



THE ADMINISTRATIVE  
REFORMS COMMISSION  
(SECRETARIAT)

RECOMMENDATIONS & CONCLUSIONS  
OF ADMINISTRATIVE REFORMS  
COMMISSION

Compendium

JULY 1970

THE ADMINISTRATIVE REFORMS  
COMMISSION  
(SECRETARIAT)

RECOMMENDATIONS AND CONCLUSIONS  
OF  
ADMINISTRATIVE REFORMS COMMISSION

A C o m p e n d i u m

JULY 1970

## C O N T E N T S

I. The Machinery of the Government of India and Its Procedures of Work						Pages
1. Report on the Machinery of the Government of India and its procedures of work						3
2. Report on Railways .. .. .						13
3. Report on Posts & Telegraphs .. .. .						23
4. Report on Scientific Departments .. .. .						30
II. Machinery for Planning						
5. Report on Machinery for Planning (Interim) .. .. .						39
6. Report on Machinery for Planning (Final) .. .. .						42
III. Centre-State Relationships						
7. Report on Centre-State Relationships .. .. .						51
IV. Financial Administration						
8. Report on Finance, Accounts and Audit .. .. .						57
9. Report on Delegation of Financial and Administrative Powers .. .. .						65
10. Report on Treasuries .. .. .						67
V. Personnel Administration						
11. Report on Personnel Administration .. .. .						73
VI. Economic Administration						
12. Report on Economic Administration .. .. .						89
13. Report on Public Sector Undertakings .. .. .						99
14. Report on Life Insurance Corporation .. .. .						120
15. Report on Central Direct Taxes Administration .. .. .						123
16. Report on Small Scale Sector .. .. .						128
17. Report on Reserve Bank of India .. .. .						137
VII. Administration at the State Level						
VIII. District Administration						
18. Report on State Administration .. .. .						141
19. Report on Administration of Union Territories and NEFA .. .. .						155
IX. Problems of Redress of Citizens' Grievances						
20. Problems of redress of citizens' grievances .. .. .						165
Annexure I : Government of India Resolution dated 5th January, 1966 .. .. .						169

## FOREWORD

The Administrative Reforms Commission presented 20 reports from January 1966 to June 1970. These reports covered various aspects of the vast field of administration ranging from the Union Government at the apex to the panchayati raj institutions at the grass-root.

2. These 20 reports of the ARC were presented at different points in time and at different stages of its working—the first one being presented in October, 1966, and the last one in June, 1970. Each report is, by and large, complete in itself and deals with a specific field of public administration. The present compendium of all the recommendations made by the Commission in these reports would be of great help to the students of public administration or any one interested. To the public servants of all classes, however, it may be of practical utility. Universities, colleges and Institutes of Public Administration may also like to have it for study and reference.

3. In this compendium, the twenty reports have been grouped under the relevant areas of administration. This is complementary to the earlier publication entitled "The Administrative Reforms Commission and its Work". The two publications together seek to delineate the ARC and its work.

K. HANUMANTHAIYA

*Union Minister of Law & Social Welfare  
(Formerly Chairman, Administrative  
Reforms Commission)*

NEW DELHI  
31st July, 1970

## INTRODUCTION

The reports of the Administrative Reforms Commission are twenty in number and are by and large independent of one another. A single compilation of all the reports, though very helpful, would not be handy and hence is not considered to be a sound proposition. In the circumstances, the Secretariat of the ARC felt that for the convenience of all concerned including the public servants as well as the students of public administration, it would be more appropriate to bring out a publication codifying all the recommendations and conclusions contained in the reports. This compendium will, I hope, go a long way in fulfilling the general desire to have readily available at one place all the recommendations made by the ARC on the various areas of public administration or organisations of Government.

2. The Government of India Resolution\* dated the 5th January, 1966, set out the terms of reference of the Commission and specified in particular ten areas of administration for its consideration. The Commission examined and reported on nine out of these ten areas leaving out of consideration only the area of agricultural administration. It was felt that since the Government of India had decided to appoint a separate Commission on Agriculture, a report on this subject by the ARC was not called for.

3. While going through the recommendations of this compendium, the reader will come across references to certain paras and chapters. The references to such paras and chapters should be construed as relating to the paras/chapters of the relevant report.

4. At my request, Shri K. Hanumanthaiya, formerly Chairman, ARC (now Union Minister of Law and Social Welfare) has kindly consented to write a foreword to the compendium. I am deeply beholden to him for having taken this trouble and having given us all encouragement and guidance in this effort.

N. S. PANDEY

*Joint Secretary*

*Administrative Reforms Commission*

*(Secretariat)*

New Delhi

31st July, 1970

\*Reproduced at Annexure I.

**AREA: THE MACHINERY OF THE GOVERNMENT OF INDIA  
AND ITS PROCEDURES OF WORK**

*Reports Presented:*

- (1) The Machinery of the Government of India and its procedures of work.**
- (2) Railways**
- (3) Posts and Telegraphs**
- (4) Scientific Departments**

# REPORT ON THE MACHINERY OF THE GOVERNMENT OF INDIA AND ITS PROCEDURES OF WORK

## Machinery at Supra-Ministry Levels\*

1. (1) (a) The number of Ministers in the Union Cabinet should be 16, including the Prime Minister.

(b) Each Department/subject should be represented in the Cabinet by one or the other Cabinet Minister. The sixteen Cabinet portfolios may be as indicated in para 15.

(c) The strength of Council of Ministers should normally be 40. It may be increased in special circumstances but should in no case exceed 45.

(2) The three-tier system in the ministerial set-up, comprising Cabinet Ministers, Ministers of State and Deputy Ministers, may continue. The office of Parliamentary Secretary, which has now fallen into desuetude need not be revived.

(3) The functions and responsibilities of Ministers of State and Deputy Ministers and the powers which they may exercise within a Department or a Ministry should be clearly specified in the appropriate rules or orders.

(4) The Prime Minister should consult the Cabinet Minister concerned before assigning a particular Minister of State or Deputy Minister to his Ministry.

(5) No more than two Ministers should be involved in the decision-making process in any Ministry.

2. (1) The Prime Minister should be given institutional support, in the form of Deputy Prime Minister, for ensuring efficient and effective functioning of the governmental machinery. The Deputy Prime Minister should have the charge, in addition to his own portfolio, of such subjects and *ad hoc* assignments as the Prime Minister considers appropriate. The office of the Deputy Prime Minister should be recognised in the Transaction of Business Rules.

(2) The Prime Minister should continue to be associated with key-appointments. He should periodically, say, once a month, meet, individually or in groups the Secretaries of important Departments.

(3) The Prime Minister should not ordinarily be in charge of a Ministry. His time should mostly be available for guidance, co-ordination and supervision.

3. (1) The existing Standing Cabinet Committees should be re-constituted as proposed in paras 29-30. The Committees should between them cover all important activities of Government. The membership of each Committee should not normally exceed six and should include all Ministers in charge of subjects covered by the Committee.

---

\*Subject to a minute of dissent.

(2) Every Standing Committee of Cabinet should be supported by a Committee of Secretaries which will consider in advance all matters to be taken up in the Cabinet Committee.

(3) *Ad hoc* Committee of Ministers may be set up for investigating (but not deciding) particular issues and reporting to the Cabinet or the appropriate Cabinet Committees, as the case may be.

4. (1) The role of the Cabinet Secretary should not be limited to that of a coordinator. He should also act as the principal staff adviser of the Prime Minister, the Cabinet and the Cabinet Committees on important policy matters.

(2) The Cabinet Secretary should ordinarily have a tenure of three to four years.

#### **Relations between Ministers, Civil Servants and Parliament\***

5. The Prime Minister should meet all Ministers individually or in group every month to discuss progress in implementation of policies and programmes and measures for improving the administrative efficiency. This should help promote a more active interest on the part of individual Ministers in improving the implementation process and the management of their Ministries.

6. (1) In selecting his colleagues, the Prime Minister should give special attention to considerations of political stature, personal integrity, intellectual ability and capacity for taking decisions and sustained application to work.

(2) In assigning a portfolio, due regard should be paid to the aptitude and capabilities of an incumbent.

(3- A Minister should take a holiday of at least two weeks in a year which he should devote to reading, reflection and relaxation.

7. The initial and annual statements of their financial assets and liabilities to be furnished by the Ministers under the Code of Conduct should be made available to the Lokpal. If any Minister fails to furnish such a statement the fact should be mentioned by the Lokpal in his annual report to Parliament. Suitable provision to this effect may be made in the Lokpal Bill which is now before Parliament.

8. (1) All major decisions, with reasons therefor, should be briefly reduced to writing, particularly where the policy of Government is not clear or where some important departure from the policy is involved or where the Minister differs from the Secretary on an important issue.

(2) Ministers should try to develop a climate of fearlessness and fairplay among the senior officers and encourage them to give frank and impartial advice. They should give the Secretaries the necessary guidance in carrying out their policies and orders.

(3) The Prime Minister should, with the assistance of the Cabinet Secretary and the central personnel agency, take special interest to arrest the growth of unhealthy personal affiliations to individual Ministers among civil servants.

---

\*Subject to a minute of dissent.



(4) Ministers should not intervene in the day-to-day administration except in cases of grave injustice, serious default or maladministration on the part of civil servants. Where a citizen's request or complaint calls for revision of a rule, procedure or policy, it should be met by effecting such revision, and not by relaxing the rules to accommodate an individual case.

(5) Secretaries and other civil servants need to show greater sensitivity to and a better appreciation of the Minister's difficulties, and to discriminate between minor adjustments on the one hand, and acts of political and other forms of accommodation compromising basic principles or likely to have substantial or lasting repercussions on efficiency and morale of the services, on the other.

(6) The official relationship of the Secretary to the Minister should be one of loyalty and that of the Minister to the Secretary one of confidence.

9. (1) A Minister should be held accountable—(a) when he fails to formulate policy in respect of a major problem or when the policy formulated is found erroneous or suffers from major weaknesses; (b) when he neglects to pay personal attention on important issues other than that of policy where such attention is expected of him or wrongly handles such issues; (c) when there is a general or major mismanagement or maladministration in his Department/Ministry; and (d) when he commits some act of impropriety.

(2) A Minister should not be held accountable for an act of a civil servant which is (a) in express violation of a directive or order issued by him; or (b) by implication prohibited by policies already approved by him; or (c) in mala fide.

(3) For reinfor the principle of collective responsibility, it is essential that (a) the Cabinet should be agreed on fundamentals and all important issues are discussed and settled by the Cabinet; (b) a Minister does not announce a new policy or a major departure from current policy with the approval of the Cabinet; and (c) a Minister should not ordinarily speak or make announcements on matters not within his portfolio. However, if the circumstances so require of him, he must get himself properly briefed by the Minister concerned.

(4) Standing Committees of Parliament may be set up for reviewing the work of Departments grouped in five sectors, namely, Social Services, Economic Administration, Defence and Foreign Affairs, Food and Rural Development and Transport. These Committees should function on the lines of the Committee on Public Undertakings and without taking over the functions of the Public Accounts Committee. To begin with only two of the Committees need be set up. As the Estimates Committee is now doing for each Department the type of review which is proposed for the sectoral committees, it will be necessary to remove from the purview of the Estimates Committee the Departments which fall within the jurisdiction of the sectoral committee. Where a Parliamentary Committee for a Department exists, it should not be necessary to have an Informal Consultative Committee.

(5) A balanced view should be taken of the working of a Government Department. Stray cases of bonafide default or shortcomings should be viewed against the background of overall achievements.

### **Ministries and Departments**

10. The role of the Central Ministries and Departments in subjects falling within the State List should be confined to matters listed in para 85. An analysis should be made in the light of these criteria of the items of work now handled by the Central agencies and such items as do not fulfil the criteria should be transferred to the States.

11. (1) Non-secretariat organisations engaged primarily in planning, implementation, coordination and review of a single development programme or several allied programmes, covering a substantial area of the activities of the Ministry and having a direct bearing on policy-making should be integrated with the Secretariat of the concerned Ministry. Such amalgamation, subject to criteria laid down in para 96, is especially significant in the case of activities of scientific and technical character and activities which call for a high degree of functional specialisation.

(2) The heads of non-secretariat organisations which are integrated with the Secretariat should function as the principal advisers to the Government in the respective areas and should enjoy a status appropriate to the nature of their duties and responsibilities. They may retain their present designations. It is not necessary to confer on them a formal ex-officio Secretariat status.

(3) In all other cases the present distinction between policy-making and executive organisations may be continued. Such distinction is vital for protecting the operational autonomy of the regulatory executive agencies and such developmental executive organisations as are mostly engaged in promotional activities, provision of a service or production and supply of a commodity.

(4) Executive functions at present performed by an administrative Ministry or Department which do not have a close bearing on policy-making (in terms of the criteria enunciated in para 96) should be transferred to an appropriate, existing non-secretariat agency or to a new executive organisation specially created for the purpose, provided that the volume of the work justifies its creation.

(5) Policy position in Departments and Ministries dealing with scientific and technical matters or with functions of highly specialised character should include persons having relevant specialised experience or expertise.

12. (1) In non-staff Ministries other than those with board-type of top management, there should be set up three "staff" offices, namely, (i) an office of planning and policy; (ii) a chief personnel office; and (iii) a chief finance office. An administrative Department with a heavy charge or with functions which have no close affinity with the work of other department(s) may have a separate planning and policy office.

(2) The office of planning and policy should include the planning cell recommended in the ARC report on Machinery for Planning. This office should continuously be engaged in formulating long-term policies, carrying out policy studies and evolving a series of well-articulated policy statements. It should also deal with the parliamentary work of the Department/Ministry.

(3) The chief personnel office in a Ministry should serve as a focal point for the formulation and coordination of overall personnel policies, initiating measures for promoting personnel development and matters concerning discipline, appeals, memorials and service rules of cadres administered by the Ministry. It may also look after office management, O. & M. and general administration.

(4) Each of the three "staff" offices should be manned by staff having specialised knowledge and experience. The head of each "staff" office should generally be of the rank of a Joint Secretary though in some cases he may even be a Deputy Secretary or an additional Secretary depending on the quantum of work.

