observations contained in the Report have broadly been categorised as under—

(i) Recommendations which have been accepted by the Government
Sl. Nos. 1,3,5,6,7,9,10,13,15,18,19,20,21
(Total 13–Chapter–II)

(ii) Recommendations which the Committee do not desire to pursue in view of Government's replies
Sl. Nos. 4,8,14,16,17,22,23,24
(Total 8–Chapter–III)

(iii) Recommendations in respect of which Govt.'s replies have not been accepted by the Committee and which requires reiteration
Sl. Nos. 2,11,12
(Total 3–Chapter–IV)

(iv) Recommendations in respect of which final replies of Government are still awaited
Nil
(Total nil–Chapter–V)

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

Restructuring Government Expenditure
Sl. No. 2 (Para 1.179)

1.1 The Committee in their original report had cautioned the Government against any hasty and indiscriminate measures to cut expenditure or to augment revenues which might impose fresh burden on the common man and lead to disquiet. They had also pointed out that such a situation would have far-reaching and adverse consequences for the country.

1.2 In their reply, the Government have stated that the fiscal adjustment and discipline sought to be restored by the Government will contribute significantly to the reduction of inflationary pressure in the economy. The Government has put a great deal of emphasis on improving the efficiency of public sector units and recovering higher dividend payment from them. Moreover, revenues are also being raised from disinvesting of public sector equity. These measures, along with some others to reduce unnecessary and wasteful expenditure in the Government will enable the Government to undertake expenditure cuts such that they do not contribute to increasing the inflationary burden on the common man.

1.3 It has also been stated that the Government was conscious of keeping to a minimum expenditure cuts in social sectors like education, health and family welfare and, further, was prepared to use some of the foreign exchange reserve to augment supplies of essential commodities.

1.4 The Committee find the reply somewhat disappointing in as much as it fails to highlight the actual impact felt on the ground as a result of Government's effort to apply fiscal correction. Although rate of inflation has been brought down to a single digit level as per reports in the newspapers, the common man is, nevertheless reeling under price rise which is quite evident from the fact that at least two instalments of dearness allowance have been already released by the Government to its employees since the Committee submitted its report. Further, no evidence has been brought before the Committee to indicate specific curtailment of unproductive expenditure.

1.5 The Committee have also not been informed of any visible or significant measures for effecting austerity in Government spending or its actual impact on the ground. On the other hand they are dismayed by the fact that disinvestment of public sector equity has been highlighted as a step towards achievement of fiscal balance. The Committee are of the opinion that by taking this step the Government have merely dissolved part of its assets to meet its revenue expenditure. Therefore, this measure is of no great significance in the context of revenue deficit where the nub lies.

1.6 While welcoming the assurance of the Government that some of the foreign exchange reserves built during the past one year will be used to augment supply of essential commodities like foodgrains and edible oils through imports, the Committee, however, wonder whether it would not be more beneficial to offer incentives for boosting production of foodgrains and edible oils within the country so as to obviate the need to import the same.

1.7 The Committee would, therefore, like to caution the Government against using foreign exchange for purposes which can be achieved by spending within the country.

Financial Discipline
Sl. No.3 (Para No. 1.180)

1.8 To bring the fiscal deficit under control through reduction in expenditure and augmenting revenue receipt, the Committee had, *inter alia,* recommended:

(i) Emphasis on the completion of existing projects before starting new projects;

(ii) Monitoring of defence expenditure and timely execution of projects;

(iii) Identification of areas of unproductive expenditure before taking steps to reduce Govt. spendings;

(iv) Swift and determined action to check any deviation or slackening by any State Govt. or any segment of Govt. of India.

1.9 In reply to the above recommendations of the Committee, the Government have stated:

(i) The Planning Commission has impressed upon Central Ministries/Departments, State Govt. to strictly priorities their projects and desired that first priority should be given to completion of ongoing projects.

(ii) Defence expenditure has been very closely monitored through monthly reviews at various levels of Service HQs and the Ministry of Defence. The physical and financial parameters of all vital defence projects are regularly monitored through two or three tier structure of project level Committees, Management Boards and Steering Committees.

(iii) The Government has been conducting an exercise to identify the (a) surplus posts in various Ministries/Deptts. (b) the areas that have become redundant or obsolete or wherever there was shrinkage of work and the activity of the area that could be transferred to other agencies. Further, the Govt. has issued certain economy instructions in regard to (i) travel expenses; (ii) telephones; (iii) consumption of petrol; and (iv) others like ban on purchases of new vehicles, entertainments including lunches, dinners and holding meetings at hotels at Government expenses.

(iv) The 8th Five Year Plan document, as approved by NDC has stressed the need for improving fiscal management by the Status and the Centre. NDC has also set up a Committee on Austerity to make recommendations, among other considerations, on the objective of balancing receipts and expenditure on revenue accounts, generating surplus for capital investment and scope for better fiscal management consistent with efficiency and economy in expenditure.

1.10 The Committee feel that by mere discussion or issuing guidelines, Central Ministries/State Governments are unlikely to exercise full control over cost over-run in projects or to restructure their spending unlesss overdraft is refused to such states as have shown their unwillingness to introduce necessary degree of finanical discipline in the administration or unless in the case of Central Ministries allocations are tied to financial discipline.

1.11 The Committee also desire that Government should earnestly ensure that the funds allocated by the Planning Commission are utilised for the

purpose for which it was sanctioned and that budgetary ceilings are invariably observed.

1.12 In the reply to recommendation at para 1.180 (iii) of the Report, the Committee find no mention about the number of posts that have actually been declared surplus and surrendered. Likewise, the quantum of work transferred to other agencies due to shrinkage of work, has not been indicated. The Committee are, therefore, disappointed at mere reiteration of known intention of the Government in this regard. They desire to be informed of actual achievement during the current financial year (1992-93).

1.13 Further, the Committee find that economy instructions issued by Government in regard to travel expenses, telephones, consumption of petrol etc. are on expected lines and have, in the past, yielded very little by way of saving. Taking into account the magnitude of total expenditure of the Govt. of India such measures are in their view cosmetic. However, the Committee desire that basic changes in the structure of Government departments and their work culture be affected to make Administrative apparatus agile and cost-effective.

1.14 Since the Committee on Austerity set up by NDC, has submitted its report, this Committee would like to know its main recommendations, Government's reaction to the recommendations and actual steps taken on them with apparant impact on Government expenditure.

Defence Expenditure
Sl. No. 4 (Para No. 1.181)

1.15 Emphasising on the need for restructuring Defence Expenditure, the Committee at para no. 1.181 had recommended:—

(i) rationalisation of the manpower structure through reduced span of colour service;

(ii) rationalisation of the command structure in the Armed Forces;

(iii) better utilisation of manpower resources particularly in workshops, repair depots, dockyards;

(iv) partial privatisation of production of items in ordnance factories and defence related public sector units;

(v) better utilisation of manufacturing capacity and repair overhaul capacity through export effort and by including the small scale sector; and

(vi) better utilisation of defence lands.

1.16 The Ministry in their reply have indicated the following position in respect of each of these points:—

Rationalisation of the manpower structure through reduced span of colour service:— A proposal for rationalisation of manpower structure, through reduced span of colour service in the Army, is already under consideration of the Ministry of Defence.

Rationalisation of the command structure in the Armed Forces:— The Army HQrs. have constituted Committees to rationalise and optimise manpower structures and maximise savings in Defence expenditure.

The important Committees are:—

(i) Experts Committee,

(ii) Special Committee for review of combat echelons, and

(iii) Special Committee for review of Logistic support.

These Committees have given their recommendations and these are being analysed and implemented. The implementation of these recommendations is expected to result in considerable savings in Defence Expenditure.

Better utilisation of manpower resources particularly in workshops, repair depots, dockyards:— the utilisation of manpower is monitored continuously and every effort is made to optimally utilise the available resources. The Armed Forces have carried out an exercise to identify the areas where reduction of manpower is possible. As a result of this review, Services have been able to surrender some of the posts from the existing establishments and redeploy them profitably elsewhere. This has resulted in reduction in demand for new sanctions.

Partial privatization of production of items in ordnance factories and defence related public sector units:— The practice of sub-contracting to private sector is resorted to for such areas where capacity constraints exist. Presently, in view of lean order book position the in-house capacity is being exploited to the extent feasible, before sub-contracting is resorted to.

Better utilization of manufacturing capacity and repair/overhaul capacity through exprots effort and by including the small scale sector:— The Recommendations of the Estimates Committee have been noted. The Department of Defence Production and Supplies has already accorded a very high priority to export effect. Units in the small scale are also involved to the extent they can meet the stringent requirement of Defence.

Better Utilization of defence lands:— A three-fold strategy has been adopted to achieve efficient utilisation of Defence land, namely:—

(a) to reduce scales for various Defence requirements and by adoption of modern techniques;

(b) by identifying lands rendered permanently surplus to Defence requirements and disposal of such lands; and

(c) by restricting land acquisition to meet only essential requirements.

1.17 Thus, as recommended by the Estimates Committee appropriate measures have been initiated to ensure better utilisation of defence lands.

1.18 The Committee are not satisfied with the position indicated by the Ministry in regard to the recommendations of various Experts Committee Reports. They would have appreciated if a clear picture had been given in

this regard. As has been pointed out in the 19th Report of the Committee on Defence Force Levels, Manpower, Management and Policy, even the recommendations made in the Experts Committee Report of 1976 have not yet been implemented. Likewise, the recommendations of the Committee, set up in 1989, are still under consideration. This being the position the Committee are least reassured by the reply of the Ministry.