(5) In addition to the three staff offices, each Ministry should have a public relations office or unit.

(6) The heads of the "substantive work" wings may deal directly with the chiefs of the three "staff" offices, as also with the Secretary and Minister on matters of technical or operational policy. Proposals having a bearing on long-term policy should, however, be processed through planning and policy office.

13. (1) Distribution of work between the wings of a Ministry/ Administrative Department and within the divisions of a Secretariat wing should be based on considerations of rationality, manageability of change and unity of command.

(2) Each secretariat wing should have its separate identity and its budget should appear as a distinct unit in the budget of the Ministry. Its head should enjoy adequate administrative and financial powers.

(3) The head of the wing should have the primary responsibility for good administration within the wing, effective supervision and control of staff and maintenance of high standards of discipline and conduct.

(4) The head of the wing should have considerable say in formulation of the wing budget, creation of posts, subject to budget provision, spending of budgeted funds and appointment of personnel to the wing and their transfer therefrom. He should also have the necessary powers for effective day-to-day personnel management in the wing, e.g., powers to sponsor staff for training, to grant honorarium, to impose minor penalties and to fill short-term leave vacancies.

14. (1) (a) There should be only two levels of consideration below the Minister, namely, (i) Under Secretary/Deputy Secretary, and (ii) Joint Secretary/Additional Secretary/Secretary. Work should be assigned to each of these two levels on the lines of "desk officer" system. Each level should be required and empowered to

dispose of a substantial amount of work on its own and will be given the necessary staff assistance.

(b) The staffing pattern within a wing may be flexible to facilitate the employment of officers of various grades.

(c) The duties and requirements of various jobs in the Secretariat at each of the two levels should be defined clearly and in detail on the basis of scientific analysis of work content.

(2) For smooth and effective working of the proposed "desk officer" system, the following measures will be necessary:

- (a) introduction of a functional file index;
- (b) maintenance of guard files or card indices which will contain all important precedents;
- (c) adequate provision for "leave" reserve;
- (d) adequate stencographic and clerical aids.

(3) (a) There should be set up in each Ministry or major administrative Department a Policy Advisory Committee to consider all important issues of long-term policy and to inject thinking inputs from different areas of specialisation into problem solving. The Committee should be headed by the Secretary of the Ministry and should include the heads of the three staff offices (of planning and policy, finance and personnel) and heads of important substantive work wings (including those of the non-secretariat organisations integrated with the Ministry/Administrative Department). As and when necessary the heads of the governing bodies of important research and training institutions and boards and corporations outside the Government may be co-opted as members of the Policy Advisory Committee for such items of work as are of interest to them.

(b) Self-contained papers or memoranda, setting out problems, their various alternative solutions, merits and demerits of each alternative, etc. should be prepared for consideration by the Committee, and the decision arrived at should be duly recorded in minutes.

#### **Administrative Reforms—Formulation and Implementation\***

15. (1) The Department of Administrative Reforms should confine itself mainly to: (a) studies on administrative reforms of a foundational character, (b) building up O. & M. expertise in Ministries/Departments and training the personnel of their O. & M. units in modern techniques of management, and (c) advice and guidance to these O. & M. units in effecting administrative improvements and reforms.

(2) The existing O. & M. units in different Ministries/Departments should be reactivated.

(3) A special cell on 'perspective reforms' should be set up in the central reforms agency.

(4) In its methods of work, staffing pattern and organisational structure the central reforms agency should be 'research-oriented'.

\*Subject to a minute of dissent.

(5) The Department of Administrative Reforms should be placed directly under the Deputy Prime Minister.

(6) It is necessary to develop strong, autonomous professional institutions which will promote original thinking on administrative reforms and innovations. Studies on administrative reforms and improvements of the types mentioned in para 149 can be entrusted, with advantage, to autonomous professional institutions like the Indian Institute of Public Administration, Institute of Applied Manpower Research, Administrative Staff College (Hyderabad), and Institutes of Management at Calcutta and Ahmedabad and selected Universities.

(7) There should be set up a council on administrative reforms to advise the central reforms agency on the planning of its programme of work, to review progress, to help induct fresh thinking into its working, and to coordinate the activities of the different professional organisations engaged in research on problems of public management. The Council should consist of eight members, drawn from Members of Parliament, experienced administrators and eminent scholars interested in public administration. It may be presided over by the Deputy Prime Minister.

16. (1) The responsibility for overseeing the implementation of the recommendations of the Administrative Reforms Commission should rest with the Deputy Prime Minister.

(2) Before the Cabinet takes up a report of the Commission, it should be considered by the Cabinet Committee on Administration.

(3) (a) A Special Cell should be set up in the Cabinet Secretariat under the over-all charge of the Deputy Prime Minister and the general supervision of the Cabinet Secretary, to process the Commission's reports. It should also assist the Deputy Prime Minister in overseeing the implementation of the accepted recommendations.

(b) After the Ministry/Ministries have communicated their views, the Special Cell in the Cabinet Secretariat should, under the direction of the Deputy Prime Minister, prepare the necessary papers for the Cabinet Committee on Administration.

(c) Within a Ministry/Department the Commission's recommendations should be dealt with at a high level.

(4) Within three months of the receipt of a report of the Commission, Government should place before Parliament a White Paper indicating their decisions on the basic recommendations contained in that report.

(5) There should be set up an all-party parliamentary committee of both Houses whose functions will be to see that the recommendations accepted by the Government are implemented expeditiously.

#### **A Central Personnel Agency\***

17. (1) A separate Department of Personnel should be set up, with a full Secretary in charge who should work under the general guidance of the Cabinet Secretary.

\*Subject to a minute of dissent.

(2) This Department should have the following functions and responsibilities:

- (a) formulation of personnel policies on all matters common to the Central and All-India Services, and inspection and review of their implementation;
- (b) talent hunting, development of personnel for "senior management" and processing of appointments to senior posts;
- (c) manpower planning, training and career development;
- (d) foreign assistance programme in personnel administration;
- (e) research in personnel administration;
- (f) discipline and welfare of staff and machinery for redress of their grievances;
- (g) liaison with the Union Public Service Commission, State Governments, Professional Institutions, etc.; and
- (h) staffing of the middle-level positions in the Central Secretariat (of Under Secretaries and Deputy Secretaries) with the assistance of and on the advice of the Establishment Board.

(3) (a) The Department of Personnel should not itself administer any service cadre. The administrative control of different service cadres should vest with individual Ministries and Departments concerned.

(b) The administration of the IAS, IPS and the centralised aspects of the Central Secretariat Service should be the responsibility of the Ministry of Home Affairs.

(c) The management of the Indian Economic Service and of the Indian Statistical Service should be transferred to the Department of Economic Affairs.

(4) The Cabinet Secretary should, by convention, be regarded as Secretary-General of the new Department of Personnel, without being formally so designated. He should be actively involved in the development of and selection for "senior management" but not in appointments below that level.

(5) The new Department of Personnel should be placed directly under the Prime Minister.

(6) An Advisory Council on Personnel Administration may be set up to act as a feederline of new ideas and thinking on personnel administration. It should be composed of official and non-official experts in different aspects of personnel management, drawn from all over the country.

(7) The Establishment Board should be located in the new Department of Personnel and the Secretary of this Department should be its Chairman. The Board should deal with appointments only upto and including Deputy Secretaries.

### Grouping of Subjects\*

18. (1) (A) Ministries and Departments in the Government of India as presently constituted should be reorganised into Ministries and Departments as indicated in para 192.

(B) In particular—

- (i) As recommended earlier—
  - (a) A new Department of Personnel should be created under the Prime Minister's charge with functions as indicated in para 182 of Chapter VI of this report.
  - (b) The Department of Administrative Reforms should be under the charge of the Deputy Prime Minister (*vide* para 147, Chapter V).
- (ii) The Research and Development organisation of the Ministry of Defence should be located in the main Ministry and not in one of its Departments.
- (iii) The Department of Revenue and Insurance should be reorganised as the Department of Revenue and Expenditure.
- (iv) (a) "Insurance" should be transferred to the Department of Economic Affairs.
  - (b) The present functions of the Department of Statistics in the Cabinet Secretariat should be transferred to the Department of Economic Affairs in the Ministry of Finance.
  - (c) The Department of Economic Affairs should be responsible for coordination of all activities of Government in the economic field. The Commission for Prices, Cost and Tariff (the establishment of which has been recommended earlier in the report on Economic Administration) should be administratively related to the Department of Economic Affairs.
- (v) The Department of Company Affairs should be shifted from the Ministry of Industrial Development and Company Affairs to the Ministry of Finance.
- (vi) External Publicity should be transferred to the Department of Information and Broadcasting (now a Ministry).
- (vii) (a) The combined Ministry of Commerce and Industry should have two Departments (a) Department of Commerce and (b) Department of Industrial Development.
  - (b) The Council of Scientific and Industrial Research should be placed in the combined Ministry of Commerce and Industry.
- (viii) The Advisory Committee to the Cabinet on Science and Technology should serve as the central point for advising the Cabinet on science policy, setting priorities and planning and review of scientific and technological research. It should have a permanent secretariat to service it.
- (ix) The Ministry of Transport and shipping and the Ministry of Tourism and Civil Aviation should be combined into a single Ministry of Transport and Tourism.

\*Subject to a minute of dissent.

- (x) "Communications" should be transferred to the Ministry of Information and Broadcasting to form the Ministry of Communications, Information and Broadcasting.
- (xi) The charge of the Department of Parliamentary Affairs should be held by a Cabinet Minister who is the Leader of the House (Lok Sabha).
- (xii) A Directorate of Construction should be set up in the Department of Works and Housing, charged with functions indicated in para 224.
- (xiii) The Ministry of Steel, Mines and Metals and the Ministry of Petroleum and Chemicals should be integrated into a single Ministry of Metals, Chemicals and Oil.
- (xiv) The Department of Community Development and the Department of Cooperation should be merged together to form the Department of Community Development and Cooperation.
- (xv) The Department of Food, the Department of Agriculture and the combined new Department of Community Development and Cooperation should constitute together the Ministry of Food and Rural Development.
- (xvi) (a) The Department of Rehabilitation should be merged into the Department of Social Welfare.  
 (b) The Ministry of Health, Family Planning and Urban Development, Department of Social Welfare and Ministry of Education should be amalgamated to form a new Ministry of Education, Health and Social Welfare.
- (xvii) A Bureau of Youth Services should be set-up in the Ministry of Education, Health and Social Welfare.
- (xviii) The present functions of the Ministry of Home Affairs in judicial administration should be transferred to the Department of Legal Affairs in the Ministry of Law and this Ministry should be redesignated as Ministry of Law and Justice.

(2) Responsibility for overall coordination within a Ministry which has more than one Department/Secretary, should be specifically assigned to one of the Departments/Secretaries most appropriate for this purpose.



## REPORT ON RAILWAYS

### Organisational Set-up

19. The Railways should be enabled to function on sound business and commercial principles within the frame-work of the policy laid down by Parliament and within the confines of public accountability, but without any interference in its day-to-day working by political or other external authorities. Parliament in the exercise of its responsibilities may consider the adoption of the approach prevailing in the United Kingdom with regard to the nationalised transport undertakings outlined above.

20. The relationship of the Railway Board *vis a vis* the Minister of Railways should in practice be patterned on the lines of the relationship we have recommended in our report on Public Sector Undertakings as between a Ministry and a Sector Corporation. The Minister should confine himself to matters of overall supervision and vigilance, the larger issues involving improved efficiency, of the Railway system and planning and budgeting. He should be able effectively to intervene when matters of public policy are involved or in matters which affect the Government as a whole or relationship between the Board and other Departments.

21. (1) For ensuring proper and purposeful Parliamentary scrutiny over the working of the transport sector including the Railways, a Standing Committee of Parliament may be set up without in any way affecting the functioning of the existing Informal Consultative Committees for the Zonal Railways.

(2) The Code of Conduct to regulate the relationship between Members of Parliament and of State Legislatures and the Administration, which contains salutary provisions for promoting healthy and smooth relations between the Administration and the Members of Parliament and of State Legislatures, and which was placed before Parliament in November 1969 should be followed in the case of Railways also.

22. The Transport Development Council should function more regularly and systematically in order to secure the evolution and implementation of a national transport policy keeping in view the long-term requirements in the field of transport and to obtain a coordinated approach to the problem of transport on the part of different transport systems in the country.

23. The existing forums like the National Railway Users' Consultative Council, the Zonal Railway Users' Consultative Committees, and the Regional/Divisional Railway Users' Consultative Committees, etc., should be utilised in a more purposeful manner so that the Railways are in a position to anticipate the public requirements of railway facilities and take expeditious action to meet them. They should meet more frequently to dispose of the large number of items referred to them.

24. (1) For efficient functioning, the Railway Board should be compact in size. The number of Members of the Board, excluding the Chairman and the Member-Finance (Financial Commissioner) should not normally exceed six.

(2) The posts of Additional Members of the Board may be abolished. If the Members of the Board require help in the discharge of their duties, the requisite number of aides designated as Advisers may be appointed. Their functions and the powers of disposal that may be entrusted to them may be provided for in the Rules of Business in the Railway Board.

(3) The Chairman of the Railway Board may be given the *ex-officio* status of Secretary to the Government of India and the other Members and specified officers under them may be given the necessary authority to authenticate orders etc., for and on behalf of the President of India.

25. (1) The posts of Chairman and Members should be treated as selection posts and merit should be the criterion for selection. The Chairman of the Railway Board should be selected on merit from among the Members of the Board and the Members of the Board should be selected on merit from among the General Managers.

(2) The Chairman should have a tenure of at least three years and the Members should normally have a tenure of five years. The total period of tenure both as a Chairman and as a Member should be at least seven years.

26. The officers of the Finance Branch of the Railways including the Member-Finance of the Railway Board should function as fully integrated members of the management team at the various levels in respect of financial matters affecting the Railway Board. If the Member-Finance differs with his colleagues on any policy question affecting financial matters, he may refer the case to the Railway Minister who may over-rule him on his own if the matter concerns the Railways exclusively or after consulting the Finance Minister if it impinges on the financial policy of the Government of India or has repercussions on such policy.

27. The suggestions made by the Study Team with regard to (a) the broad functions of the Railway Board, (b) the delegation of more financial and administrative powers to the Zonal Railways, (c) the adoption of an officer-oriented pattern of working on the Railway and (d) the staffing of the Railway Board with experienced and competent Officers may be adopted.

28. (1) The delegation of administrative and financial powers by the Board to the General Manager should be the maximum possible.

(2) The administrative and financial powers should, in turn, be redelegated to the lower authorities and organisations.

(3) The Financial Adviser and Chief Accounts Officer should not make references direct to the Board on those matters on which he has been over-ruled by the General Manager. Such a reference to the Board should be made by the General Manager at the instance of the

Financial Adviser. The General Manager while making such a reference should incorporate fairly and fully the comments and views of the Financial Adviser and Chief Accounts Officer.

29. (1) The existing distinction between major and minor Heads of Departments in the Zonal Administration should be abolished. All Heads of Departments should report direct to the General Manager.

(2) The post of Senior Deputy General Manager should be effectively utilised to relieve the General Manager of the burden of dealing with matters of minor import.

(3) The Divisional Organisations should be strengthened and adequate delegation of financial and administrative powers should be made to the Divisional Superintendent and his officers in order to enable them to dispose of the bulk of the work at their level.

### Personnel

30. (1) A crash programme may be launched by the Efficiency Bureau and Work Study Units to introduce modern, scientific management techniques to determine the most efficient method of accomplishing the various jobs, the inputs required and the quality and quantum of personnel who should handle them to achieve the best results. If necessary, the Efficiency Bureau and Work Study Units, may be strengthened for the purpose.

(2) The actual performance of employees should, as far as possible, be judged with reference to the norms which emerge as a result of the study referred to above.

31. (1) Government should consider the question of reducing the disparities of pay scales for comparable posts in the Railways and other Departments on the basis of an evaluation of duties, responsibilities and qualification requirements, in the light of the recommendations made by us in our report on Personnel Administration, *vide* Recommendations Nos. 8 and 9 therein.

(2) All Directors in the Railway Board should be placed in the same grade.

32. (1) The task of selecting officers and making recommendations for promotion to the Junior Administrative Grade in each Zonal Railway should devolve on the Zonal Railways.

(2) Recommendations for promotions of officers to the Junior Administrative Grade may be made by a selection committee constituted by the Zonal Railways but a senior officer of the Railway Board should be associated with this selection committee.

(3) Cadre adjustments may be made by the Railway Board by inter-railway transfers of officers at the early senior scale stage.

33. (1) Posts in the Railways primarily calling for subject matter specialisation and those mainly managerial in character should be identified.

(2) The qualifications, training and job experience required for manning the posts in the two categories should be prescribed by the Railway Board.

(3) A career planning cell should be established and a management development programme be developed; the general responsibility for implementation of this programme should devolve on the Chairman, Railway Board, at the Board level and on the General Managers at the Zonal level.

(4) Officers who have completed eight years of service should be watched more closely and the outstanding ones should be selected at an early stage and exposed to a variety of work experience and training programmes in order to fit them to hold positions of management.

34. The procedure suggested by us in our Report on Personnel Administration regarding the writing of annual confidential reports may be adopted by the Railways.

35. The Departmental Promotion Committees may be formed on the lines suggested by us in our Report on Personnel Administration, wherever such committees do not exist at present.

36. (1) The quota of vacancies available to Class II and Class III staff by promotion may be increased upto a maximum of 40 per cent where the existing quota falls short of that percentage.

(2) Of the quota of vacancies in higher grades which are reserved for promotion from the lower grades, fifty per cent should be filled by the method of examination, where no examinations are held at present. The number of chances for taking the examination may be limited to two.

(3) Where the staff, particularly Class IV staff, improve their educational and other qualifications, they should be permitted to take the prescribed tests for promotion by relaxing restrictions and conditions as to age, etc.

37. The Railway Board and the Zonal Railways should review the existing training arrangements in the light of requirements and rationalise the training facilities where necessary.

38. (1) The recruitment to all Class III posts in Zonal Railways should be made by an independent Recruitment Board consisting of a non-Railway-man as Chairman and a senior officer of the Zonal Railway as a Member for each Zonal Railway. The Chairman of the Recruitment Board may be appointed by the Railway Board.

(2) The work of recruitment relating to two or more zones may be dealt with by a single recruitment board unless the quantum of work clearly warrants the need for a separate recruitment board for a particular Zonal Railway.

39. (1) The employees' representatives in the Joint Consultative Bodies at the regional and departmental levels should be directly elected by the employees, while at the higher levels, representatives should be chosen through indirect elections.

(2) No person who is not serving under Government who is not an honourably retired employee of Government should be eligible for election to Joint Consultative Bodies, provided, however, that Government may permit an ex-employee to seek election to the Joint Consultative Bodies.

40. The "Brown System of Discipline" prevailing in the Canadian Pacific Railways may be adopted by the Railways with suitable modifications, in the light of conditions in India and subject to the observance of the prescribed procedures regarding disciplinary cases.

41. The measures suggested by us in our Report on Personnel Administration for streamlining the procedures for taking disciplinary action and the setting up of Civil Service Tribunals for hearing appeals may be adopted by the Railway also.

42. The welfare organisation should continue to function under the Department of Personnel and continue to attend to the settlement of grievances of employees. It should be manned by selected persons with special training. These persons should not be frequently changed so as to ensure that they become familiar with the problems of the staff in a particular District or Division.

43. (1) The Director General of Vigilance Organisation at the Board level may work directly under the Chairman of the Railway Board and report to him.

(2) In the Zonal Railways, the Vigilance Organisation should work in close consultation with the General Manager of the Zonal Railway. There is no objection, however, to his having direct dealings with the Director-General of Vigilance in the Railway Board, provided the General Manager is kept duly informed of all such matters.

44. The responsibility for checking corruption should vest in the Heads of Departments. The Vigilance Organisation should work in close consultation with the Heads of Departments and keep them informed from time to time of matters connected with Vigilance in their charges.

45. (1) A time limit should be prescribed for the completion of investigation of vigilance cases by the Special Police Establishment and the Central Bureau of Investigation.

(2) The Heads of Departments should review, every six months, in consultation with the concerned investigating authority, all such cases. In the course of this review, where the disposal of a case has been delayed, beyond three months, the reasons for such delay should be specifically looked into and decisions should be taken as to the best method of accelerating disposal.

### **Railway Operations**

46. (1) The question of continuing unremunerative lines should be constantly reviewed by the Railway Board so as to ensure that as far as practicable Railway finances are utilised for the running of commercially acceptable or potentially profitable lines.

(2) As a first step, the Railway Board should consider the closure of unremunerative lines where adequate alternative modes of cheaper transport exist and where such closure will not adversely affect public interest, including any important economic activity of the area, such as industrial or mining activity.

(3) There should be high level discussions between the representatives of the State Governments and the Railway authorities to settle the question of continued running of uneconomic lines, so as to ensure that local considerations are duly taken into account in deciding the question of closure.

(4) Where running of uneconomic lines is continued in the public interest, the losses may be met out of public revenues, State or Central.

(5) The expenditure on the construction of over/under bridges in replacement of level crossings which may be undertaken in the interest of smooth running of rail and road traffic should be met out of a special fund to which contributions should be made not only from the Railway finances, but from the Central and State finances, for example the Road Fund.

47. The question of developing underground and/or elevated Railways for dealing with the sub-urban traffic may be considered. A separate transport authority specifically created for this purpose may be entrusted with this work.

48. (1) With a view to dealing with the short-distance traffic economically, rationalisation of train schedules may be undertaken in consultation with the State Transport Authorities.

(2) The State Government may be requested to regulate the grant of licences and permits for the operation of road transport services or the introduction of new road services so as to eliminate any possible conflict of interest between different modes of transport.

(3) A representative of the Railways may be associated with the State Transport Authority or other bodies which are in charge of the grant of licences or permits for operation of road transport services.

49. (1) Early attention should be given to the question of achieving single gauge system, as far as practicable, throughout the country.

(2) As a first step, the Railway Board should take in hand the conversion into broad gauge the metre-gauge or narrow gauge sections which cover comparatively short distances and which connect two broad gauge sections or which run parallel to broad gauge sections.

(3) Before taking a decision on the conversion of a particular metre gauge line into broad gauge, the Board should take into consideration and explore all possibilities of making the existing metre gauge line more economical and efficient by improved techniques of operation and modernisation.

(4) From the schemes of conversion, areas for which metre or narrow gauges are more suitable, such as hilly regions, strategic areas should be excluded.

(5) In the light of these considerations, a phased programme of conversion should be drawn up with due regard to the funds available and the economies of conversion, and implemented with the object of completing the process as early as possible.

50. The Railways should take adequate administrative measures to study the pattern of consumption of fuel and to ensure economical and proper utilisation.

51. (1) The major repair workshops of inter-Zonal importance, e.g., Kharagpur, Kachrapara workshops, should be placed under centralised control.

(2) The workshop facilities in respect of major repairs and overhauls should, as far as possible, be so distributed among Zonal Railways that each workshop specialises in particular fields avoiding duplication.

52. The Railways should develop and implement a phased programme for introduction of the latest techniques in Railway engineering and operations.

53. The Railways should aim at modernisation of signalling and communication systems. Steps should be taken by them to progressively achieve self-sufficiency in the requisite equipment for this purpose, cutting down imports from foreign countries.

54. (1) There should be greater decentralisation of the work of purchase of stores in favour of the Zonal Railways.

(2) The Railways should be permitted to procure the stores, special to them, through their own organisations.

(3) Modern techniques of inventory control should be introduced.

55. The Chief Security Officer, Railway Protection Force, should, as provided in the statute, discharge his functions under the general supervision of the General Manager of the Railways. However, the appeal against his orders should lie, as at present, with the Inspector General, Railway Protection Force, who should be the final authority in all administrative and disciplinary matters.

56. (1) The powers of the Railway Protection Force for investigation and prosecution should be enlarged to cover offences of theft etc., in respect of the Railway property, and not merely those relating to the unlawful possession of such property. Their jurisdiction should be clearly demarcated.

(2) The Government Railway Police should be responsible for investigation, search and prosecution of all other offences under the Indian Railways Act and also the offences under the criminal law of the land.

(3) Within the Railway Protection Force, the staff employed on watch and ward duties should be separated from the staff employed on the investigation and prosecution of offences.

57. The Railway Administration should be held responsible for loss of, or damage to, goods en route. Where Railway Administration is held responsible for loss of, or damage to, goods, it should evolve a system under which responsibility can be fixed on the Railway staff concerned collectively or individually and appropriate penalties imposed for the loss suffered.

58. (1) The Railways should, in consultation with the State Government authorities concerned, explore the possibilities of running road services in combination with the train services for conveyance of passengers, between the railway stations and important centres within a city, or outlying satellite towns around important cities and State capitals, or between railway stations and outstations not connected by rail, where such services do not exist.

(2) The Railways should take steps to augment their revenues from advertisements on the Railways, surveys being undertaken, wherever necessary.

59. (1) Intensive market research and traffic surveys should be undertaken by the commercial department in order to ascertain the views and requirements of the railway users.

(2) The question of constituting a separate cadre for the commercial department and giving intensive training to those manning it should be considered.

60. (1) The Railways should make efforts to win back the high-rated goods traffic by ensuring better services.

(2) The Railways should pay particular attention to complaints regarding the misrouting of wagons and the wagons going astray.

(3) The Railways should extend the programme of door-to-door delivery and adopt the system of advising the consignee about the arrival of goods in advance.

(4) The container service should be progressively extended all over the Railway system.

61. (1) Steps should be taken to improve the quality and standard of cleanliness of the catering service in the Railways, particularly on the vegetarian side.

(2) With a view to meeting the needs of the travelling public, and wherever feasible the departmental catering service should be introduced at a larger number of stations and on long distance running trains.

(3) By effecting economies in the running of the departmental catering, the Railways should endeavour to provide service to the public at economic rates.

### **Railway Safety and Research**

62. Intensive training should be imparted periodically to the railway staff in the matter of railway safety and railway maintenance. Special courses should be devised for the purpose.

63. (1) The Commission of Railway Safety should continue to function as an independent body as at present.

(2) Some of the posts in the Commission of Railway Safety should be filled from among the officers of the Research, Designs and Standards Organisation.



(3) After initial appointment in the Commission of Railway Safety the officers taken from the Railways should not look for promotion in their parent cadres.

(4) There should be close coordination between the Commission of Railway Safety and the Research, Designs and Standards Organisation.

64. (1) The Research, Designs and Standards Organisation should function as an autonomous body with a Governing Council at the top to guide it. The Chairman of the Railway Board should be the Chairman of the Governing Council, and the Head of the RDSO its Vice-Chairman. On the constitution of the Governing Council, for the RDSO, the functions of the Central Board of Railway Research may be taken over by the Council and the Central Board may be abolished.

(2) With a view to ensuring better coordination between the RDSO and the fundamental research institutions, laboratories and institutes of technology, there should be at least quarterly meetings between the Head of the RDSO and the Heads of such institutions.

(3) The Research, Designs and Standards Organisation should be staffed with persons endowed with innovative ideas, who have attained high proficiency in their particular field and who have an aptitude for both basic and applied research.

(4) A watch should be kept on the work of the research staff from the start and those found unsuitable should not be retained in the organisation. A review should also be made of the performance of each research worker periodically, say, every three years, with a view to assessing whether he has kept up the standard of work which should be of a high order.

(5) The recruitment to the RDSO should be based on rigorous standards and from mixed sources—a greater proportion from the Railways and the rest from outside sources including other Government organisations.

(6) The prospects of the officers in the RDSO should be made attractive and should not, in any case, be less than those of their counterparts in operational and executive organisations of the Railways.

### **Finance and Accounts**

65. (1) The Government should devise ways and means of providing Railways with sufficient funds for their development. One of the methods by which this could be feasible is to make the amounts required for depreciation and other reserve funds of the Railways upto an agreed limit, a prior charge on Railway revenues; the rate of dividend could vary according to the balance available.