1.19 They, therefore, desire that the concrete action taken and progress achieved in arresting the defence expenditure on the recommendations of various Committees particularly the Committee on Defence Expenditure may be intimated within a period of 3 months.

1.20 The Committee would like to know the number of posts, category-wise—defence personnel and civilians—that have actually been surrendered/adjusted as a result of reviews carried out to identify surplus posts in the Defence Services.

1.21 The Committee would also like to be informed of the areas of production in regard to which an export drive is feasible and the efforts that have been made to explore the export market of such production and extent to which small scale units have been involved in Defence production.

1.22 As regards effective use of defence lands the Committee would like to draw attention to their 9th Report on Defence Lands and Land Use Policy wherein a set of recommendations have been made. They urge the Ministry of Finance to expedite, to the extent they are concerned, the implementation of recommendations made by the Committee.

1.23 Further, the Committee are particularly concerned at encroachments and unauthorised occupation of defence lands. The Ministry of Defence have admitted during examination of the subject of Defence Lands and Land Use Policy [Para 7.19, 9th Report (1991-92)] that as on 1st January, 1990, there were 29,188 encroachments involving an area of 3,715 acres.

1.24 The Committee recommend that eviction of unauthorised occupants on defence lands should be given high priority. In this connection, the Government should consider amendments put forth by the Ministry of Defence to the provisions of Public Premises (Eviction of Unauthorised Occupant) Act, 1971, so as to enable the defence authorities to take effective action in the matter.

Fertilizer Subsidy
Sl. No. 7 (Para No. 1.85)

1.25 The Committee had desired that small and marginal farmers must be given due protection by continuing the fertilizers subsidy for them. The Committee had also desired the Government to ensure that the benefit of these subsidies reach only those segments of farmers for whom it was intended.

1.26 In their Action Taken Reply, the Government have stated:

"Having regard to the difficulties in implementing a separate scheme of subsidy for small and marginal farmers, it has been decided that assistance should be provided to the States for taking up infrastructure creation and other schemes in the Agricultural sector which benefit largely the small and marginal farmers. The detailed guidelines issued in this regard provide for adequate flexibility to the States in choosing the mix of schemes to be implemented in line with the requirements of the States. A sum of Rs. 200 crores has been released as first instalment to the State Governments to commence implementation of the schemes."

1.27 While appreciating the Government's intention to reach the benefits of subsidy for small and marginal farmers, the Committee would like to know the total allocation of funds under the scheme for States and Union Territories separately. It may also be intimated whether funds have been released for Union Territories as well, and if not, the same may be released forthwith.

Statutory Ceiling on Borrowings
Sl. No. 11 (Para No. 1.192)

1.28 Favouring a ceiling on borrowings, the Committee had in para 1.192 of the Report, recommended that a flexible approach in determining a ceiling on borrowings should be adopted. They had felt that such a ceiling could be reviewed every year and adjusted in accordance with the requirement of the situation but only after a discussion and positive vote in the Parliament.

1.29 The Ministry of Finance, in their reply, have stated:

"Article 292 of the Constitution contains a provision for the imposition of a statutory ceiling on the Centre's borrowings. This Article covers only borrowings on the security of the Consolidated Fund i.e. its coverage is restricted to borrowing from market loans. Treasury Bills and external loans which flow into the Consolidated Fund of India. It does not cover borrowings, like small savings, provident funds, deposits etc. which flow into the Public Account of India. This Ministry has examined whether it would be feasible to prescribe a statutory ceiling on borrowing on the security of the Consolidated Fund of India plus fresh liabilities arising in the Public Account of India, which should not exceed at the end of the financial year, a fixed percentage of the estimated GDP in that financial year.

This has, however, not been found operationally feasible as the GDP for any year is available only two years later. Any such scheme would require that the Government legislate at the beginning of each year for a permissible amount of borrowing fixed as a stated percentage of GDP. The scheme would also have to provide that any excess over the ceiling on this statutorily prescribed borrowing has to be regularised by

Parliament in due course, as in the case of excess expenditure over grants voted by Parliament. Such a scheme will not be an improvement from what is inherent in the present budgetary procedure. A statutory ceiling on borrowing will not help improve Government budgetary practice and the extent of fiscal discipline more than what is possible now.

This Ministry's view is, therefore, that there is no specific advantage in providing for a statutory ceiling on Government borrowings."

1.30 The Committee are disappointed at the position taken by the Ministry. In their opinion the Government cannot absolve itself of the responsibility of keeping borrowing within reasonable limit by taking shelter behind technicalities. If the argument put forth by the Government that the constitutional provision on ceiling on borrowings are of little consequence in view of its application to only a part of the total borrowings, there is an adequate case for either deleting this provision, or alternatively, to amend it suitably. The Committee are still of the view that the situation prevailing in the past few years justifies the imposition of statutory ceiling on Centre's borrowings. However, the Committee being conscious of the difficulties in fixing a rigid ceiling, had recommended adoption of a "flexible approach" in the matter.

1.31 The Committee, therefore, reiterate their recommendation and urge the Government to make a beginning in this direction.

Debt Service Payment
Sl. No. 12 (Para No. 1.194)

1.32 The Committee in their original report had recommended that 'interest payments' in the Expenditure Budget should be replaced by 'Debt Service Payment' indicating separately the 'Repayment of Principal' and 'Interest Payments' in that year, both as a proportion to the total revenue.

1.33 The Ministry in their reply have stated:

"Interest charges are classsified as revenue expenditure, while internal and external debt receipts and repayments are classified as capital receipts and payments. These transactions pertain to the Consolidated Fund of India and hence the related expenditures are to be authorised by Parliament under article 114 of the Constitution. Certain other borrowings like small savings, provident funds, special deposits, etc. form part of the Public Account of India. Repayments of these liabilities do not require parliamentary authorisation under the constitutional provisions."

1.34 They have further stated:

"Revenue receipts of the Central Government are presently less than the revenue expenditure and there is a resultant revenue deficit. This has been a recurring phenomenon ever since 1979-80 and is likely to continue for sometime to come. In this situation, borrowings will necessarily have to be repaid, on maturity, only from fresh borrowings and not out of revenue. Accordingly in the documents Budget at a Glance and Receipts Budget, borrowings are shown on a net basis, that is net of repayments. This is also the practice adopted by the Planning Commission in drawing up the scheme of financing the Plan.

1.35 As revenue receipts are not at present being applied towards any repayment of debt a comparison of the two does not appear to be appropriate at this stage".

1.36 The Committee observe that the Ministry have not properly appreciated the concern felt by the Committee over the fact that during the eighties, burgeoning external debt and consequential debt servicing burden had gone practically unnoticed. This situation was, to a certain extent, attributable to inadequate projection of the relevant figures in the Budget documents. The Committee, therefore, strongly feel that Government should find an appropriate way of adequately projecting in the budget documents the total quantum of annual debt servicing and its ratio to the revenue income of the Government, irrespective of the fact whether or not any part of it is paid out of revenue receipts.

Sick Public Sector Units
Sl. No. 14 (Para No. 1.197)

1.37 In order to make the sick PSUs viable, the Committee had recommended that where Workers Cooperatives were willing to take over the management of sick public sector units, the same should be encouraged.

1.38. The Government has replied that it was prepared to consider viable proposals for running sick PSUs by Workers Cooperatives.

1.39. The Committee are constrained to find the reply vague and non-commital. It would have been in the fitness of the things if the Government had come out with some concrete proposals for giving adequate incentive and protection to Workers Cooperatives that might come forward to run sick PSUs. In their opinion, the Government, while offering the management of sick units to Workers Cooperatives, should ensure technology upgradation, marketing support and the availability of working capital to such cooperatives on easy terms.

Revenue Augmentation Ill-gotton and unaccounted wealth
Sl. No. 16 & 17 (Paras 1.201 and 1.202)

1.40 To tackle the problem of unaccounted income and wealth, the Committee had recommended at para 1.201 of the Report that since the 4th amnesty and immunity scheme provided to tax dodgers has not yielded the desired results, the Government should not hesitate to take stern action against hoarders, black marketeers, smugglers, tax evaders etc. to unearth the ill-gotton and unaccounted wealth. The Committee had also desired at para 1.202 that effective steps should be taken to mop up maximum possible amount of tax revenue lying in arrears.

1.41 In reply, the Government have stated:

"Government has launched immunity schemes which provide an opportunity for holders of unaccounted income and wealth to declare their assets and receive the benefits of holding accountable wealth and income. These have shown substantial results. Government has also undertaken several steps to simplify and rationalise the tax structure which will reduce the incentive for generating and holding unaccountable income."

"Surveys, search operations and assessments are the tools employed by the Income-Tax Department for identifying new assessees so as to widen the tax net and also to combat tax evasion. The surveys are conducted in the case of existing assessees for detecting tax evasion. These are also useful for collecting information regarding ostentatious expenditure incurred especially on social functions. These are also conducted for the purpose of identifying and locating new assessees."

"Government has introduced a new chapter in the Income-Tax Act, effective from 1.10.1986, to curb the use of black money in the real estate transactions. This enables the Income-Tax Department to make a pre-emptive purchase of immovable properties."

1.42 As regards collection of outstanding demands, the Government have informed:

"The total demands outstanding on 1.4.1991 amounted to Rs. 6695 crores, out of which Rs. 3247 crores have been collected/reduced upto 31.3.1992. However, current demands were also raised during this period out of which a portion has remained unrealised. Normally, the demands remain disputed in appeals and the recovery is generally possible only if the appeals have been decided in Government favour."

"Supreme Court/High Courts are moved from time to time for early listing of high stake revenue cases. Chief Justices of important High Courts have also been requested to earmark special Benches for expeditious settlement of these cases."