(2) Works such as major remodellings, rail capacity works, etc., which cost more than Rs. 1 crore individually and which have long gestation periods should be treated on par with new lines and there

should be a moratorium on payment of dividends for such works for a period of 5 years.

66. The Finance and Accounts Departments should be responsible for the financial management and control in all matters within the field of responsibility of the concerned organisation (i.e., the Railway Board or the Zonal Railway authorities, as the case may be). The relationship between the Financial Commissioner/Financial Adviser and the Administrative head should be that of senior partners in a common enterprise.

67. As observed in our Reports on Finance, Accounts and Audit and on the Public Sector Undertakings, we would emphasize that the Audit Department should make its comments on the performance of the Railways against the background of relevant circumstances existing at the time of the decisions and of the overall objectives and achievements of the related programmes and activities.

## REPORT ON POSTS AND TELEGRAPHS

### Organizational Set-up

68. (1) The postal and telecommunications services need not be converted into a public corporation at the present juncture. The P&T Department should, however, be enabled to function on sound business and commercial principles within the confines of public accountability like any other public sector enterprise.

(2) The postal and the telecommunications services need not be separated at present. The question of separation may have to be reviewed when *inter alia* the pace and intensity of development overwhelm the present administrative unity.

### Reorganization of the P&T Board

69. (1) The existing P&T Board should be reorganised on a pattern analogous to that of the Railway Board as recommended by us in our report on Railways. The P&T Board should exercise the full powers of a Ministry of Government in the administrative sphere, and with respect to its own finances, those of the Government of India.

(2) The Overseas Communications Services and the Wireless Planning and Coordination Branch should be merged with the P&T Board and the Ministry of Communications should be replaced by a new Ministry of Posts and Telecommunications.

(3) On their transfer to the P&T Board, the heads of the OCS and the WPC Branch may be given the status and rank appropriate to their functions.

70. (1) The P&T Board should consist of a Chairman and five Members in charge of the following:

- (i) Finance.
- (ii) Telecommunications Operations.
- (iii) Telecommunications Development.
- (iv) Postal Services.
- (v) Banking and Agency Services.

The Chairman will be responsible for coordination overall planning, research, WPC Branch, Public Sector Undertakings and matters of an inter-service character such as vigilance, staff welfare and relations with staff unions.

(2) The Chairman of the P&T Board should be ex-officio Secretary of the proposed Ministry of Posts and Telecommunications in the same manner as the Chairman of the Railway Board.

(3) All the Members should have the same status. They need not have any secretariat status. The Members and specified officers below them may be authorised to sign and authenticate documents, orders, etc., on behalf of the President.

(4) The posts of Chairman and Members should be treated as selection posts, for which selection should be made on the criterion of merit only. The Chairman should normally be selected on merit from among the Members of the Board and the departmental officers of the same status who may be serving outside.

(5) Below the level of Members, the Board should have the assistance of officers of adequate rank and seniority.

(6) The Board should function in a manner similar to the Board of Directors of a public sector undertaking, with the Chairman functioning as the head of the team. The Chairman should exercise the statutory powers vested in the Director-General under the existing enactments. In respect of their individual charges, these powers may be delegated to the concerned Members.

(7) The decisions of the Board should be on the basis of a majority vote. If the Chairman disagrees with the majority decision, he may over-rule his colleagues. Where he does so, the matter should be brought to the notice of the Minister.

71. (1) The Members should be fully responsible for the administration of their charge and empowered to take final decisions in this regard within the policy decided by the Board.

(2) Ordinarily, the P&T Board should concern itself only with policy matters such as tariffs, budgetary and financial policies, pay and allowances and matters of an inter-service character such as staff welfare, relations with staff unions, vigilance, and coordination between the postal and telecommunications wings. Powers to take decisions in other matters should be delegated to the Sub-Boards.

(3) The existing Postal and Telecommunications Sub-Boards must be activated. They should be reconstituted on the lines suggested in para 19 and empowered to take final decision on matter delegated to them by the Board. The decisions of the Sub-Boards will be by a majority vote but the Chairman of the P&T Board should have powers of overruling them in case of disagreement. In such cases, he should bring the matter to the notice of the Minister.

72. (1) The P&T budget should be separated from the general budget.

(2) The Member (Finance) and his officers should be fully integrated with the P&T set-up and should function as such. If the Member (Finance) differs with his colleagues on any policy question affecting financial matters, he may require the case to be referred to the Minister of P&T, who may, if necessary, overrule him on his own if the matter concerns the P&T exclusively or with the concurrence of the Finance Minister, if it impinges, or has repercussions, on the financial policy of the Government of India.

73. The P&T Board should be set up under an enactment on the lines of the Indian Railway Board Act, 1905. Pending such enactment, the changes we have recommended in the structure and powers of the P&T Board should be given effect to by executive order.

## Finance and Accounts

74. Planning for the expansion of P&T services in general, and telecommunications services in particular, should aim at not only meeting the immediate needs, but it should be forward looking and also have in view the demands of a decade in advance. Adequate funds should be provided in time for this purpose.

75. A Planning Cell should be established on the lines suggested by us in our report on the Machinery for Planning. This should include, besides the telecommunications officers, experts from other relevant disciplines.

76. The financial viability of the telegraph service should be improved, by controlling the cost of handling telegrams, effecting economies, and expanding and popularising the Telex Service.

77. (1) The Department should examine the question of rationalising the tariffs on registered newspapers taking into account the relative capacity to bear the postal charges and the need to give the maximum relief to the small, weak and nascent part of the Press.

(2) The tariffs on other items should be fixed in such a manner that losses on some operations where they are inevitable are met by surpluses on other items so that on the whole the branch has some surplus funds for reserves.

(3) Economies should be effected in the postal branch by reducing the expenditure on items such as over-time payments, re-imburement of medical charges, new establishments, etc. The trial period of unremunerative rural post offices may be reasonably reduced. The local authorities may be asked to bear one half of the losses incurred on such post offices. The small deficit anticipated in 1970-71 may be wiped out by setting monetary limits for economy for each circle.

78. The present convention between the P&T and the general revenues should be put on a more stable footing by providing that it would be in operation for a fixed period. Necessary provision should be made for its periodic review.

79. (1) The responsibility for maintaining the accounts of the Postal wing should, as is being done in the case of the Telecommunications wing, also be transferred to the P&T Board under a phased programme.

(2) In due course, a regular P&T Accounts Service should be organised on the lines of the Accounts Services in the Railways and Defence.

(3) The Member (Finance) should in due course be designated as Member (Finance and Accounts).

80. Greater financial powers should be delegated on the lines indicated in our report on Delegation of Financial and Administrative Powers to regional, zonal and such other administrative formations. An internal financial adviser may be provided in the project organisations or zones if the nature and volume of work clearly warrant such an appointment.

## Field Organisation

81. (1) Four separate telecommunications zones may be established with headquarters at Delhi, Bombay, Madras and Calcutta, under Zonal Managers (Telecommunications) to cater to the special needs of planning and installation of major works, maintenance of long distance lines etc., and for technical supervision.

(2) Each Zonal Manager should be responsible for the functions enumerated in para 8, in groups of P&T circles and telephone districts falling within a zone. For the adequate discharge of his responsibilities and the exercise of his functions, the Zonal Manager should have the powers to issue necessary instructions, to ensure compliance with them and also to obtain periodic or special reports in matters falling within his jurisdiction.

(3) The Zonal Managers should exercise administrative control over the regional directors (telecommunications) and special prospect organisations created for the execution of large coaxial and microwave schemes which, at present, come under the Additional Chief Engineer, T&D circle. The special project organisations under the General Managers (Projects) Calcutta and Madras should be merged with the zonal organisations.

82. The reorganisation of the P&T circles and postal divisions and rationalisation of their areas/jurisdictions should be taken up for study and examination in the context of the present circumstances including the trend, movement and volume of traffic on account of increasing urbanisation/industrialisation. This task should be taken up by the P&T Board itself.

83. The mails branch of each P&T circle should have an operations research cell, whose special responsibility should be the following:

- (i) studying the economics of rail/air transportation of mails *vis-a-vis* road transportation of mails;
- (ii) keeping a watch over the extension of the road transport system in the rural areas and constantly exploring the feasibility of better and quicker routing of the mails; and
- (iii) maintaining liaison with the State Transport authorities with a view to adequately projecting the needs of the department for the movement of mail and with a view to securing the transport of mail at reasonable rates. The rates should be settled by negotiation failing which there should be a provision for arbitration. The Motor Vehicles Act may be amended, if necessary.

84. A Mechanisation Research Cell on the postal side should be established in the P&T Board to examine the feasibility of mechanisation in the postal operations, particularly in the cities of Delhi, Calcutta, Bombay and Madras and to work out the economic and the administrative aspects of mechanising the operations. The design and manufacture of the required equipment should be undertaken in the country to the maximum possible extent.

85. (1) The headquarters of the senior architects in the P&T Civil Engineering Wing should be relocated at convenient centres, in order to promote greater coordination between the circle, districts and proposed zones on one side and the civil engineering units on the other. Likewise the headquarters of the Superintending Engineers should be so located as to meet the needs of the load of work and area where it occurs.

(2) The maintenance of buildings and the construction of minor works should be entrusted to the Civil Engineering Wing. For this purpose, the services of the building staff should be transferred from the Telegraph Engineering Division to the Civil Wing.

86. The relative merits and advantages of cable and wireless transmission should be carefully assessed in planning for the expansion of overseas communications facilities. It would be administratively prudent and financially sound to invest in both satellite and cable systems.

### Stores and Equipment

87. The production of telecommunications equipment in the existing public sector undertakings or others which may come up in future, should be so organised that the country keeps pace with modernisation and developments in other countries and our telecommunications system keeps abreast of the latest technology.

88. (1) The public sector undertakings should provide all the necessary spare parts for the equipment supplied to the Department, either by manufacturing them or by getting them manufactured in other undertakings or units in the ancillary and feeder industries.

(2) There should be effective coordination between the P&T Department and the public sector units in planning and in important aspects of production, supply, installation and maintenance of telecommunications equipment.

89. The administrative responsibility in respect of the Indian Telephone Industries and the Hindustan Teleprinters should vest in the P&T Board. The responsibilities at present discharged by the Ministry of Industrial Development in respect of the Hindustan Cables Ltd., should be transferred to the P&T Board, in case the sector corporation designated as the "Engineering Corporation" recommended by us in our report on Public Sector Undertakings, does not come into existence.

90. Enhanced financial and administrative powers should be delegated to the General Manager, Telecommunications Factories, Calcutta, and to the Managers of the individual units at Calcutta, Jabalpur and Bombay.

91. Purchases of stores peculiar to the P&T Department may be made direct without having to go through the DGS&D. The financial limits for local purchase may be enhanced where necessary.

92. (1) The officers of the P&T Board should be associated by the Ministry of Works, Housing and Urban Development at all stages of the formulation of expansion programmes in respect of printing

capacity. The required number of presses under the CCP&S should be earmarked specifically for the printing of P&T forms and a separate cell should be in existence under the CCP&S to devote close attention to the requirements of the P&T Department.

(2) Enhanced powers should be delegated in respect of printing to heads of circles etc.

(3) The size, content and the requirements of forms should be reviewed periodically with a view to reducing their size and deleting the obsolete or redundant ones from the Schedule of Forms.

(4) The question as to the basis on which the India Security Press is charging a profit on the stamps and stationery supplied to the P&T Department should be examined at an early date with a view to arriving at a mutually satisfactory arrangement taking into consideration the fact that the P&T is expected to carry out its operations on a commercial basis.

93. (1) Department should take steps to control their inventory holdings by better organisation in materials management and by adopting modern techniques in this respect.

(2) Arrangements may be made to impart training in materials management to the concerned personnel.

(3) There should be proper planning and programming, and advance estimation of materials requirements based on a schedule of execution of works on an all-India basis.

### Personnel

94. The recommendations made by us in our report on Personnel Administration on recruitment, training, appraisal of performance, promotion, discipline, etc., would apply to the employees of the P&T Department, unless the circumstances are so exceptional as to warrant a departure.

95. (1) If enough local candidates do not become available for clerical and allied cadres through the existing mode of recruitment, names may be called for from the employment exchanges and posts filled if the candidates come up to standard.

(2) For the clerical and allied cadres, a knowledge of the language or languages officially recognised by the State Government should be insisted upon as a pre-requisite for recruitment to the P&T establishments in that State. An exception may, however, be made in the case of technical cadres where a knowledge of the local language need not be insisted upon as a pre-requisite.

96. The existing training facilities should be expanded broadly so as to provide *inter alia* for the following:

- (i) Each circle should have a postal training centre;
- (ii) Refresher courses should be organised for serving personnel, technical as well as non-technical; and
- (iii) For management training, the Department should utilise fully the services of the existing professional institutions of all-India importance.



97. (1) Personnel recruited direct to the Indian Telephone Industries and Hindustan Teleprinters should have equal opportunities of promotion to higher technical and managerial posts, along with deputations provided they have the requisite qualifications and experience.

(2) There should be provision for the interchange of personnel among the public sector undertakings connected with the P&T Board.

### **Relations with the Public**

98. (1) In the P&T Board the work relating to complaints should receive the first attention, and enjoy over-riding priority at the hands of the two officers concerned, namely, the Director (Complaints) and the Deputy Director General (Vigilance). Only if the nature and volume of work is not adequate to claim their full time and attention should any other item of work be entrusted to them. Subject to this consideration, the D.D.G. may continue to be responsible for the vigilance work in addition to his duties in connection with complaints.

(2) The existing orders and instructions on the subject of public complaints should be reviewed by the P&T Board and reduced to a compendious form and incorporated in the manuals.

99. (1) The availability of complaint books in offices with which the public have dealings should be publicised through suitable notices, posters, etc. These books should be scrutinised regularly by all inspecting officers.

(2) The divisional advisory committees which were in existence in postal divisions should be revived. Members of these committees should be allowed to examine the complaint books and to bring any deserving cases to the notice of the authorities.

(3) While certain categories of individuals and organisations have to find a place in the advisory bodies, it should be ensured that such persons as are likely to take an active interest in the improvement of the P&T Services are inducted.

100. The advisory bodies that exist at different levels in the department should be utilised to a greater extent, not only for ascertaining the grievances and difficulties of the public but also for constructive appraisal of and enlisting support for any measures of improvement. The publicity services provided by the Ministry of Information and Broadcasting should be utilised more purposefully.

101. (1) After each meeting of the Telephone Advisory Committee a press communique should be issued indicating the progress made in the disposal of applications for telephone connections and to the extent possible, the trend of likely disposals in near future.

(2) The department should make efforts to enlarge the extent and coverage of the postal facilities now available on Sundays and holidays.

## REPORT ON SCIENTIFIC DEPARTMENTS

### Machinery at Supra-Ministerial Level

102. (1) Arrangements should be made for ensuring coordinated approach in scientific endeavour in the country. This is necessary in view of the federal structure of the country, under which scientific research is the responsibility of both the Centre and the States. For this purpose the Centre should reserve to itself important areas of scientific research in which uniformity of approach and Central guidance and directions would be necessary.

(2) The Centre should obtain full data about the conditions of research institutions in the States and their work. This will enable it to provide guidance and help them with the required personnel, equipment and the exchange of information.

(3) The Centre should undertake the more important and basic research and place at the disposal of the State institutions the results of research done in its own institutions as well as of those in different States, to avoid wasteful duplication.

(4) A synthesis in research efforts should be secured by forging links between the concerned Central and State institutions rather than by tackling the issues at the State and Central governmental levels.

(5) The major scientific organisations should take steps to ensure that the States are encouraged to take up research of local or regional interest leaving the Central institutions free to devote themselves to matters of all-India importance.

103. The present imbalance in the growth of different sectors of science, such as, agriculture and allied subjects, atomic energy, defence and industrial and technological research, and a comparative lack of attention to basic national needs in the field of scientific research, should be rectified in future planning.

104. (1) The supra-ministerial level organisation in the Central set-up should consist of the following two institutions:

- (i) A National Council of Science and Technology to be established as the apex body to advise Government on broader aspects of scientific research, such as the formulation of Government policy and the best means of development and utilisation of national scientific resources and manpower. It should be a compact body of not more than nine persons consisting mainly of eminent scientists/technologists.
- (ii) A Coordination Committee under the chairmanship of the Cabinet Secretary, consisting of the heads of five major scientific organisations and 6 or 7 other persons selected on their individual merits.

(2) Both these organisations should be served by a scientific cell in the Cabinet Secretariat.

(3) A Cabinet Committee on Science and Technology should be set up to deal with matters of science and technology on behalf of the Cabinet and in particular the recommendations of the National Council and the Coordination Committee.

105. (1) The allocation of financial resources within the scheme of priorities for the plan period should be settled by the proposed Cabinet Committee on Sciences and Technology in consultation with the Planning Commission.

(2) An annual review of the country's progress in scientific research should be prepared by the Coordination Committee, which, with the comments of the National Council should be presented to Parliament. The latter should allot at least a day for discussion on the progress of scientific research in the country during the consideration of Demands for Grants.

106. Consistently with the operational autonomy of the scientific institutions and their responsibility, the heads of such institutions should have periodic contacts with the Minister and Secretary, and keep them informed of developments; in matters of major importance, they should obtain the guidance and directions of the Minister or Secretary, as the case may be. This is necessary in view of the Minister's responsibility to Parliament.

### **Major Scientific Organisations and Isolated Scientific Departments**

107. (1) Scientists should devote themselves mainly on their scientific pursuits and the burden of administration and other non-scientific duties should be reduced to the minimum through the assistance of adequate staff of the requisite levels. It is not desirable that scientific institutions should concern themselves with the management or running of commercial or semi-commercial institutions.

(2) A scientific organisation should not assume the responsibility of running units and institutions belonging to different functional fields and disciplines. In line with this approach, some of the institutions, for instance, the Tata Memorial Centre, Bombay working under the Atomic Energy Commission should be transferred to the organisation dealing with related matters.

(3) The functioning of the Atomic Energy Commission with reference to its administrative and financial aspects should be subjected to review by a committee to be set up by the Government at the end of every five years.

108. (1) In the interest of effective guidance in the formulation of programmes and general supervision over the laboratories and institutions, the Council of Scientific and Industrial Research should be divided into four or five well defined groups on the basis of allied disciplines of research conducted in them. These groups should be constituted into separate commissions on the pattern of the Atomic Energy Commission.

(2) Pending such reorganisation, the Governing Body of the Council of Scientific & Industrial Research should, for the present, be retained as its general body and a small Executive Committee with

the Director General, C.S.I.R. as its Chairman should be set up to deal with policy making and implementation. The Executive Committee will exercise all the powers and functions of the General Body when the latter is not in session.

(3) The present Board of Scientific and Industrial Research should be abolished.

109. (1) The constitution of Indian Council of Agricultural Research should be formalised and it should be reorganised on the pattern of the Atomic Energy Commission.

(2) The association of the research scientists with the extension agencies should be limited to what would make the laboratories field-oriented.

(3) The Director General, Indian Council of Agricultural Research should be the Scientific Adviser to the Department of Agriculture for dealing with matters of high policy in extension.

110. (1) The Defence R. & D. Organisation should confine its researches in defence laboratories to the matters which have a special defence significance or which need secrecy, while other researches which are parallel to those in the civil field should be farmed out to the corresponding laboratories in the civil sector.

(2) The results of research in Defence laboratories which would be of importance to the civil sector should be communicated to the appropriate civil laboratories so that they may be utilised for serving civil needs as well.

111. (1) The present Governing Body of the Indian Council of Medical Research should be retained as a general body and a new Executive Committee under the chairmanship of the Director General should be constituted to function as the policy making body.

(2) While the heads of the institutions should have direct access to the Minister, the communication and contacts between them and the Minister should be so devised that the latter is not deprived of the Secretary's assistance in matters of policy.

(3) The autonomous institutions concerned with medical research, such as, the All India Institute of Medical Sciences, New Delhi and the Institute of Post-Graduate Medical Education and Research, Chandigarh, should be given full operational autonomy.

112. Research institutions under the major scientific organisations and isolated departments should continue to have their present link and association with the organisations/Ministries concerned. There is need for coordinating the programmes and activities of the institutions falling within each of the following broad fields of science, namely, (i) geo-sciences, (ii) bio-medical sciences, (iii) natural resources, and (iv) engineering sciences. For this purpose a Board should be constituted for each of these groups, presided over by the Secretary of the Ministry most concerned. The Board should be representative of the main institutions and the Secretaries concerned, and other heads of institutions may be co-opted, where necessary.

113. (1) The 'isolated' departments of science working directly under the Ministries should not be treated at the Secretariat level like the usual regulatory departments/organisations but there should be special rules governing the relationship between them and the Secretariat.

(2) There should be a Policy Making Body in case of these isolated departments consisting of the Secretary of the Ministry, the head of the institution, any other concerned officer of the Ministry and a representative of the Ministry of Finance. This will operate within the frame work of the overall policy formulated by the Government on the advice of the National Council.

(3) Adequate powers should be delegated to the heads of the scientific departments in other matters like administration, finance and accounts, stores and equipment etc. The delegations may be on a more liberal scale than in the case of heads of other departments

114. A careful review should be made by parent institutions of the needs of their units and laboratories and adequate powers—administrative and financial—should be delegated to them.

115. (1) An Executive Council should be provided at the level of the laboratory/institutions only in major institutions having regard to their size, importance and the nature of research conducted therein, while most of the laboratories would not require such a high level advisory or executive body. The Executive Council should be compact and its personnel should be carefully chosen. The departmental representatives on this Council should exercise their powers as members instead of awaiting clearance from their departments.

(2) The Director of the laboratory/unit should have the power to take a decision different from that of the executive council in special circumstances, e.g., when such a decision would adversely effect the working of the institution.

116. (1) The internal evaluation of the performance of the laboratory/institution should be the responsibility of its head or of the Executive Council, wherever such a Council exists.

(2) There should be an evaluation of the performance of scientific institutions/laboratories at the end of the 3 years within a plan period which will be internal-cum-external in nature. The purpose will be to review the progress of the plan and determine programme for the succeeding two years.

(3) The laboratories/institutions should also be evaluated every five years at the end of the plan period with a view to ascertaining the gaps in the execution of the plan and rectifying them. This will be wholly external evaluation and should be publicised.

(4) On the basis of these evaluation reports, the Cabinet Secretariat should prepare a review of scientific research in the country for submission to the Government with the views of the National Council thereon. The decisions reached on these reports should then be communicated to the institutions concerned. The review should also be placed before Parliament.

### Industrial Research—Some Aspects

117. (1) The Council of Scientific & Industrial Research laboratories/institutions should review their programme of research with a view to confining their fundamental research to the problems which are inextricably linked with the problems of the field and concentrate on a solution to the specific problems of industry.

(2) The scientific personnel of the Council of Scientific and Industrial Research laboratories should acquire insight into the operational and technological problems of industries by working in their units. Similarly, the technical personnel working in the industrial units should be invited to visit the Council of Scientific & Industrial Research laboratories.

(3) The Council of Scientific & Industrial Research should hold seminars for discussing the problems of industry and other matters of significance to them.

118. (1) Industries should be encouraged to set up their own research laboratories for dealing with their specific problems.

(2) The Government should levy a cess on the industrial units which do not have their own approved research laboratories for financing the scientific institutions concerned.

(3) The public sector undertakings should set up suitable research laboratories of their own.

(4) In the case of the cooperative industrial research associations, the Director of the laboratory or the Executive Council should be free to adopt lines of research which not only meet the requirements of individual members or groups of members but which are considered necessary in the interest of technological improvements in the industry as a whole.

119. While the universities in general should deal with research in the fundamental fields, the technical universities, such as, the agricultural and engineering universities, should concern themselves with both fundamental and applied sciences and have in their programme a more practical bias. Both these types of universities should, however, assist the national laboratories in solving their research problems.

120. The financial allocations to the National Research Development Corporation should be augmented for strengthening its technical manpower and supplying it with risk capital to finance development work. It should be transferred from the Ministry of Education to the Ministry of Industrial Development.

121. The foreign collaboration agreements should provide for the association of scientists working in a designated laboratory of the Council of Scientific & Industrial Research or other institutions concerned as the case may be, with the adaptation research of the imported technical know-how.

122. (1) In addition to research laboratories in the public sector units, there should also be a Central Research and Development Organisation for each industrial sector as a whole, to attend to the

major technological problems of industry and concentrate on building up further development work on the basis of the know-how already available and to tackle the problems of an inter-plant nature.

(2) These research units should maintain close liaison with the appropriate national laboratories and other research organisations.

### Personnel

123. (1) The recruitment of the scientific personnel, particularly for all Class I posts (except those specifically excluded from the purview of the Union Public Service Commission in consultation with the latter), in all scientific organisations financed from the public funds should be done through a special wing of the Union Public Service Commission, the head of which would be an eminent scientist who would be designated as Vice-Chairman of UPSC.

(2) The separate Science Wing should have scientist/technologist members for the recruitment of scientists/technologists.

(3) The proposed Science Wing of the UPSC should evolve its own selection procedures, which should be flexible enough to suit the needs of recruitment of scientists.

124. The Directors of the laboratories and senior scientists in the scientific departments should be appointed on contract basis, renewable at the end of the contract period at the option of the parties concerned.

125. (1) The pay scales allowed to the scientific personnel should not be lower than those prescribed for any other service. Their pay scales should be fitted into the broad pay structure as suggested in our report on Personnel Administration.

(2) In the fixation of pay scales to the scientists a certain measure of flexibility should be allowed to accommodate those working abroad as well as those of outstanding achievements in India.

126. (1) The schemes of career advancement for scientists should be such as can ensure that a scientist of talent and merit does not stagnate for want of a higher post in the organisation/department.

(2) Promotion schemes should provide for the elevation to a higher grade of a scientist on the basis of his attainments without necessarily involving a change in the nature of his job.

127. Whereas the scientists/technologists from the relevant fields should usually head the scientific organisation/departments, the normal administrative functions may be assigned to non-scientist administrators.

128. An all India Scientific Civil Service is not desirable.

129. (1) The facility of attending professional seminars and conferences, delivering lectures and availing of study leave should be allowed to the scientists/technologists, but not in a manner so as to affect their work adversely.

(2) This facility should not be granted as a matter of course but on the merits of each individual case. For purposes of attending conferences etc. in India, the head of a scientific organisation or department of the Government may grant this permission in his discretion. In the case of conferences abroad, the normal procedure of obtaining permission of the higher authorities should be followed.

### **Finance, Accounts and Procurement of Stores**

130. Investment in science should be steadily increased so as to reach a figure approximately of 1 per cent of G.N.P. in about a decade.

131. (1) Scientific organisations should be empowered to purchase for themselves such special equipment and stores as may be peculiar to their needs.

(2) As regards other stores and equipment, the powers of local purchase vested in the heads of laboratories/institutions should be raised, say, to Rs. 50,000 in the case of smaller institutions and to Rs. one lakh in the case of bigger institutions.

(3) The services of Directorate General of Supplies & Disposals should be utilised for the procurement of stores and equipment for the scientific organisations/laboratories. For this purpose it should have a separate wing, suitably structured and staffed by qualified scientific and technical personnel.

(4) A Standing Committee on which the scientific organisations/ departments are represented should be set up to review the operations and procedures of the Directorate General of Supplies & Disposals in regard to the procurement of scientific stores.

132. Large scientific organisations/departments should set up at their headquarters a materials management and inventory control cell for dealing, on a continuous basis, with the problems of planning, programming etc. of stores and equipment.

133. (1) Scientific organisations/departments should, to the extent feasible, be provided with adequate allocations of foreign exchange for meeting their requirements of equipment and stores.

(2) Rules governing the utilisation of foreign exchange should permit manoeuvrability in their utilisation on alternative requirements.

(3) Procedures regarding foreign exchange and customs should be simplified with a view to speed and efficiency.