1.43 While appreciating the steps taken by Government, Committee feel that there is still scope for the detection of ill-gotton and unaccounted wealth. The Committee, therefore, urge the Government to lay more emphasis on the collection of information on ostentatious expenditure incurred on social functions as well as to keep a watch on the life style of persons who spend money lavishly and lead a luxurious life in order to bring the tax-dodgers under the tax net and broaden its base.

1.44 As regards realisation of arrears, the Committee expect that the Government would continue to maintain relentless pressure on tax defaulters and would, after due notice, take stringent actions against such persons.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1 (Para No. 1.173)

The Committee recommended that while presenting the budget deficit in its all connotations *i.e.* fiscal deficit, primary deficit and monetised deficit, should be depicted in the budget documents in order to ensure definitional clarity as created by avoiding use of imprecise terms such as 'budgetary deficit' and overall deficit.

Action Taken

At present the Budget documents distinctly reflect the following concepts of deficit:

Revenue deficit

Budgetary deficit

Fiscal deficit

Monetised deficit or Increase in net RBI credit to Central Government.

2. As recommended, primary deficit will also be shown distinctly in the budget documents from 1993-94.

3. The term 'overall deficit' is not used in the budget documents. the term 'Budgetary deficit' which is used, indicates the gap in resources which is financed by borrowing from the Reserve Bank of India through issue of 91 days *ad hoc* Treasury Bills and draw down of cash balance. It is distinct from monetised deficit. It will continue to be exhibited in the budget documents as at present.

4. No reference has been made in the recommendation to 'revenue deficit' which is perhaps the most important deficit indicator. The 'revenue deficit' implies the existence of a basic structural imbalance in the budget arising out of a mismatch between the revenue receipts and revenue expenditure. It measures the extent to which borrowed funds have been utilised for meeting current expenditure of the Government. It is also the main reason for the growth in the Government's debt liability and consequential increase in interest payments. The revenue deficit will, therefore, continue to be depicted distinctly in the budget documents, as at present.

[Deptt. of Economic Affairs O.M. No. F. 9(2)-W&M/92 dated 31.8.1992]

Recommendation Sl. No. 3 (Para No. 1.180)

The Committee recommend as follows:

(i) The programme for reducing fiscal deficit initiated this year may be continued to achieve the desired level.

(ii) The Government should lay emphasis on the completion of existing projects before starting new projects.

(iii) Defence expenditure should be closely monitored, projects of questionable economic or social value eliminated and timely execution of other projects ensured.

(iv) Instead of an across-the board cut in expenditure the Government first identify the areas of unproductive expenditure while taking steps to reduce Government spending.

(v) Estimates of different projects should be prepared in such a way that cost overrun does not exceed more than ten per cent of the estimated cost of the project in a specified period.

(vi) Areas for public investment should be redefined. The public sector should largely confine itself to the core and infrastructure sector and consumer sector should be left to private entrepreneurs.

(vii) A major reduction in Government expenditure can be achieved by drastically reducing interest rates on Government borrowings. This, in turn, will also help enhance industrial production.

The Committee well realize the near impossibility of reducing high interest rates currently prevailing. However, they desire the Government to devise a strategy to bring down interest rates to a realistic level after inflationary pressures on the economy case.

(viii) The Committee are aware of the difficulties in enforcing financial discipline with uniform rigours in the entire public sector of the economy, keeping in view the political and social plurality as also the economic disparity in the country. They would however, like Government of India to determine a set of selected parameters of financial discipline, and endeavour for its wide acceptance through consultation and consensus. This would also call for constant monitoring of these parameters as also swift and determined action to check any deviation or slackening by any State Government or any segment of Government of India itself. The Committee will like to be informed of the progress achieved by the Ministry of Finance in this endeavour.

(ix) The Government should evolve an efficient and effective evaluation and monitoring system to study the impacts of the various measures taken by them to contain budget deficits.

Action Taken

(i) The programme for reducing the fiscal deficit is being continued in the current financial year. The Finance Minister has announced that the fiscal deficit which was brought down from 8.5% of the GDP in 1991 to 6.5% of the GDP in 1991-92 will be further brought down to 5% of the GDP in the financial year 1992-93. Along with a reduction in fiscal deficit the budgetary deficit of the Government is also planned to be brought down from the current level of Rs. 7032 crores to Rs. 5389 crores in the year ending March, 1993. Thus, the Committee's recommendation is being actively pursued.

(ii) During the discussions held with the Central Ministries/Departments, State Governments and Union territories on their Eighth Plan (1992-97) and Annual Plan (1992-93) proposals, the Planning Commission has impressed upon them the need to strictly prioritise their projects in view of the resource constraints. The guiding principles are that first priority should be given to completion of on-going projects and new starts, if any, should be taken up only in high priority areas.

(iii) Defence expenditure is very closely monitored by the Services Headquarters and the Ministry of Defence at various levels. This is being done through monthly reviews at various levels of Services Headquarters and the Ministry of Defence. Inter-departmental groups have been constituted to ensure that full co-ordination and control is exercised while monitoring expenditure. The physical and financial parameters of all vital Defence projects are regularly monitored through two or three tier structures of project level Committee, Management Boards and Steering Committees.

(iv) The Government has identified certain specific areas of unproductive expenditure to reduce Government spending. First, the Government is conducting an exercise to identify surplus posts in various Ministries/Departments including the attached and subordinate offices. Secondly, with the introduction of new policies and initiatives undertaken by the Government, it has been conducting an activity-analysis of the organisations with a view to identify areas that have become redundant or obsolete or wherever there was shrinkage of work and the activity of the areas that could be transferred to outside agencies including the State Governments.

The Government has also issued the following other economy instructions to all the Ministries/Departments for compliance:—

(a) Travel Expenses: A reduction of 20 per cent of the budget provisions 1992-93 was imposed on both the domestic and international travel in Government as well as in public sector undertakings, autonomous bodies etc.

(b) Telephones: All Ministries/Departments including their attached/ subordinate offices, public sector undertakings and autonomous bodies were required to surrender by 31st January, 1992 at least 10 per cent of the telephone lines.

(c) Consumption of Petrol: The amount of expenditure on petrol/diesel during 1992-93 was restricted to the expenditure during 1991-92 which was fixed by applying 20 per cent cut on the actual consumption in 1989-90.

(d) Others: The ban on purchase of new vehicles imposed on 30th November, 1990 continues to hold good. Similarly, all entertainments including lunches, dinners etc. at Government cost and the practice of holding meetings, conferences etc. at hotels was banned, exceptions are to be made only when foreign delegations visit India. Instructions have been issued to all Ministries, Departments, etc. to the effect that expenditure on overtime allowance in 1992-93 should not exceed the actual expenditure incurred on this account in 1991-92.

(v) Under the existing procedure, appraisal of projects is made at constant prices. However, the financial provisions for implementation of projects are made in terms of current prices. Therefore, conceptually there is a difference between the approved estimates which are at constant prices, and the revised/completion cost estimates, which are at current prices. The differences between the two are basically due to impact of general inflation, variations in foreign exchange rates, changes in rates of taxes and duties, time overruns etc. Under the existing PIB guidelines, all project proposals of Rs. 20 crores and above, are to be re-submitted for the approval of PIB/CCEA, if the revised/final costs exceed 20% of the approved estimates.

(vi) The directional paper of the Eighth Five Year Plan (1992-97) which has been approved by the National Development Council *inter alia* provides as under:

The public sector plan will have to become very selective in the coverage of activities and in making investments and should clearly define its objective principles. The following principles will have to be followed:

(a) The public sector should make investments only in those areas where investment is of an infrastructural nature which is necessary for facilitating growth and development as a whole and where private sector participation is not likely to come forth to an adequate extent within a reasonable time perspective;

(b) The public sector may also withdraw from areas where no public purpose is served by its presence. The public sector should come in where the investment is essentially for preservation and augmentation of basic resources of the country like land, forest, water and ecology, science and technology. The public sector will have responsibility for meeting social needs or for regulating long-term interests of the society like population control, health, education, etc.

(c) In large parts of public sector operations where commodities or services are produced and distributed unless it is necessary for protecting the poorest in the society, the principle of market economy should be accepted as the main operative principle. It means charging as per cost and costing with full efficiency in operations.

In the preparation of the Eighth Five Year Plan document the above directives have been kept in view.

(vii) As the Committee has itself stated, it is virtually impossible at this stage to reduce the interest rates. The Government is fully conscious of the need to bring down interest rates so as to stimulate industrial investment and generate a greater demand for investment funds in the economy. The necessary condition for this, however, is the bringing down of inflation levels. The Finance Minister, in his Budget speech has already announced that the Government is committed to the lowering of interest rates as soon as it is feasible to do so.

(viii) The 8th Five Year Plan document which has been approved by the NDC stresses the need for improved fiscal management by the States and the Centre, by increasing revenue and restricting expenditure. The document envisages that the fiscal deficit for the Centre and the States should come down to an average of 7% during the 8th Plan period.

The NDC has also set up a Committee on Austerity under the chairmanship of Shri Biju Patnaik, Chief Minister, Orissa and including representatives of the Centre and State Governments. A copy of the Government order constituting the Committee is annexed. The report of the Committee has been received.

The terms of reference to the 10th Finance Commission notified on 15.6.1992 provide that in making its recommendations, among other considerations, the Commission shall have regard to:—

(i) The objective of not only balancing the receipts and expenditure on revenue account of both the States and the Central Government, but also generating surplus for capital investment and reducing fiscal deficit;

* * * * *

(ix) the scope for better fiscal management consistent with efficiency and economy in expenditure.