## **II AREA: MACHINERY FOR PLANNING**

*Reports Presented!*

**(5) Machinery for Planning (Interim).**

**(6) Machinery for Planning (Final).**

## **REPORT ON MACHINERY FOR PLANNING (INTERIM)**

### **Functions of the Planning Commission**

134. The statement of the functions of the Planning Commission set out in the Government of India Resolution dated 15-3-50 appointing the Commission should, with slight modifications, continue to be the basis for its working. Its role should be confined to the formulation of the plans—the long-term perspective plan, the five-year plan and the annual plan—and the evaluation of plan performance. It should cease to involve itself in executive functions and decisions.

135. The Commission should annually make a report to Parliament on plan performance.

### **Set-up of the Planning Commission**

136. The Planning Commission should be a non-statutory advisory body, having close relation with the Union Government.

### **Composition of the Planning Commission**

137. The Prime Minister has to be closely associated with the working of the Commission without being the Chairman thereof. This association is to be secured by his being kept continuously informed of the matters coming up for discussion at the meetings of the Commission. The Prime Minister may attend the meetings of the Commission or address it whenever he considers it necessary. The Prime Minister will preside over the meetings of the Commission when he attends them.

138. The Finance Minister will also be closely associated with the working of the Commission. As in the case of the Prime Minister, he will be kept informed of the matters coming up for discussion at the meetings of the Commission and he may attend the meetings thereof. He will not be a member of the Commission.

139. Ministers should not be appointed as members of the Commission.

140. The Prime Minister or the Finance Minister, as the case may be, should deal with matters of importance of a general or administrative nature relating to the Planning Commission for which Government would be answerable in Parliament. Matters pertaining to specific subjects allocated to different Ministers should be dealt with in Parliament by those Ministers.

141. The number of members should not exceed seven. They will be selected on the basis of their expertise and experience. Though it would be an ideal arrangement to have a Commission consisting entirely of full-time members, in practice it may sometimes happen that experts while willing to work as members, may be able to

join the Commission only on a part-time basis. In order to make it possible to utilise the services of such experts, two of the members may be appointed on a part-time basis. One of the full-time members may be appointed as Chairman. The members may, as at present, have the status of Ministers of State and the Chairman will have the status of a Cabinet Minister.

142. The members may be appointed for a fixed term of five years. But in order to preserve continuity, the term of one or two members be extended by a year or so. Reappointments, however, may be made only in exceptional cases.

### **Distribution of work among the members of the Planning Commission**

143. Allocation of work may be made among the members keeping in view their special knowledge and expertise. Decisions on important questions should be taken by the Commission as a whole and not by individual members.

### **Secretariat of the Planning Commission**

144. The Commission should have a highly qualified person without being tied down to any specific cadre of service as its Secretary. It should have an efficient staff suitably equipped with expert knowledge of technical or administrative experience. Its procedures should be streamlined, simplified and based on officer-orientation. The functioning of the Commission should be so organised as to provide for the triple needs of analysis, thinking and planning.

### **Full Cabinet to consider the proposals of the Planning Commission**

145. The Cabinet as a whole, and not a sub-committee thereof, should finally decide on the proposals referred to it by the Commission.

### **State Planning Boards**

146. Planning Boards should be constituted in each State for formulating plans and for evaluating performance. They should each have five members of whom one may be part-time member. One of the full-time members will be the Chairman of the Board. None of the members should be a Minister. The provisions relating to the composition and the appointment of the members of the Planning Commission will apply *mutatis mutandis* to the State Planning Boards.

### **The National Development Council\***

147. The functions of the National Development Council should be redefined and it should be reconstituted with the following as members:

(1) the Prime Minister:

(2) the Deputy Prime Minister (if any):

\*Subject to minutes of dissent.

- (3) the Central Ministers of—
  - (i) Finance;
  - (ii) Food and Agriculture;
  - (iii) Industrial Development and Company Affairs.
  - (iv) Commerce;
  - (v) Railways;
  - (vi) Transport and Shipping;
  - (vii) Education;
  - (viii) Labour, Employment and Rehabilitation;
  - (ix) Home Affairs;
  - (x) Irrigation and Power;
- (4) the Chief Ministers of all States;
- (5) the members of the Planning Commission

The Prime Minister will be the Chairman and the Secretary of the Planning Commission the Secretary of the Council.

\*Subject to a minute of dissent.

## REPORT ON MACHINERY FOR PLANNING (FINAL)

### Plan Formulation

148. The Planning Commission when seeking guidelines from the National Development Council for the formulation of the National Plan should give a tentative framework of the Plan considered feasible by it and also indicate other alternative approaches calling for different degrees of effort. The basic features involved such as the rate of growth, the resources required and the sacrifices involved should clearly be brought out. Detailed work on the formulation of the Plan should proceed in the light of the guidelines given by the National Development Council.

149. When the Commission lays down the lines of a Five Year Plan, it should have before it a perspective of development over a longer period. The period may be different for different sectors of the economy, ten years for some, fifteen years for others and even a longer period for some others.

150. The Five Year Plan should take into account only such foreign aid as can be reasonably assumed to be forthcoming. It should also take into consideration internal contingencies like failures of monsoons which are a normal cyclical feature. There is no need for any separate 'Core Plan'. The entire Plan should provide for the maximum possible effort, based on a realistic assessment of resources.

151. Each scheme or project involving foreign aid should clearly set out the measures for dispensing with such aid in the shortest possible time and should also spell out the precise obligations, in this regard of all concerned.

152. (1) The composition of the Working Groups should be broad-based. Each Group should in addition to the official members include a few non-official experts selected having in view the subject matter of the Group. The Groups dealing with subjects falling in the State List should also have some specialists from State Planning Boards and State Governments.

(2) The Working Groups should be compact bodies presided over by Secretary or other senior officer of the Ministry concerned.

(3) The Working Groups at the Centre and their counterparts in States should maintain a close and regular communication with each other.

153. (1) The Planning Commission should, to the maximum extent possible, make use of the special advisory bodies which are set up by the Central Ministries.

(2) Where the purpose is to ascertain the reactions of the interests concerned to the proposals of the Commission, the all-India associations representing those interests may be consulted.

(3) Standing advisory committees may be set up for considering matters which cannot adequately be dealt with in any of the ways mentioned above or by the constitution of *ad hoc* bodies. These should be few in number. They should be compact bodies, with a membership not exceeding, say, fifteen. It should be ensured that persons selected to work on these committees are not already working on a number of other bodies and are able to devote sufficient time for the committees' work.

154. (1) Each Ministry concerned with developmental programmes should have a separate Planning Cell which should be small in size. It should be suitably manned by technical and professional personnel and headed by a senior technical officer or a Joint Secretary, as may be appropriate. It should function under the overall supervision of the Secretary of the Ministry.

(2) The Planning Cells should primarily have the following functions:

- (a) to assist the Ministry and through it the Planning Commission in the formulations of the Five Year Plan by undertaking the necessary preparatory work; to get the necessary studies and research needed for the formulation of the Plan programmes carried out by the executive agencies and other bodies; to collect and maintain economic and statistical data relating to development and to provide necessary technical and other assistance to the Working Groups and the Development Councils;
- (b) to scrutinise and coordinate the detailed projects and schemes of the executive agencies under the Ministry and to ensure that the requirements of inputs and administrative implications of each project and scheme have been fully worked out and that the various projects are properly phased; and
- (c) to keep in touch with the progress of plan schemes and programmes and prepare the overall progress and evaluation reports on plan programmes now covered by evaluation by the Planning Commission.

(3) Each such Ministry or Department should constitute an Internal Standing Committee for Planning. It should consist of the Secretary, Heads of Departments and other senior technical and administrative officers of the Ministry. The Committee should guide the Planning Cell in the discharge of its functions and periodically review the progress of implementation.

155. (1) At the time of the formulation of a Five Year Plan, the concerned Development Councils should be requested to prepare their own plans in the light of general guidelines to be given by the Planning Commission, and to send them to the concerned Ministers.

(2) A few representatives of the Development Councils concerned with major industries should be associated with the formulation of the industrial programmes at the time of annual plan discussions.

156. (1) Detailed sectoral planning, including preparation and execution of individual schemes and programmes should be left to the State Governments.

(2) The Planning Commission should confine its scrutiny to such schemes as involve a substantial amount of investment, a sizeable foreign exchange component, considerations of inter-State nature, significant policy implications from the national standpoint, or implementation of basic national priorities.

157. The present elaborate system of annual plan discussions through a large number of Working Groups should be discontinued. The discussions in future may be concentrated on major issues like resource mobilisation, important policy matters, requirements of major projects and appraisal of performance in key areas. Detailed planning within such a framework should be left to the Central Ministries and States.

### **Financial Assistance by the Centre for State Plans**

158. (1) The amount of total Central assistance to be given to a State should first be determined. The amount to be given in the form of loans should then be worked out. The balance of the total assistance left after deducting the quantum of loans will be available for distribution as grants.

(2) A certain portion of the amount available as grant assistance should be 'tied' to schemes or groups of schemes of basic national importance. The remainder should then be distributed pro rata over other schemes or groups of schemes which are eligible for Central assistance.

(3) The grants tied to schemes or groups of schemes of basic national importance will not be available for reappropriation. Grants originally allocated to untied schemes or groups of schemes may however be reappropriated to other schemes qualifying for Central assistance.

(4) If there is a short-fall in implementation of State Plan taken as a whole and as a result the Central assistance utilised by the State is more than what would be proportionate to the expenditure met by the State out of its own resources (the correct proportion being one which was initially settled at the time of the finalisation of the Plan), there should be a corresponding reduction in the Central assistance. Necessary adjustment in this regard should be made after the close of the relevant financial year.

(5) "Miscellaneous Development Loans" should be abolished after the introduction of the scheme of Central assistance in the manner prescribed above.

(6) The number of Centrally sponsored schemes should be kept to the minimum and the criteria laid down for determining which projects should be Centrally sponsored should strictly be applied.

### **Internal Organisation and Staffing of the Planning Commission**

159. (1) The Planning Commission should be responsible only for formulating the objectives, laying down priorities, indicating broad sectoral outlays, fixing the basic targets and approving the main programmes.

(2) The Planning Commission should itself not ordinarily undertake much of field research work. It should make maximum possible use of other official as well as non-official agencies concerned with research. The Commission should, as far as possible, utilise the operating agencies for the purpose of collecting data.

(3) The Commission should not deal with individual references on plan programmes and schemes unless they pertain to major deviations from the Plan.

(4) Officers of the Commission should not participate in the committees set up for the purpose of implementation of plan policies. The Commission should, however, be kept fully informed continuously about the actual operation of the policies.

160. The Planning Commission should give up all such work as is not germane to its functions, in particular the work relating to the Joint Technical Group on Transport policy and coordination, management studies, construction economics and promotion of socio-economic research.

161. The Planning Commission should take immediate steps to reduce its personnel and expenditure, in keeping with the redefined scope of its functions and reduction in work as suggested by us.

162. (1) The work of the Commission should be organised in three Wings, one dealing with plan formulation, the second with evaluation and the third with establishment matters.

(2) There should be only three functional levels in the Commission below the Members in the Plan Formulation Wing. These should comprise Advisers, Subject Specialists and Analysts.

(3) The number of Economic Investigators in the Formulation Wing should substantially be reduced.

163. (1) Selection for appointment to senior positions in the Planning Commission should be made from a wide field covering the civil services, public and private sector undertakings and other walks of life. They should be made by a special committee consisting of the (i) Chairman, Union Public Service Commission, (ii) Chairman, University Grants Commission and (iii) the Deputy Chairman, Planning Commission. The President of the Federation of the Indian Chambers of Commerce and Industry should also be associated with selection of persons from the industrial and commercial fields. Wherever necessary, an eminent expert may also be co-opted to advise the committee.

(2) All top appointments should be made on a contract or tenure basis for a fixed period. As regards the middle and lower level technical staff, there should be a personnel exchange programme



between the Planning Commission and sectoral agencies at the Central and State levels.

(3) The emoluments payable to non-officials should be high enough to attract the best qualified persons and not necessarily be based on the normal standards of remuneration in Government.

(4) Outstanding work done by a Government servant in the Planning Commission should entitle him to a special consideration in the matter of selection for higher appointments.

164. (1) It is necessary to make suitable arrangements for training of personnel, engaged on planning work, in statistical and economic analysis and in techniques of planning.

(2) Training for statistician and economists to be engaged in planning work should be organised in specialised institutions like the Indian Statistical Institute and the Institute of Economic Growth.

(3) The Planning Commission is the most suitable agency for imparting on-the-job training. For other aspects of the orientation and refresher courses facilities available with professional bodies like the Indian Institute of Public Administration may be made use of.

165. (1) The Institution of Programme Advisers should continue. A Programme Adviser should have a tenure of at least five years.

(2) The Programme Advisers should supervise evaluation work, in addition to their other duties.

### **Planning Machinery in the States**

166. (1) The functions of the State Planning Board, the constitution of which was recommended in our Interim Report on the Machinery for Planning, may be as follows:

- (i) To make an assessment of the State resources and formulate plans for the most effective and balanced utilisation of those resources;
- (ii) To determine plan priorities of the State within the framework of the priorities of the National Plan;
- (iii) To assist district authorities in formulating their development plans within the spheres in which such planning is considered useful and feasible and to coordinate these plans with the State Plan;
- (iv) To identify factors which tend to retard economic and social development of the State and determine conditions to be established for successful execution of the plans; and
- (v) To review the progress of implementation of the Plan programmes and recommend such adjustments in policies and measures as the review may indicate.

(2) The Boards' secretariats should normally have four units: one dealing with Agriculture and Irrigation; the second with Power.

Industry and Transport; the third, with Social Services and the fourth, with Evaluation.

(3) Planning Cells should be constituted in the development departments of the State Government.

167. Planning at the district level should be the responsibility of the developmental set-up in the district.

### **Progress Reporting and Evaluation**

168. (1) The Planning Commission should bring out every year a progress report on the performance of the plan programmes both in the public and private sectors. The report should be presented to Parliament within six months of the completion of the Plan year.

(2) The State Planning Boards should also arrange to get information about progress of the State Plan schemes and prepare a progress report within six months of the close of the relevant year. The report should be placed before the State Legislature.

169 (1) A separate Evaluation wing adequately staffed with qualified persons should be created in the Planning Commission. It should be placed directly under the Deputy Chairman of the Commission.

(2) The functions of the Evaluation Wing should be to study continuously the more important plan programmes and schemes in the Central sector, undertake sample studies of programmes in the State sector and guide evaluation work in States.

(3) Evaluation reports prepared by the Planning Commission should be placed before Parliament.

170. The Planning Cells in the Ministries should in addition to their other duties, be responsible for carrying out a few evaluation studies in areas not covered by the Planning Commission. They will indicate to the Commission the programmes in different States which should be evaluated and also the studies on which the association of an expert from the Centre is necessary.

171. (1) The State Planning Boards should each have an Evaluation Unit for the evaluation of programmes in the State Plans.

(2) The evaluation reports should be placed before the State Legislature.

### **Planning and Parliamentary Committees**

172. (1) A Special Parliamentary Committee of about 25 members, may be constituted to go into the annual progress reports on plan performance as well as the evaluation reports laid before Parliament. A similar practice may be adopted in the States.

(2) Parliament may consider whether the Parliamentary Committee mentioned above should not also perform the functions of the Informal Consultative Committee.

### **III. AREA: CENTRE-STATE RELATIONSHIP**

*Report Presented:*

**(7) Centre-State Relationships**

## **REPORT ON CENTRE-STATE RELATIONSHIPS**

### **The Unity of India: Its Paramount Importance**

173. No Constitutional amendment is necessary for ensuring proper and harmonious relations between the Centre and the States, inasmuch as the provisions of the Constitution governing Centre-State relations are adequate for the purpose of meeting any situation or resolving any problems that may arise in this field.

### **Allocation of Functions and Resources Between the Centre and the States**

174. As recommended by us in our Report on the Machinery of the Government of India and its Procedures of Work, the role of the Central Ministries and Departments with regard to subjects falling within the State List should be confined to the matters listed in paragraph 85 of that Report. An analysis should be made, in the light of the criteria laid therein, of the items of work now handled in the Central agencies and such items as do not fulfill the criteria should be transferred to the States.

175. (1) Loan for Plan schemes should be given only when they are of a productive type. Whether a scheme is productive or not, should be decided by the Planning Commission in consultation with the Finance Ministry and other Central Ministries concerned.

(2) The repayment of productive loans should be made over a period of time, the States endeavouring to maximise the return on the investments and building up sinking funds for amortization of loans. The timely payment of a proper rate of interest should be insisted upon.

(3) Assistance for non-productive capital schemes should be in the form of capital grants.

(4) The problem of dealing with outstanding Central loans to the State for Plan schemes, as also the question of setting up of sinking fund for the amortization of debt, should be referred to a committee of experts.

176. (1) The Finance Commission may be asked to make recommendations on the principles which should govern the distribution of Plan grants to the States. The appointment of the Finance Commission may be so timed that when making its recommendations it will have before it an outline of the 5 year Plan as prepared by the Planning Commission.

(2) The application of the principles governing the distribution of Plan grants from year to year will be left to the Planning Commission.

(3) In order to secure effective coordination of the Finance Commission's recommendation and the Plan, a Member of the Planning Commission may be appointed to the Finance Commission.

(4) The Finance Commission should include two persons, one having experience of financial administration at the Centre and the other having such experience in a State.

(5) The Unit of the Plan Finance Division of the Ministry of Finance at the Centre may be strengthened. It should form the nucleus of the Finance Commission's secretariat from time to time.

177. The Finance Commission should take into consideration the problem of granting increased emoluments to the State Government employees on account of increase in the cost of living, while making allocations of resources to the States.

178. The State Governments should adequately tax the direct beneficiaries of the heavy investments in big projects like the Irrigation and Power projects.

### Role of Governor

179. A person to be appointed as a Governor should be one who has had a long experience in public life and administration and can be trusted to rise above party prejudices and predilections. He should not be eligible for further appointment as a Governor after the completion of his term. Judges, on retirement, should not be appointed as Governors. However, a judge who enters public life on retirement and becomes a legislator or holds an elective office may not be considered ineligible for appointment as Governor.

180. The convention of consulting the Chief Minister before appointing a Governor is a healthy one and may continue.

181. Guidelines on the manner in which discretionary power should be exercised by the Governors should be formulated by the Inter-State Council and on acceptance by the Union issued in the name of the President. They should be placed before both Houses of Parliament.

182. The Governor, besides sending the fortnightly reports to the President, should make *ad hoc* reports as and when the need arises. He must act according to his own judgement and discretion in making such reports to the President and also in regard to the reservation of Bills for the consideration of the President.

183. When the Governor has reason to believe that the Ministry has ceased to command a majority in the Assembly, he should come to a final conclusion on this question by summoning the Assembly and ascertaining its verdict on the support enjoyed by the Ministry. When a question arises as to whether the Council of Ministers enjoys the confidence of the majority in the Assembly, and the Chief Minister does not advise the Governor to summon the Assembly, the Governor may, if he thinks fit, *suo motu* summon the Assembly for the purpose of obtaining its verdict on the question.

184. Where functionaries like the Speaker act arbitrarily and prevent the functioning of legislatures, effective remedies must be devised by the legislatures themselves by way of formulating rules of business which would enable the legislature to transact the business for which it was called into session.

185. When a Ministry is defeated in the Assembly on a major policy issue and if the outgoing Minister advises the Governor to dissolve the Assembly with a view to obtaining the verdict of the electorate, the Governor should accept the advice. In other cases, he may exercise his discretion.

186. The Governor should not only receive information as provided for in Article 167, but should also actively look for it with a view to discharging his Constitutional responsibilities effectively.

### **Inter-State Council and Inter-State Water Disputes**

187. The Inter-State or Centre-State differences should be settled by mutual discussions. To the extent possible, these discussions should be held in camera. Only the decisions may be issued in the form of Statements.

188. (1) An Inter-State Council should be constituted under Article 263 of the Constitution.

(2) It may consist of—

- (i) the Prime Minister—Chairman
- (ii) the Finance Minister
- (iii) the Home Minister
- (iv) the Leader of the Opposition in the Lok Sabha (when one is not available, a representative should be elected by the Opposition parties by single transferable vote)
- (v) five representatives, one each from the five Zonal Councils

(3) Any of the Union Cabinet Ministers or Chief Ministers who may be concerned with a particular subject, may be invited for discussion when the relevant subject is under consideration.

(4) The proceedings of this Council must be secret.

189. (1) The Inter-State Council will have the functions indicated in Article 263 of the Constitution.

(2) The inter-State Council may be set up, to begin with, for a period of two years. A decision may be taken on its continuance in the light of experience gained.

190. A time limit of three years may be prescribed for settlement or mediation of any Inter-State Water Dispute reckoning from the date the dispute first arises and on the expiry of the time limit the dispute shall be referred to compulsory arbitration by a Tribunal.

### **The Problem of Law and Order**

191. (1) The use of the naval, military or air force or any other armed forces of the Union in aid of civil power can be made either at the instance of the State Government or *suo motu* by the Centre.

(2) The Centre may exercise its discretion to locate such forces in the States and to deploy them for maintaining public order for purposes of the Centre, such as protection of central property, central staff, and works in which the Centre has an interest.

192. Before issue of directions to a State under Article 256 the Centre should explore the possibilities of settling points of conflict by all other available means.

#### **Some Important Institutions having a Bearing on Centre-State Relationship**

193. The present procedure and method of appointment of High Court Judges should continue with the modification that the role of the Ministry of Home Affairs may be taken over by the Ministry of Law.

#### **Decentralisation of Powers in Certain Areas**

194. Powers should be delegated to the maximum extent to the States with regard to their work on projects in which the Centre is directly interested or which are carried out by them as agents to the Central Government.

#### **IV. AREA: FINANCIAL ADMINISTRATION**

*Reports presented*

- (8) Finance, Accounts, & Audit**
- (9) Delegation of Financial and Administrative Powers**
- (10) Treasuries**



# REPORT ON FINANCE, ACCOUNTS AND AUDIT

## The Budget

195. (1) The departments and organisations which are in direct charge of development programmes should introduce Performance Budgeting. This should be done both at the Centre and in the State.

(2) The performance budget documents should be prepared in the following manner. A programme and activity classification should be made for each department or organisation selected for the purpose of performance budgeting. Besides presenting the financial needs of those programmes and activities, the expenditure should be classified in terms of "object", e.g., "Establishment". This should be followed by a narrative explanation justifying the financial requirements under each activity. This explanation should include information on targets, achievements, relevant workload factors, comparative performance over the years, etc. All this will constitute the performance budget. It should be accompanied by the Demands for Grants which will continue to serve as the medium through which appropriation control is exercised.

(3) The programme and activity classification referred to in (2) should be entrusted to a team consisting of officers drawn from the Ministry of Finance, the administrative Ministry concerned and an officer of the Audit Department.

(4) In the departments and organisations where performance budgeting is to be introduced, the administrative and financial management system covering the planning, programming, budgeting, reporting and evaluation should be strengthened with a view to adapting these to the requirements of performance budgeting.

(5) A suitable training scheme should be devised for those who, at different levels, will be concerned with the introduction of performance budgeting. The Finance Ministry should prepare a manual on performance budgeting covering the various issues involved and containing instructions of a practical nature for the guidance of all concerned with the budgetary process.

(6) The report of the Working Group on Performance Budgeting may be taken as illustrating the lines on which a performance budget is to be prepared.

(7) In as many as possible of the departments and organisations selected for performance budgeting, the scheme should be introduced with effect from the Budget for 1969-70. For the others, the scheme may be introduced in the Budget for 1970-71.

(8) The Finance Ministry should assume responsibility for introducing the system, and give a lead to the States in the matter.

196. (1) The structure of major heads of accounts may be reviewed and recast in terms of broad functions and major programmes of Government. The heads of development adopted for plan purposes

may also be reviewed with a view to establishing a direct correlation between these heads and the general accounting heads.

(2) Programmes, activities and projects of all departments and organisation where performance budgeting is sought to be introduced should be clearly indentified and the minor heads connected with these programmes suitably recast so as to reflect those activities.

(3) Representatives of the C&AG, the Planning Commission, the Finance Ministry and the administrative Ministry concerned should be associated with the task of drawing up a programme for the implementation of recommendations (1) and (2).

(4) Statements should be prepared each year, as a supplement to budget documents, analysing the plan outlays under various heads of development into components corresponding to the accounting heads.

197. The Financial Year should commence from the 1st of November instead of the 1st of April as at present. This should be adopted both at the Centre and in the States.

198. The arrangements for collection and study of statistical data having a bearing on taxation should be reviewed and improvements effected, keeping in view the need for up-to-date, accurate and comprehensive information necessary for preparing the estimates of revenue.

199. (1) A system of forward looking budget should be attempted for each service and activity wherein requirements of manpower and materials for a few years should be ascertained in advance.

The budget so framed should be reviewed every year with a view to facilitating the process of formulation of financial requirements of each year.

(2) During the course of construction of projects, systematic cash flow statements should be prepared and in this connection, modern control techniques like PERT should be made use of.

200. In order to overcome the reluctance of the Ministries/ Departments to surrender funds in time the Finance Ministry should give an assurance through a circular that under-spending in one year would not prejudice the budget estimates for the next year.

201. (1) There should normally be a total ban on the inclusion of lump sum provisions in the budget. They should be permitted only in the most exceptional cases, e.g., where urgent measures are to be provided for meeting emergencies or where comparatively moderate amounts are to be spent on items like preliminary expenses in a project for which only a rough estimates can be made and details cannot be furnished.

(2) The administrative Ministries should take steps to obtain the clearance of the budget proposals from the Finance Ministry well before the due date.

(3) The Contingency Funds of both the Central and State Governments should be enhanced suitably to enable funds being found for urgent schemes or projects which cannot be postponed till the estimates of next year are placed in the Legislature.

202. Token grants should be asked for only when the approval of Parliament is necessary for a "new service" and the funds for that service can be found by re-appropriation.

203. (1) Economic classification should be extended to the budgets of the State Governments and to all the non-departmental public sector undertakings.

(2) The economic classification should be integrated with the budgetary process itself and to every demand for grant there should be attached an economic classification of that particular demand.

204. (1) The Minister should invariably open the discussion on Demands for Grants pertaining to his Ministry and explain the policy underlying the estimates, the physical programmes planned and the performance etc. during the preceding year.

(2) The Annual Reports of the ministries and departments should include a full exposition of their needs and a justification for the funds asked for.

### **Financial Control and Management**

205. (1) It should be obligatory for each Ministry to have a whole-time Internal Financial Adviser of adequate seniority and rank. The officer should be placed in charge of the Finance and Budget Cell of the Ministry and should be responsible for the financial management and control within the Ministry's field of responsibility. He should not be entrusted with any other work of the administrative Ministry like personnel work or office management, etc. It should be open to the Government to entrust one officer with the work relating to more than one Ministry/Department.

(2) The procedure for consultation with the Financial Adviser and the type of cases in which he would be consulted should not be left to the discretion of individual Ministry. A set of model rules should be framed for the guidance of administrative Ministries in this matter.

206. (1) The Finance and Accounts Branches of the administrative Ministries should be suitably strengthened wherever necessary and staffed with qualified and well-trained personnel.

(2) The Finance Ministry should help the administrative Ministries to organise well-equipped internal Finance Branches. For this purpose it will be necessary to (i) ensure proper training of the junior officers, and (ii) to provide suitable opportunities for officers in the middle levels to acquire varied experience and knowledge of public administration.

207. (1) The Financial Adviser should bring to his assignment a background of field experience and at an appropriate stage he should be given such orientation as to equip him for the role and functions of Financial Adviser. The officers without a similar background should be provided with this experience as early as possible in their careers as Financial Adviser.

(2) There should be a provision for periodical interchange between the officers of the Finance Branches and other branches of administration.