It will be appreciated that financial discipline has to be enforced in terms of the parameters of the 8th Plan and the recommendations of the Finance Commissions as accepted by Government. The Government accepts the basic recommendation of the Estimates Committee and proposes to evolve appropriate parameters for monitoring performance within this framework.

(ix) With a view to effectively monitoring the budget and fiscal deficit the Government has fixed quarterly targets of the fiscal deficit estimates in the 1992-93 budget. These targets have been brought to Parliament's notice. A system of monthly monitoring of expenditure and receipts has been instituted to help adherence to the quarterly and year end targets of fiscal deficit.

[Deptt. of Economic Affairs O.M. No. F. 9(2)-W&M/92 Dated 31.8.92]

Annexure to Sl.No.1.180 (viii)

Copy of Planning Commission's Order No. 17/4/91-FR dated 19.2.1992.

Subject:—*Setting up of Committee of the National Development Council (NDC) on Austerity.*

The National Development Council (NDC) in its meeting held on 23rd and 24th December, 1991 has decided to set up a Committee of the National Development Council on Austerity.

2. A Committee of the NDC on Austerity is, accordingly, constituted as under:

1. Shri Biju Patnaik, C.M., Orissa—Chairman
2. Shri Kalyan Singh, C.M., U.P.—Member
3. Shri Gegong Apang, C.M., Arunachal Pradesh—Member
4. Shri Bhajan Lal, C.M., Haryana—Member
5. Shri H.R. Bhardwaj—Minister of State for Planning and Programme Implementation—Member
6. Dr. C. Rangarajan, Member, Planning Commission—Member-Secretary.

3. The terms of reference of the Committee will be as follows:—

(i) To take a view on the recent trends and causes of growth of total State Government expenditure and its components;

(ii) To identify specific components of increase in expenditure on establishment over recent period where economy can be exercised;

(iii) To identify major areas on non-establishment expenditure where measures for reduction can be supported;

(iv) To consider certain policy issues having implications for reducing subsidies;

(v) To also consider feasible ways and means to reduce interest components of expenditure of the State; and

(vi) To suggest specific measures to be taken by the Union Government which may help States to reduce their expenditure.

4. The Committee is authorised to specially invite any other person, Official or Non-Official, to participate in the deliberations.

5. The Committee will submit its report within four months for consideration by the National Development Council.

6. Officials will be entitled to DA/TA from their own establishments. Non-Officials will be paid TA/DA by the Planning Commission.

7. The Committee will be assisted by Dr. Kalyan M. Raipuria, Adviser (FR) Planning Commission in day to day work.

SD/- (N.K. Malhotra)
Deputy Secretary to the Govt. of India

Chairman and Members of the Committee

Copy to:

All Members of the NDC
Members, Planning Commission
Cabinet Secretary
Principal Secretary to P.M.
Secretary to the President of India
Secretary to the Vice-President of India.
All Secretaries to the Government of India.
All Chief Secretaries of State Governments/UTs.
PS to Prime Minister.
Standard Distribution in Planning Commission.

SD/- (N.K. Malhotra)
Deputy Secretary to the Govt. of India

Recommendation Sl. No. 5 (Para No. 1.182)

In this context the Committee desire the Government to take early action on the recommendations of Arun Singh Committee Report on Defence Expenditure.

Action Taken

Government have already initiated action to implement several of the recommendations of the Committee on Defence Expenditure (CDE). Decisions have been taken to implement measures that will result in reduction of expenditure on manpower and training. The CDE has also made several other recommendations in its 5th and 6th reports which may result in savings. However, the CDE had itself recognized that there would be a need to constitute study Groups to examine the various aspects of such measures in detail before implementation. Accordingly, various groups have been constituted to examine the implications of various economy measures in respect of each of the Services and concerned agencies in MOD.

Some of the recommendations made by the Committee on Defence Expenditure involve basic structural changes in the prevailing system of decision making in Defence. These do not also have a direct bearing on economy in administration. Such recommendations need a careful and broad based consideration, in consultation with other Ministries also, in view of the farreaching implications they will have. Ministry of Defence has already initiated such consultations with various other Ministries and efforts are being made to arrive at a final, well considered decision on such aspects.

In sum, it is reiterated that Government has already initiated action on the recommendations of the Committee on Defence Expenditure and will pursue action in this regard in a timebound manner to achieve the basic objective of economy and resource optimisation.

[Deptt. of Economic Affairs O.M. No. F 9(2)-W&M/92 dated 31.8.1992]

Recommendation Sl.No. 6 (Para No. 1.184)

The Committee desire that keeping in view the interests of farmers and for maintaining the uptrend in agricultural production reduction of fertilizer subsidy ought not only be, as much as possible, gradual but should also be accompanied by simultaneous revision of support prices in order to ensure a fair and remunerative return for the agricultural sector.

Action Taken

Government of India, on the basis of the report of the Joint Parliamentary Committee on Fertilizer Pricing, has taken the following steps, effective from 25.8.1992:—

(i) Subsidy on all phosphatic and potassic fertilizers has been abolished.

(ii) As urea is the most widely used nitrogenous fertilizer, its consumer price has been reduced by 10%.

(iii) Low analysis nitrogenous fertilizers, namely, Calcium Ammonium Nitrate (CAN), Ammonium Chloride (AC) and Ammonium Sulphate (AS) have again been brought under the price control/ subsidy regime.

The support prices for the current Rabi season are expected to take into account increase in price of the fertilizers.

[Deptt. of Economic Affairs O.M. No. F 9(2)-W&M/92 dated 19.11.1992]

Recommendation Sl.No. 7 (Para No. 1.185)

The Committee also desire that small and marginal farmers must be given due protection by continuing the subsidy for them. Government must ensure that subsidised fertilizers reach in time and the benefit of these subsidies reach only those segments of farmers for whom it is intended.

Action Taken

Having regard to the difficulties in implementing a separate scheme of subsidy for small and marginal farmers, it has been decided that assistance should be provided to the States for taking up infrastructure creation and other schemes in the Agricultural sector which benefit largely the small and marginal farmers. The detailed guidelines issued in this regard provide for adequate flexibility to the States in choosing the mix of schemes to be implemented in line with the requirements of the States. A sum of Rs. 200 crores has been released as first instalment to the State Governments to commence implementation of the schemes.

[Deptt. of Economic Affairs O.M. No. F. 9 (2) W&M/92 dated 16.12.1992]

Recommendation Sl. No. 9 (Para No. 1.88)

The Committee would like to caution against an indefinite perpetuation of food subsidies for well-to-do sections of the society. The Committee recommend that subsidised foodgrains should be restricted to the really needy and poorer strata of the society. Special attention should be paid to people living in remote, tribal and hilly areas and also to those below the poverty line. They desire the Government to undertake periodic review of the subsidy element to adjust it with rising incomes in the targetted groups. For relatively well-to-do section of the society, the Government should ensure availability of foodgrains through the Public Distribution System at reasonable prices.

Action Taken

The Government has been conscious of the need to reach the benefits of subsidised foodgrains to the most needy. The Scheme for distribution of specially subsidised foodgrain for ITDP areas and the entire exercise for a more effective reach to some 1700 Blocks specially identified for the purpose have been concrete programmes for this purpose. However, at the national level, the scheme for exclusion of certain categories on the basis of income would create a number of problems in actual implementation. Therefore, the present stress in policy is to provide PDS commodities, and to make for more effective reach to the 1700 Blocks covered under the existing programmes which area are specific in nature, viz., ITDP, DPAP, Designated Hill Areas and Desert Development Project areas.

[Deptt. of Economic Affairs O.M. No. F. 9 (2) W&M/92 dated 31.8.1992]

Recommendation Sl.No. 10 (Para No. 1.190)

The Committee desire that various other subsidies including quasi-subsidies which are being borne by the Government in respect of Railways, Postal Services, operating losses of departmental undertakings and interest on loans to public sector undertakings should be gradually done away with through improvement in efficiency, discontinuance of uneconomic operations, reduction of costs and by charging realistic price for the services rendered except in respect of those meant for poorer sections.

Action Taken

The Committee's recommendation has been noted and it has been circulated to the concerned Ministries/Departments for guidance and appropriate action.

[Deptt. of Economic Affairs O.M. No. F.9 (2) W&M/92 dated 31.8.1992]

Recommendation Sl. No. 13 (Para No. 1.196)

The Committee are not convinced about realism of the equation put forth by the representatives of the Government. However, they are not averse to closure of units which are unable to become viable. While cautioning against any generalization in the matter they desire that each unit may be dealt with on its own merits keeping in view its specific social purpose. They also desire that while closing an unviable unit sufficient social security should be provided to the employees and workers affected in the process.

Action Taken

Government have amended the Sick Industrial Companies (Special Provisions) Act, 1985 so as to include all Government Companies within the purview of the BIFR. The cases of sick PSU are now being referred to the BIFR for the formulation of suitable revival/rehabilitation plans. Fourteen such cases have been referred upto May 92. However, a Special Tripartite Committee has been set up by the Government under the Chairmanship of Labour Ministry of consulting various Trade Unions on how best the various sick PSUs can be revived/rehabilitated.

The Committee decided to revive six sectoral level sub-committees to examine each PSU at unit level. These discussions have already started in the case of textile sector. In addition, a Sub-Committee of the Consultative Committee of the Ministry of Labour has also been constituted to look into the cases. As already announced, National Renewal Fund has been set up to take care of retraining/redeployment of the labour affected by technology upgradation, modernisation, restructuring and revival of industrial undertakings.

[Deptt. of Economic Affairs O.M. No. F 9(2) W&M/92 dated 31.8.1992]

Recommendation Sl. No. 15 (Para No. 1.199)

The Committee desire that vigorous efforts may be made to widen the tax base by bringing within the tax net all those categories of people who have hitherto escaped the tax-net.

Action Taken

Government has taken steps, both legal and administrative, to widen the tax base. The Income-tax act has been amended in the last few years with a view to omit or restrict the various exemptions or deductions available to the tax payers, rationalising the rates of Income-tax and strengthening the provisions for deterrent action against tax evaders. The adminstrative machinery for conducting survey and searches has also been streamlined in the recent past in order to widen the tax base. Through the Finance Act, 1992 a scheme of presumptive taxation has been launched. This scheme, which is optional in nature, covers retail traders and persons engaged in the running of eating places or in certain vocations.

2. The major tool available with the Government to detect new assessees is survey conducted under section 133B of the Income-tax Act. Steps have been taken to bring small towns within the ambit of the survey so as to bring the affluent sections of the population of these areas within the tax net gradually, but systematically. The statistical data in this regard is given in the table given below:—

Year	Number of premises surveyed	Number of new assessees added
1988-89	729459	498176
1989-90	817803	467711
1990-91	892438	523052
1991-92	998176	475487

[Deptt. of Economic Affairs O.M.No. F.9(2) W&M/92 dated 31.8.1992]

Recommendation Sl. No. 18 (Para No. 1.207)

In view of the present balance of payment situation, notwithstanding recent improvements in the reserve surplus on current account, the Committee are somewhat sceptical about the efficient use of foreign debt by the Government. They are, therefore, of the view that the Government should have a fresh look on the country's total external liability before going for fresh borrowings.

The Committee would also like to be assured that in the name of upgradation of technology strengthening and enhancing production base infrastructure sector and modernisation of the economy precious foreign exchange will not be squandered to promote consumerism or elitism.

Action Taken

The recommendation of the Committee has been noted. It may be stated that Government does not regard external borrowing as a substitute for resourse mobilisation through domestic efforts, as its basic objective is to attain self sustained growth through self reliance. However, in the case of a low income developing country like India, the gap between investment requirements and internal resources availability has to be bridged by inflow of capital from abroad. It is always ensured that such inflow should, to the maximum extent possible, be in the form of consessional external assistance. It is also in conformity with our national Plan priorities and does not in any manner impinge upon our freedom in the matter of policy formulation.

The level of the country's external indebtedness and likely burden of debt servicing are constantly kept in view to ensure that debt service liability remains within our capacity to meet these obligations. Government will ensure that this burden does not exceed the capacity of the economy to service such loans. The Government has already introduced a programme of economic reforms aimed at short term stabilization combined with longer term restructuring. These reforms are intended to improve the economic condition of the country and revitalise our growth process including our export earning capacity, so as to enhance our capacity to repay the external loans.

As regards the use of precious foreign exchange, Government have taken a number of steps, the details of these steps are given in the Finance Minister's statement in Parliament on 'Management of the Economic Crisis' on 16th December, 1991.

Also, in the Budget speech for 1992-93 the intention of the Government to curb conspicuous consumption, and to discourage imports of non-essential consumer goods, has been reiterated. Further, while imports of captial goods and raw materials has been liberalized, consumer goods import has been kept under restraint.

[Deptt. of Economic Affairs O.M No. F. 9(2) W&M/92 dated 31.8.1992]

Recommendation Sl. No. 19 (Para No. 1.209)

The Committee urge a conservative approach towards commercial borrowings and would like Government to encourage direct foreign investment to not only restrict commercial borrowings but also redeem some of these debts to the extent possible.

Action Taken

Government have already adopted a policy of encouraging Direct Foreign Investment (DFI) as opposed to debt. Several policy measures have been introduced to bring about the desired results in this regard. These are as follows:—

(a) According to the new foreign investment policy, automatic approval will be given by the RBI for DFI upto 51% foreign equity in high priority industries.

(b) To provide access to international markets, majority foreign equity holding upto 51% will be allowed for trading companies primarily engaged in export activities.

(c) To provide single window clearance for all aspects of foreign investment proposals, Government has set up a four member Foreign Investment Promotion Board (FIPB). The functions of the

Board will comprise expeditious clearance of proposals, establishment of contacts with and inviting select international companies to invest in the country in appropriate ventures and to periodically review the implementaion of the projects cleared.

[Deptt. of Economic Affairs O.M. No. F.9(2) W&M/92 dated 31.8.1992]

Recommendation Sl. No. 20 (Para No. 1.210)

Repayment of external loans is mainly made from the country's exports which to a large extent are dependent on imports. Since the foreign exchange reserves have touched Rs. 9,8000 crores in January, 1992 the Committee recommend that import restrictions imposed by RBI during the last six months should be lifted immediately for all those items which form an input for exports.

Action Taken

All the import restrictions imposed by the Reserve Bank of India during the recent period have been withdrawn. A copy of RBI's circular letter dated 12.2.92 on the subject to all Scheduled Commercial Banks is annexed.

Annexure to Sl. No. 20

Copy of RBI's circular letter No. IECD, 50/PMD/99/91-92 dated 12.2.92 addressed to all Scheduled Commercial Banks on the subject of financing of imports.

Please refer to the instructions resting with our circular IECD No. 44/PMD/99/91-92 dated January 1, 1992, in terms of which imports other than capital goods under OGL and Specific Licences (other than those in respect of which the requirement of prescribed minimum cash margins had been waived) were subject to a requirement of prescribed minimum cash margin of 25 per cent. **It has now been decided to withdraw the said requirement of prescribed minimum cash margins with immediate effect.**

2. Release of cash margins by banks

Banks are hereby advised that prescribed cash margins maintained with them should be released to the importers. However, banks are free to decide upon the manner and quantum of margins to be maintained by importers, as per their usual practice.

3. Interest Rate Surcharge

Banks may please recall that in terms of instructions contained in our circular IECD No. PMD. 54/99/90-91 dated May 9, 1991, banks are required to charge an interest rate surcharge of 25 per cent on import finance. **It has now been decided to withdraw with effect from February 13, 1992, the levy of interest rate surcharge.**

[Deptt. of Economic Affairs O.M. No. F. 9(2) W&M/92, dated 31.8.1992]

Recommendation Sl. No. 21 (Para No. 1.211)

The Committee appreciate that there are no short cuts to a situation where expenditure on account of interest payments are pegged at a reasonable level. However, they do desire the Government to repay short term debts, particularly commercial borrowings from the internationl money market, at the earliest opportunity in order to reduce the interest burden. The Committee would like to be informed, within a reasonable period not exceeding six months, about the detailed plan of the Government to achieve this objective.

Action Taken

In the light of our recent experience when the country had to face a severe Balance of Payments crisis, there has been a rethinking on the question of restricting the magnitudes of short-term debt to sustainable levels and also regulating the purposes for which short-term debt could be contracted. The extreme volatility of short-term debt witnessed during the BOP crisis has been the main reason for our above approach.

2. Government has already taken the following decisions in this regard:—

(a) The work relating to approval of short-term borrowings, taken to mean all borrowings having an original maturity not exceeding one year is presently being approved by the Reserve Bank of India and not by the Ministry of Finance as was the practice earlier. RBI would also be monitoring the short-term flows, the overall magnitudes, etc. Since short-term debt is contracted for the most part for trade finance purposes and also to facilitate a more efficient monitoring of the impact of short-term debt flows on the country's reserves it was felt that RBI would be the more appropriate agency to handle this task.

(b) It has also been decided that recourse to short-term debt should not be taken as an instrument for protecting the reserves.

3. Apart from the above, the Government is also considering the following measures for regulating short-term debt:—

(a) Short-term debt should be permitted only for trade related purposes and at normal terms. Normal terms may be defined as trade related debt permissible under the extant Exchange Control Regulations.

(b) No rollover beyond six months should be agreed in regard to any short-term facilities without a careful consideration of the implications.

(c) Even in regard to canalising agencies and other public sector agencies, which may take recourse to short-term financing of their own accord, efforts should be made to diversify their lender profile.

(d) Any short-term debt not governed by the above considerations should be specifically approved by RBI after satisfying itself that recourse to such debt was on genuine cost considerations or trade related considerations.

(e) Reduction in the overall magnitude of short-term debt should be effected in a gradual manner to moderate the impact of such reduction on the country's reserves.

[Deptt. of Economic Affairs O.M. No. F.9(2)/W&M/92, dated 31.8.1992]

CHAPTER III

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

Recommendation Sl. No. 4 (Para No. 1.181)

The committee being fully conscious of the threat to national security expect the Government to proceed with caution in restricting defence expenditure. However, they are at the same time of the view that there are several areas in the Defence Services Estimates where either substantial savings are possible or substantial incomes can be generated. These are *inter alia* (i) rationalization of the manpower structure through reduced span of colour service; (ii) rationalization of the command structure in the Armed Forces; (iii) better utilization of manpower resources particularly in workshops, repair, depots, dockyards; (iv) partial privatization of production of items in ordnance factories and defence related public sector units; (v) better utilization of manufacturing capacity and repair / overhaul capacity through exports effort and by including the small scale sector; and (vi) better utilization of defence lands.

Action Taken

Ministry of Defence has undertaken measures for containing expenditure. These include prioritising projects, deferring/cancelling schemes/projects of lesser priority. Inventory with the Services and holdings and reserves of equipment/ammunition have been reduced. Other economy measures undertaken by the Services pertain to manpower, transport, POL, rationalisation of training, induction of fuel efficient vehicles, economy in local purchase of stores, repair/overhaul of non-combat vehicles through trade etc. Existing equipment is being modernised to reduce the requirement of fresh inductions. The Services are also mobilising resources by sale of surplus/obsolete stores. Surplus land is being identified for being put to effective use, sold or exchanged with State Governments. The position with regard to various areas suggested for effecting savings is as under:—

Rationalisation of the manpower structure through reduced span of colour service:— A proposal for rationalisation of manpower structure, through reduced span of colour service in the Army, is already under consideration of the Ministry of Defence.

Rationalisation of the command structure in the Armed Forces:— The Army HQrs. have constituted Committees to rationalise and optimise manpower structures and maximise savings in Defence expenditure.

The important Committees are:—

(i) Experts Committee

(ii) Special Committee for review of combat echelons, and

(iii) Special Committee for review of Logistic support.

The Committees have given their recommendations and these are being analysed and implemented. The implementation of these recommendations is expected to result in considerable savings in Defence Expenditure.

Better utilisation of manpower resources particularly in workshops, repair, depots dockyards:—The utilisation of manpower is monitored continuously and every effort is made to optimally utilise the available resources. The Armed Forces have carried out an exercise to identify the areas where reduction of manpower is possible. As a result of this review, Services have been able to surrender some of the posts from the existing establishments and redeploy them profitably elsewhere. This has resulted in reduction in demand for new sanctions.

Partial privatization of production of items in ordance factories and defence related public sector units:—The practice of sub-contracting to private sector is resorted to for such areas where capacity constraints exist. Presently, in view of lean order book position the in-house capacity is being exploited to the extent feasible, before sub-contracting is resorted to.

Better utilization of manufacturing capacity and repair/overhaul capacity through exports effort and by including the small scale sector:— The Recommendations of the Estimates Committee have been noted. The Department of Defence Production and Supplies has already accorded a very high priority to export effect. Units in the small scale sector are also involved to the extent they can meet the stringent requirments of Defence.

Better utilization of defence lands:—A three-fold strategy has been adopted to achieve efficient utilisation of Defence, land, namely:—

(a) to reduce scales for various Defence requirements and by adoption of modern techniques;

(b) by identifying lands rendered permanently surplus to Defence requirements and disposal of such lands; and

(c) by restricting land acquisition to meet only essential requirements.

Thus, as recommended by the Estimates Committee appropriate measures have been initiated to ensure better utilisation of defence lands.

[Department of Economic Affairs O.M. No. F.9(2)/W&M/92, dated 31-8-92]

Recommendation Sl. No. 8 (Para No. 1.186)

The Committee find that foodgrains producers are not the only consumers of fertilizers. Cash crop producers such as growers of tea, coffee, tobacco, fruits, sugarcane and other cash crops also use chemical fertilizers. In their opinion there is no justification for sale of fertilizers at subsidised rates to producers of cash crops, Immediate steps should therefore be taken to study this aspect and find ways and means to ensure that subsidy on cash crops is eliminated.

Action Taken

Some subsidised fertilizers are being utilised for production of cash crops. However, as there are more than two lakh retail distributors of fertilizers it is not considered practicable to have a dual pricing so that the producers of cash crops obtain fertilizers at the full price. It may be stated that while decontrolling potassic/phosphatic fertilizers, the fact that these are being used more by farmers of commercial crops, was kept in view.

[Deptt. of Economic Affairs O.M. No. F 9(2)—W&M, dated 19-11-1992]

Recommendation Sl. No. 14 (Para No. 1.197)

The Committee recommend that where workers cooperatives are willing to take over the management of sick public sector units, the same should be encouraged.

Action Taken

Government is prepared to consider viable proposals for running sick PSUs by workers' cooperatives.

[Deptt. of Economic Affairs O.M. No.F 9(2) dated 31-8-1992]

Recommendation Sl. No. 16 (Para No. 1.201)

The Committee urge a comprehensive approach to the problem of unaccounted income and wealth.

Recent amnesty and inmunity schemes was the fourth opportunity provided to tax-dodgers in the past to legalise their wealth through disclosure schemes which have not yielded the desired results. Therefore, there should be no hesitation on the part of the Government to take stern measures against hoarders, black-marketeers, smugglers and other habitual tax evaders to unearth the ill-gotten unaccounted wealth. This, in turn, would also help curb inflation.

Action Taken

Government has adopted a comprehensive and multifaceted approach to tackle the problem of unaccounted income and wealth in the economy.Government has launched immunity schemes which provide an opportunity for holders of unaccounted income and wealth to declare their assets and receive the benefits of holding accountable wealth and income. These have shown substantial results. Government has also undertaken serveral steps to simplify and rationalise the tax structure which will reduce the incentive for generating and holding unaccountable income. Along with these measures, the enforcement machinery has been strengthened and a large number of seizures have been effected in recent times.

2. Surveys, search operations and assessments are the tools employed by the Income-Tax Department for identifying new assessees so as to widen the tax net and also to combat tax evasion. The surveys are conducted in the case of existing assessees for detecting tax evasion. These are also useful for collecting information regarding ostentatious expenditure incurred especially on social functions. These are also conducted for the purpose of identifying and locating new assessees, the basic objective being to bring persons having taxable income who have not hitherto been assessed to tax within the tax net.

3. The drive against tax dodgers, black marketeers, smugglers etc. is a continuous exercise and Government has been taking stern measures against tax evaders to unearth unaccounted wealth. In the period from 1.12.1991 to 31.7.1992, 4255 searches were conducted leading to seizure of cash and valuables of Rs. 281 crores and surrender of concealed income of Rs. 373 crores.

4. Government has introduced a new chapter in the Income-Tax Act, effective from 1.10.1986, to curb the use of black money in the real estate transactions. This enables the Income-Tax Department to make a pre-emptive/purchase of immovable properties in 28 Metropolitan cities whenever the Department comes to the conclusion that the sale value of the properties has been understand. Up to 31-3-1992, the Departmant made purchases of 774 properties at a cost of Rs. 299 crores. It has resold 382 properties costing Rs. 147 crores, for Rs. 195 crores.

[Deptt. of Economic Affairs O.M No. F 9(2)—W&M/92, dated 31.8.1992]

Recommendation Sl. No. 17 (Para No. 1.202)

The Committee desire that effective steps should be taken to mop up maximum possible amount of tax revenue lying in arrears.

Action Taken

Direct Taxes:

Collection of outstanding demands is always given high priority.

The total demands outsanding on 1-4-1991 amounted to Rs. 6695 crores, out of which Rs. 3247 crores have been collected/reduced up to 31-3-1992. However, current demands were also raised during this period out of which a portion has remained unrealised. Normally, the demands remain disputed in appeals and the recovery is generally possible only if the appeals have been decided in Government's favour.

The subject of reduction of outstanding demands was discussed in a recent Conference of Chief Commissioners/Commissoners of Income-Tax. The Conference inter alia resolved that in 1992-93 high priority should continue to be given to the matter of realisation and reduction of the outstanding demands.

Indirect Taxes (Central Excise)

The position of Central Excise arrears is as under:—

(Rs. Crores)

	As on 1.4.91	As on 1.4.92
1. Arrears not stayed by any authority	130.76	79.06
2. Arrears stayed by Collectors (Appeals)	51.01	94.27
3. Arrears stayed by CEGAT	274.15	370.16
4. Arrears stayed by Courts	393.98	400.36
5. Arrears referred to State revenue Authorities for recovery, Certificate Action, Persuasive action etc.	376.51	577.61

The Collectors of Central Excise have been advised to monitor personally important Court cases and take appropriate steps for expeditious disposal. Supreme Court/High Courts are moved from time to time for early listing of high stake revenue cases. Chief Justices of important High Courts have also been requested to earmark special Benches for expeditious settlement of these cases.

[Deptt. of Economic Affairs O.M. No. F 9(2)—W&M/92, dated 31-8-1992]

Recommendation Sl. No. 22 (Para No. 1.214)

As regards the implementation of economic reforms the Committee would like to strike a note of caution that while the Government must strive hard to improve the image of India as a market-driven country and that the new policy is irreversible the Committee at the same time would like the Government to underline the necessity of assuring the public of its determination to keep in check the twin dangers of inflation and unemployment which are already confronting the country. The Committee wish to express their grave concern at the unabating inflation which has hit the common man very badly.

Action Taken

The Government is seized of the serious problems of inflation and unemployment in the country and has been reiterating its resolve in Parliament and other fora, to mitigate them. The price situation is being regularly monitored by a Cabinet Committee. Along with the macro-economic stabilisation programme, several steps have been taken to contain demand and augment supplies to check inflationary pressures. The targeted reduction in fiscal deficit from 6.5 per cent of GDP in 1991-92 to 5 per cent in 1992-93 carries a major thrust in curbing aggregate demand. Selective credit controls on bank advances against price sensitive essential commodities have been tightened. On supply side, imports of essential commodities have been arranged to improve the domestic supply situation. The Public Distribution System has also been revamped and extended to about 1700 blocks in farflung and disadvantaged areas with a view to insulating the poor against inflation. As a result of the various steps taken, the rate of inflation which had peaked at around 16.7 per cent in August 1991, came down to 13.6 per cent at the end of March, 1992 and further to 11.2 per cent by early July, 1992.

'Generation of adequate employment to achieve near full employment level by the turn of the century' is mentioned as the first objective of the Eighth Five Year Plan (1992—97). For this, a 3 per cent annual growth in employment opportunities is considered necessary. Eradication of unemployment and poverty largely depends on faster and broad-based development of the economy. Geographically and cropwise diversified agriculture, wasteland development for crop cultivation and forestry, rural non-farm sector, small scale manufacturing, urban informal sector, rural infrastructure, housing and services, have been identified as sectors and areas constituting the basic elements of an employment-oriented growth strategy. Besides, efforts would be needed for upgradation of technologies of the self-employed in traditional and unorganised sectors and improved access to credit and markets. The programmes for the rural and the under-employed poor will continue.

The economic reforms policies, by stimulating growth process through infusing efficiency and competition, are expected to increase the capability of the system to reduce poverty and unemployment. Restructuring of the economy and reorientation of the role of public sector would necessitate some readjustment of workers. But it will be ensured that the weaker sections of society remain protected and do not bear the burden of adjustment. The establishemnt of the National Renewal Fund has been done with precisely this consideration in view.

[Deptt. of Economic Affairs O.M. No. F 9(2)—W&M/92, dated 31-8-1992]

Recommendation Sl. No. 23 (Para 1.215)

While dwelling upon the aspect of economic reforms under the New Economic Policy the Committee cannot emphasise what is all too obvious. While there is no painless way of mastering a crisis created by too heavy a debt burden yet the Committee feel that common man should not be called upon to pay too heavy price for past sins of omissions and commissions which can ungrudgingly be attributed to government/management failures.

At the same time the Committee feel that workers too must slowly but surely reconcile themselves to the fact that the public sector has ultimately to earn at least its own keep and has to run itself professionally for a profit. In that they must see the imperatives of the ongoing economic policy reforms in economy with a view to achieving objectives of improving productivity, efficiency, employment opportunities, strengthening technology base and boosting export performance for making Indian economy dynamic, outward looking and a powerful engine for growth and for raising the quality of life of the ordinary man in the country.

Action Taken

The Government have taken several measures so that the structural reforms under the New Economic Policy should not unduly hit the common man. A National Renewal Fund has already been established for retraining, redeployment or rehabilitation of the workers who become surplus due to the restructuring of the PSEs. Wherever possible, the sick PSEs will be rehabilitated by revival or merger. Cases of a number of sick PSEs have already been referred to the BIFR. Government appreciate the view that the workers also must reconcile to the imperative need of improving the efficiency and competitiveness of the PSEs. On this issue Government have been continuing a dialogue with the representatives of the Trade Unions at various levels.

[Deptt. of Economic Affairs O.M. No. F 9(2)—W&M/92, dated 31-8-1992]

Recommendation Sl. No. 24 (Para No. 1.216)

The Committee recommend as follows:

(i) The Government should ensure that the capital and technology inflows sought to be facilitated by the new industrial policy should not result in the loss of domestic market rather than in gaining export markets. India's priorities must be made clear. Concessions to foreign direct investment must be determined primarily by India's own needs and priorities.

(ii) The Committee also desire that creation of employment opportunities should receive the highest priority particularly in view of the structural adjustment which might cause disruption in the employment situation in the short-term.

(iii) With a view to stepping up employment generation the Government should accord primacy to agriculture, development of small scale industry and encourage investment to boost construction activities.

(iv) The Governemnt should strive hard to disseminate information about the new policies and their impact in order to promote national consensus on the subject.

(v) The Committee would like to caution the Government to take a serious note that inflation and unemployment which accompany deregulation of economy is likely to cause social tension. This can be avoided by creating awareness among the people.

(vi) The Government should take all steps necessary to firmly and effectively deal with the problems of industrial production and price rise in respect of items of mass consumption.

Action Taken

(i) The Government is not in favour of granting any special concessions to foreign investors *vis a vis* those being given to domestic investors. It is expected that foreign investments will flow into the country on the same terms and conditions as are currently available to domestic investors. Furthermore, several areas of industrial activity which have been reserved for the small scale industries and public sector units continue to be inaccessible for direct foreign investment except in special cases where such investment is accompanied with inflows of latest technology or substantial export earnings.

It may, however, be clarified that the objective of the new industrial policy is to remove as many procedural and bureaucratic hurdles as possible in the inflow of direct foreign investment into the country. The current levels of foreign investment inflows into India are so small that fears of loss of domestic markets may at this stage be quite unwarranted.

(ii) & (iii) The Government is conscious of the seriousness of the problem of unemployment facing the country. The National Development Council in its meeting on 22 & 23 May 1992, which was held to approve the draft Eighth Five Year Plan, also discussed the unemployment situation and decided to constitue a Committee under the Chairmanship of the Chief Minister of Assam to look into the problem of unemployment and suggest measures to tackle it.

2. The first priority in objectives of the Eighth Plan is generation of adequate employment to achieve near full employment level by the turn of the century. For this purpose, generation of new stable employment opportunities of the order of 10 million per year will be required during the Eighth Plan period. The main elements of the strategy, policies and programmes for creation of additional employment opportunities include a faster and geographically diversified growth of agriculture, development of infrastructure and marketing arrangement for agro-based activities, development and utilisation of wasteland, greater attention to the needs of the small and decentralised manufacturing sector, large scale programmes of construction of infrastructure and residential accommodation, strengthening basic health and education facilities, facilities for faster growth of services and informal sector activities, greater flexibility in special employment programmes and revamping of training systems.

3. Enhanced outlay in the Eighth Plan has been provided for

development of agriculture, rural development and social services keeping in view potentiality in employment generation.

4. The existing wage and self-employment programmes of Integrated Rural Development Programme, Jawahar Rozgar Yojana, Nehru Rozgar Yojana, Self Employment of the Educated Unemployed Youth etc. are proposed to be reviewed with a view to provide more flexibility.

5. The Government has also set up a Committee on Boosting of Employment for the Educated Unemployed under the Chairmanship of Deputy Chairman, Planning Commission.

6. The structural reforms may in the short run slow down the growth rate of GDP and, therefore, of employment during the initial one or two years of the Eighth Plan. In the long run, however, the strategy of creating conditions to generate larger productive employment particularly in the informal sector adopted during the Eighth Plan is expected to generate more employment.

7. A National Renewal Fund has been created. The Fund will provide assistance to cover the cost of retraining and redeployment of labour arising as a result of modernisation and restructuring and also provide compensation to labour affected by restructuring of industrial units. A provision of Rs. 200 crores has been made for the purpose in the Budget for 1992-93.

(iv) The recommendation of the Estimates Committee has been noted.

(v) The Government have initiated a number of steps for macro-economic stabilisation with a view to keeping inflation under control. These steps have been directed to contain pressure on demand and augment supply so that inflationary expectations are curbed. The pressures on demand has been eased as a result of massive effort to correct the fiscal imbalances by reducing the fiscal deficit from 8.5 per cent of GDP in 1990-91 to 6.5 per cent in 1991-92. The growth of net R.B.I. credit to Central Government has been significantly curbed. Selective credit controls on bank advances against price sensitive essential commodities like paddy/rice, cotton and kapas have been tightened. On supply side, steps have been taken to revamp the PDS and extend its reach to 1700 blocks in far flung and disadvantaged areas. Imports of essential commodities including wheat and edible oils have been arranged to improve domestic supply situation. The price situation is reviewed every week.

2. As mentioned in reply to recommendation 1.216(ii & iii) above, a National Renewal Fund has been created for retraining and redeployment etc. Further keeping in view employment potentiality, strengthening of basic health and education facilities and welfare

etc., outlays in the Eighth Plan has been stepped up substantially for agriculture and allied activities, rural development and social services.

(vi) The Government is taking all steps necessary to effectively deal with problem of industrial production and price rise in respect of items of mass consumption. A Steering Committee has been constituted under the Chairmanship of Principal Secretary to the PM to monitor progress in industrial production and consider steps necessary to stimulate industrial activity in the economy. A Special Action Committee under the Chairmanship of Cabinet Secretary regularly monitors the price situation in the country and the measures required to bring down inflation in the economy. The Government is committed to using all the resources available at its command to ensure that the prices of mass consumption items are not allowed to rise in the coming months.

[Deptt. of Economic Affairs O.M. No. F. 9(2)/W&M/92, dated 31.8.1992]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT'S REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRES REITERATION

Recommendation Sl. No. 2(Para No. 1.179)

The Committee would like to caution Government against any hasty or indiscriminate measure to cut expenditure or raise resources in any manner which may further strengthen inflationary pressures on the economy, leading to a fresh burden on the common man.

While the Committee appreciate the compulsions within the Government have committed themselves to a certain quantitative figures in regard to 'fiscal deficit' they would like the Government to ensure that economic restructuring and measures for expenditure contraction as well as revenue augmentation balance each other as far as possible. The committee wish to express their deep anxiety at the possibility of both these steps together breaking the back of the proverbial 'camel' resulting in public disquiet giving way to despair which will have for reaching and adverse consequences for the country.

Action Taken

A significant factor contributing to strengthening of inflationary pressures is the Government's fiscal deficit. Therefore, the fiscal adjustment and discipline sought to be restored by the Government will itself contribute significantly to the reduction in inflationary pressures in the economy. Government is conscious of the need to keep to a minimum the expenditure cuts in social sectors such as health, education, family welfare etc. which directly affect the welfare of the common man. In the Budget for 1992-93, therefore, the Government has put a great deal of emphasis on improving the efficiency of public sector units and recovering higher dividend payment from them. Moreover, revenues are also being raised from disinvesting of public sector equity. These measures, alongwith some others to reduce unnecessary and wasteful expenditure in the Government will enable the Government to undertake expenditure cuts such that they do not contribute to increasing the inflationary burden on the common man.

It must be emphasised that the Government is prepared to use some of its foreign exchange reserves which have been built up during this year, to augment supplies of essential commodities like foodgrains and edible oils through imports. This will contribute directly to the dampening of inflationary pressures in the economy.

[Deptt. of Economic Affairs O.M. No. F. 9(2)/W&M/92 dated 31.8.1992]

Recommendation Sl. No. 11 (Para No. 1.192)

The Committee are of the view that balance of advantage lies in favour of a ceiling on borrowings. In their opinion, the difficulties perceived in having a ceiling on borrowings can be overcome by adopting a flexible approach in determining the figure at which ceiling should be imposed. Any such figure can be reviewed every year and adjusted in accordance with the requirements of the situation but only after a discussion and positive vote in the Parliament. The Committee feel that this itself will act as a check against indiscriminate borrowings and its pernicious consequences.

Action Taken

1. Article 292 of the Constitution contains a provision for the imposition of a statutory ceiling on the Centre's borrowings. It reads as follows:—

> Borrowing by Government of India—the executive power of the Union extends to borrowing upon the security of the Consolidated Fund of India and within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving of guarantees within such limits, if any, as may be so fixed.

This Article covers only borrowings on the security of the Consolidated Fund i.e. its coverage is restricted to borrowing from market loans, Treasury Bills and external loans which flow into the Consolidated Fund of India. It does not cover borrowings, like small savings, provident funds, deposits, etc. which flow into the Public Account of India. In the 1992-93 Budget while net consolidated fund borrowings are estimated at Rs. 14898 crores, net borrowings from the Public Account are estimated at Rs. 19510 crores.

2. Providing for a statutory ceiling on borrowings on the security of the Consolidated Fund alone would therefore not serve any purpose. This Ministry has examined whether it would be feasible to prescribe a statutory ceiling on borrowing on the security of the Consolidated Fund of India plus fresh liabilities arising in the Public Account of India, which should not exceed at the end of the financial year, a fixed percentage of the estimated GDP in that financial year.

3. This has, however, not been found operationally feasible as the GDP

for any year is available only two years later. Any such scheme would require that the Government legislate at the beginning of each year for a permissible amount of borrowing fixed as a stated percentage of GDP. The scheme would also have to provide that any excess over the ceiling on this statutorily prescribed borrowing has to be regularised by Parliament in due course, as in the case of excess expenditure over grants voted by Parliament. Such a scheme will not be an improvement from what is inherent in the present budgetary procedure. A statutory ceiling on borrowing will not help improve Government budgetary practice and the extent of fiscal discipline more than what is possible now.

4. This Ministry's view is, therefore, that there is no specific advantage in providing for a statutory ceiling on Government borrowing.

[Deptt. of Economic Affairs O.M. No. F. 9(2)-W&M/92, dated 31.8.1992]

Recommendation Sl. No. 12 (Para No. 1.194)

Since repayment of Principal constitute a major item of expenditure in the Budget and in order to have proper assessment of the magnitude of debt service payment (i.e. repayment of principal and payment of interest) during the year, the Committee recommend that the item 'interest payments' in the Expenditure Budget should be replaced by 'Debt Service Payment' indicating separately the 'Repayment of Principal' and 'Interest Payments' in that year, both as a proportion to the total revenue.

Action Taken

Article 112 of the Constitution provides that in the "Annual Financial Statement" placed before both the Houses of Parliament, the estimates of expenditure "shall distinguish expenditure on revenue account from other expenditure". The Expenditure Budget documents have to follow the classification adopted in the Annual Financial Statement.

2. In accordance with the accounting classification prescribed on the advice of the Comptroller and Auditor-General of India, under article 150 of the Constitution, interest charges are classified as revenue expenditure, while internal and external debt receipts and repayments are classified as capital receipts and payments. These transactions pertain to the Consolidated Fund of India and hence the related expenditures are to be authorised by Parliament under article 114 of the Constitution. Certain other borrowings like small savings, provident funds, special deposits, etc. form part of the Public Account of India. Repayments of these liabilities do not require parliamentary authorisation under the constitutional provisions.

3. Revenue receipts of the Central Government are presently less than the revenue expenditure and there is a resultant revenue deficit. This has been a recurring phenomenon ever since 1979-80 and is likely to continue for sometime to come. In this situation, borrowings will necessarily have to

be repaid, on maturity, only from fresh borrowings and not out of revenue. Accordingly in the documents Budget at a Glance and Receipts Budget, borrowings are shown on a net basis, that is net of repayments. This is also the practice adopted by the Planning Commission in drawing up the scheme of financing the Plan.

4. As revenue receipts are not at present being applied towards any repayment of debt a comparison of the two does not appear to be appropriate at this stage.

[Deptt. of Economic Affairs O.M. No. F. 9(2)-W&M/92, dated 31.8.1992]

CHAPTER V

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

NIL

NEW DELHI;
March 26, 1993
Chaitra 5, 1915 (Saka)

MANORANJAN BHAKTA
Chairman,
Estimates Committee.

APPENDIX

(*Vide* Introduction of the Report)

Analysis of Action Taken by Government on the 12th Report of Estimates Committee (10th Lok Sabha)

Total number of Recommendations	24
I. Recommendations/Observations which have been accepted by Government	
(Sl. Nos. 1, 3, 5, 6, 7, 9, 10, 13, 15, 18, 19, 20, 21)	
Total	13
Percentage	54.16%
II. Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies	
(Sl. Nos. 4, 8, 14, 16, 17, 22, 23, 24)	
Total	8
Percentage	33.33%
III. Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee	
(Sl. Nos. 2, 11, 12)	
Total	3
Percentage	12.50%
IV. Recommendations/Observations in respect of which final replies are still awaited	
(Nil)	
Total	Nil
Percentage	Nil

PART—II

MINUTES OF THE 27TH SITTING OF THE ESTIMATES COMMITTEE (10TH LOK SABHA) HELD ON 16TH MARCH, 1993

The Committee sat from 1500 hours to 1625 hours.

2. The following were present in the sitting of the Committee:—

1. Shri Manoranjan Bhakta — *Chairman*

MEMBERS

2. Shri Somjibhai Damor
3. Shri Santosh Kumar Gangwar
4. Shrimati Girija Devi
5. Shri Nurul Islam
6. Dr. Viswanatham Kanithi
7. Shri Manjay Lal
8. Shri Hannan Mollah
9. Shri G. Devaraya Naik
10. Shri Rupchand Pal
11. Shri Sriballav Panigrahi
12. Shri Harish Narayan Prabhu Zantye
13. Shri Amar Roy Pradhan
14. Shri Moreshwar Save
15. Shri Manabendra Shah
16. Shri Mahadeepak Singh Shakya
17. Shri Manku Ram Sodhi

SECRETARIAT

1. Shri B. B. Pandit — *Director*
2. Shri K. L. Anand — *Under Secretary*
3. Shri S. B. Arora — *Committee Officer*

3. The Committee considered and adopted the following Draft Reports:—

(i) ** ** **

(ii) Draft Report on action taken by Government on the recommendations contained in the 12th Report of Estimates Committee (10th Lok Sabha) relating to the Ministry of finance (Department of Economic Affairs)—Fiscal Policy—Management of Deficit—External and Internal Debts was considered by the Committee and the same was adopted subject to the following amendment/modification:

ADD the word 'Marketing support' *after* the word 'upgradation' at page 17 of the Report.

(iii) ** ** **

4. The Committee also authorised the Chairman to make other consequential changes arising out of factual verifications by the respective Ministries and present the same to the House.

The Committee then adjourned.

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATION

Sl. No.	Name of Agent

ANDHRA PRADESH

1. M/s. Vijay Book Agency, 11-1-477, mvlargadda, Secunderabad-500 306.

BIHAR

2. M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).

GUJARAT

3. The New Order Book Company, Ellis Bridge, Ahmedabad-380 006. (T. No. 79065)

MADHYA PRADESH

4. Modern Book House, Shiv Vilas Place, Indore City. (T.No. 35289)

MAHARASHTRA

5. M/s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400 002

6. The International Book Service, Deccan Gymnkhana, Poona-4.

7. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400 001.

8. M/s. Usha Book Depot, 'Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-400 002.

9. M & J Services, Publishers, Representative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor, 68, Jyotiba Fuele Road Nalgaum, Dadar, Bombay-400 014.

10. Subscribers Subscription Service India, 21, Raghunath Dadaji Street, 2nd Floor, Bombay-400 001.

TAMIL NADU

11. M/s. M.M. Subscription Agencies, 14th Murali Street, (1st Floor), Mahalingapuram, Nungambakkam, Madras-600 034. (T.No. 476558)

UTTAR PRADESH

12. Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad, U.P.

WEST BENGAL

13. M/s. Madimala, Buys & Sells, 123, Bow Bazar Street, Calcutta-1.

DELHI

14. M/s. Jain Book Agency, C-9, Connaught Place, New Delhi, (T.No. 351663 & 350806).

15. M/s. J.M. Jaina & Brothers, P. Box 1020, Mori Gate, Delhi-110006. (T.No. 2915064 & 230936).

16. M/s. Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-110 001. (T.No. 3315308 & 45896).

17. M/s. Bookwell, 2/72, Sant Nirankari Colony, Kingsway Camp, Delhi-110 009. (T.No. 7112309).

18. M/s. Rajendra Book Agency, IV-DR59, Lajpat Nagar, Old Double Storey, New Delhi-110 024. (T.No. 6412362 & 6412131).

19. M/s. Ashok Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110 033.

20. M/s. Venus Enterprises, B-2/85, Phase-II Ashok Vihar, Delhi.

21. M/s. Central News Agency Pvt. Ltd., [illegible] Connaught Circus [illegible]

22. [illegible]

23. [illegible] Publishers, Importers & Exporters, L-27, Sastri Nagar, Delhi-110 052. (T.No. 269631 & 714465).

24. M/s. Sangam Book Depot, 4378/4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110 002.