208. (1) If a feasibility report has been accepted by Government and the detailed scrutiny thereof is likely to take considerable time, the administrative Ministry should be allowed to incur expenditure on preliminary work subject to specified financial limits.

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

209. (1) Proposals of the administrative Ministries for additional staff or creation of new posts should be considered by an independent agency, namely, a well-equipped and well-trained Staff Inspection Unit.

(2) In case of sudden unforeseen increase in work due to extraordinary circumstances, the Ministries and Departments should have power to create, only for very short periods not exceeding 3 months, temporary posts if funds can be found by reappropriation within the existing budget provision. Such powers may be made available to Heads of Departments also.

### **Government Accounts**

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

- (a) The details containing break-down of primary units of appropriation into detailed heads may be eliminated from the central accounts compiled in the various accounts offices and to the extent considered necessary for administrative purposes be recorded only in the departmental accounts.
- (b) The entire structure of primary units of appropriation may be reviewed by the Ministry of Finance in the light of the wider powers of reappropriation now available to the administrative Ministries and consistent with the objective of simplifying the accounting structure.
- (c) The structure for the Demands for Grants may be simplified by a grouping of individual schemes within a homogeneous programme to the extent feasible and the detailed breakdown for smaller schemes involving an expenditure of, say, less than Rs. 5 lakhs may not be provided in the budget papers.

211. As a matter of general policy the responsibility for the compilation of central accounts may continue to vest with the Comptroller and Auditor-General, except in the case of the Departments for which separate Accounts Offices have already been established.

212. (1) The Internal Financial Adviser with proper assistance at subordinate levels should be charged with the responsibility for establishing and maintaining an efficient accounting set-up within

the administrative agency. The accounting set-up should be such as to ensure the timely submission of accounting data and analysis to the executive authorities to assist their managerial performance and should include an efficient organisation for internal audit as well as the employment of modern techniques such as cost accounting and management accounting.

(2) Adequate arrangements should be made for imparting suitable training to the accounting personnel at various levels.

213. The accounts organisations set up in the various Departments should compile inventories of immovable property belonging to Government and administered by those Departments. A central inventory of the fixed assets of the Government as a whole should then be made out in the Finance Ministry on the basis of the departmental compilations.

214. (1) As a general rule every Accountant General should be made responsible for the final accounting of the transactions which originate in his Accounts Circle.

(2) The operation of Exchange and Settlement Accounts should be minimised with a view to avoiding delays in the final adjustment of accounts and the device of settling accounts between different Circles through cash, cheques or bank drafts should be utilised to the maximum extent.

215. (a) The Individual Running Ledger Account system may be extended to cover all such gazetted officers of the Central Government departments like Income-tax, Customs, Central Excise, Central Public Works and Survey of India, as are liable to frequent transfers from one Accounts Circle to another.

(b) Heads of Offices may be authorised to draw and disburse the salaries of gazetted officers, as they do for non-gazetted officers, in the case of those who are ordinarily not liable for transfer outside a specified Accounts Circle.

(2) (a) The G.P.F. accounts of officers who are liable to frequent transfers between different Accounts Circles may be centralised in the case of those for whom I.R.L.A.'s are not maintained for salaries. This system is already in vogue in some departments and can be extended to others.

(b) The transfer of G.P.F. credits from one Circle to another may be effected by bank drafts and not through Exchange and Settlement Accounts which cause considerable delay.

(c) In the case of deceased Government employees, Heads of Offices/Departments should themselves initiate action to obtain from the nominees of the deceased the applications for the final settlement of the G.P. Fund. They should also notify the event of death direct to the Accounts Officer maintaining the G.P.F. account concerned so that he may take prompt action for the settlement of the account on receipt of application for payment.

216. (1) As soon as a Government servant completes twentyfive years of service, his department and/or the accounts office should verify the service and intimate to him the then length of the qualifying service. If the Government employee does not get such an intimation within six months of the completion of qualifying service, he

should be entitled to ask for such an intimation, which should be given within a month of receipt of a requisition from him. This verification will expedite the settlement of the pension when the employee actually retires from service.

(2) All the formalities connected with the sanction of the pension should be completed well before the last month of service of the employee so that he may commence to draw his pension from the month succeeding.

217. The feasibility of introducing modern data processing techniques within the accounting system may be entrusted to an expert committee for detailed examination.

218. (1) The initiative and responsibility for a review and reorganisation of the accounting system in its various aspects may be located in the Ministry of Finance and a well equipped organisation may be set up there for this purpose.

(2) The C&AG may be closely associated with the Ministry of Finance in undertaking a joint programme for improvement in the accounting system.

219. (1) The Parliamentary enactment envisaged in Article 149 of the Constitution may be passed as early as possible prescribing the duties and powers of the Comptroller and Auditor General in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by Parliament.

(2) A specific provision may be made in this enactment for—

(a) the audit of all revenue receipts of Government;

(b) the audit, in his discretion by the C&AG, of the accounts of bodies receiving Government assistance in the shape of substantial investments and grants-in-aid with a view to ascertaining that the funds provided have been used only for the purposes intended; and

(c) the audit in his discretion by the C&AG of the accounts of contractors with whom contracts for a value exceeding a crore of rupees are settled by Government through direct negotiation and not as a result of open competitive tendering.

220. (1) Definite dates should be set for the submission of the Appropriation Accounts, the Finance Accounts and the Audit Reports by the Comptroller and Auditor General through mutual discussion between the Comptroller and Auditor General and the Union and State Governments, as the case may be.

(2) The Finance Accounts may be submitted simultaneously with the Appropriation Accounts and the Audit Report.

(3) The Central and the State Governments may issue executive orders for placing of the Annual Accounts and Audit Reports on the table of the House within a prescribed period after their receipt from the Comptroller and Auditor General. This period may be limited to, say, a week if the Parliament/State Legislature is in session.

221. The Comptroller and Auditor General may review the internal organisation and procedures with a view to associating senior officers more effectively with the initial stages of audit operations.

222. (1) The Audit Department should give more pointed attention to an examination of the internal systems and procedures within administrative agencies and, where necessary, submit periodical reports to Government for consideration and implementation of the suggestions for reform.

(2) The Comptroller and Auditor General should take necessary steps to strengthen and develop necessary competence and expertise for the conduct of propriety-*cum*-efficiency audit and generally extend the scope of this type of audit to cover all developmental activities of Government.

223. Audit should endeavour to consider and present its comments against the background of the relevant circumstances existing at the time of the decision and the overall objectives and achievements of the related programmes and activities.

224. The Comptroller and Auditor General should exercise his discretion in excluding from the Audit Report references to such objections in respect of which the necessary rectification has been made and adequate remedial action has been taken for the future. It should, of course, be open to him to report on these objections if a matter of substantial public interest or importance is involved.

225. The Comptroller and Auditor General may continue to have the power to carry out a supplementary audit of public sector undertakings even after Audit Boards are established for the audit of these undertakings.

226. Every effort should be made by audit to settle objections arising out of award of contract of works, supplies and services through discussions with the management and if necessary, with the concerned Ministry. The aim should be to resolve all disputed points between audit and administration at appropriate levels so as to obviate the need of their being included in the audit reports. This procedure for consultation with audit for the settlement of objections relating to contracts should be made widely known to the management by the administrative Ministries in consultation with the Comptroller and Auditor General.

227. Differences with regard to the interpretation of tax laws should be settled between the Audit and the Central Boards through consultations in a spirit of goodwill, understanding and appreciation of their complementary roles in pursuit of a common objective.

228. (1) The post of the Examiner of Local Funds Accounts may be accorded a sufficiently high status and supported with a well-equipped organisation under his control, to enable him to discharge the responsibilities for the audit of Panchayati Raj institutions.

(2) The Comptroller and Auditor General may, in his discretion, issue directives to the Examiner of Local Funds Accounts to discharge audit responsibilities on his behalf.

(3) The Consolidated Finance Accounts of Panchayati Raj institutions be further supplemented with information on the progress of important schemes and programmes and the position with regard to the taxes and cesses levied and collected.

### **Review by Parliamentary Committees**

229. The task of reviewing and assessing the performance of Government Departments in relation to budgeted programmes should be entrusted to the Public Accounts Committee.

#### **LIST OF ABBREVIATIONS**

- C & AG** : Comptroller and Auditor General of India.
- CPWD** : Central Public Works Department.
- G.P.F.** : General Provident Fund.
- I.R.L.A.** : Individual Running Ledger Account.
- P&T** : Posts and Telegraphs.
- P.A.C.** : Public Accounts Committee.
- PERT** : Programme Evaluation and Review Technique.



## **REPORT ON DELEGATION OF FINANCIAL AND ADMINISTRATIVE POWERS**

### **Delegations**

230. (1) In making delegations the approach should be that powers to be delegated should be the "maximum possible" in the circumstances rather than the "minimum necessary".

(2) The delegations should be reviewed at periodical intervals in the light of the requirements of the changed circumstances in which powers are exercised. The Department of Administrative Reforms should assist the nodal and other Ministries concerned in making such a review and formulating proposals for changes necessary in the delegations, for the consideration and decision by Government.

(3) Whenever any modifications or changes have to be made in the delegations, these should be done through amendments to the rules themselves and not through executive instructions.

231. (1) Higher authorities should exercise restraint and discrimination in calling for information on matters which are the subject matter of exercise of powers delegated to subordinate authorities.

(2) The senior managers should organise their work in such a way that they do not handle tasks which should be left to those who are working under them.

(3) Senior managers should make it a part of their duty consciously to encourage and train those functioning at lower levels to develop initiative and habits of decision-making on their own.

232. (1) The delegating authority should be responsible for ensuring that powers are properly exercised by its subordinate agencies. For this purpose, it should organise on-the-spot inspections and scrutiny of periodical returns containing details regarding decisions taken by delegatee-authorities.

(2) In Judging the manner in which delegated powers are exercised, a broad view should be taken. Petty mistakes or minor errors of judgment should not be made such of and one who has shown initiative and boldness in taking decisions should be encouraged notwithstanding minor errors.

### **Delegations in relation to Financial Powers including Budget**

233. While the responsibility of the Finance Ministry for budget-making and for pre-budget scrutiny should remain unimpaired, ways and means should be devised by mutual cooperation between the administrative Ministries and the Finance Ministry to avoid as far as possible duplication of work in the matter of budget scrutiny.

234. The Finance Ministry should initiate a joint programme for improvement of budget procedure in collaboration with the administrative Ministries and the Comptroller and Auditor-General, with a

view to spacing out the budget proposals during the year and avoiding rushing them at the very end of it.

235. Subject to necessary safeguards, the Ministries should delegate adequate financial powers to the Line and Specialist organisations. The delegations should generally be related to the nature of work handled in such organisations. This should be achieved mainly by suitable adjustments in the delegation of powers of the existing categories of authorities. An increase in the number of patterns themselves should be considered only if unavoidably necessary. Care should, however, be taken to ensure that there is no needless proliferation of patterns.

236. The feasibility of having an internal Finance Officer in selected Line and Specialist Organisations should be examined and such an officer should be appointed wherever the nature or the volume of work clearly warrants such as appointment.

### **Delegation of Administrative Powers**

237. There should be a personnel cell in important viable line and specialist organisations to deal with the work relating to personnel administration and ensure careful exercise of powers in the delegated field.

238. Heads of Organisations should be empowered to redelegate, with the approval of the Ministries, some of their administrative powers to the officers within the organisations. The re-delegations should be subject to periodic review and, where found necessary, suitable amendments should be made in the light of the experience gained.

## REPORT ON TREASURIES

### Procedures of Treasuries

239. (1) Every department concerned with the receipt of taxes or other demands of a known or foreseeable nature which have to be paid periodically or at fixed intervals should issue chalan forms to the intending depositor in triplicate with the heads of accounts and other particulars duly filled in so that the party may have only to sign the chalan form. When necessary, such chalans may also be issued in quadruplicate. The Bank should receive the amount due on such chalans direct as is done in the case of dues of income-tax department.

(3) Intending depositors of Government dues could also be foreseeable nature, the departmental officer should maintain sufficient stock of blank chalan forms with him in order to obviate the necessity of a journey by the depositor to the treasury only for collecting the chalan form. In such cases a member of the treasury staff should be deputed to sit in the local branch of the bank to carry out the necessary verification of the chalan form, etc. before the payment is made.

(3) Intending depositors of Government dues could also be provided with the facility of getting chalan forms duly filled in with complete classification of each item of receipt, from authorised chalan writers on payment on prescribed fee.

(4) The departments concerned should make necessary arrangements to receive payment in any form it is tendered, that is whether through cheques, bank drafts, postal order, money order or even in cash (upto specified limits). They should normally receive sums which are not substantial in cash across the counter (for this a monetary limit of Rs. 300 is suggested). In the case of substantial sums also, the citizen should have the option to remit such sums by money order, or postal order or duly crossed cheques or bank drafts.

(5) The citizens should be encouraged to make payment of small Government dues like licence fees, road taxes, etc., by a wider use of postal orders. Such postal orders should, however, be distinct in colour and design from those in vogue at present since they will be usable only for payment of Government dues.

240. (1) The responsibility for finalising the various formalities associated with the payment of money to the citizen should rest squarely on the department/office initiating or sanctioning the amount. The departmental officer should arrange to remit the amount by cheque/draft duly crossed or through money order to the person concerned. The facility of receiving small sums in cash across the counter, say, upto Rs. 100, should also be provided to the citizen.

(2) Where it is not convenient for the citizen to receive payment across the counter, the departments should normally remit to him small sums upto Rs. 100 through money order and the charges on

account of the money order commission should also be borne by Government.

(3) The State Governments should consider progressively authorising selected treasuries in the States to make payments by cheques particularly in cases where the payments are heavy or the number of transactions in relation to the public is very large.

(4) The system of making payments through cheques should be extended discriminately to those departments where the volume of transactions in relation to the public is specially large.

(5) The use of the system of personal ledger accounts which permits speedier and easier withdrawal of funds on cheques at the treasury/bank for disbursement be progressively extended to such areas of government transactions where there is a special need for it, e.g., departments dealing in activities with substantial receipts and payments.

(6) Since the system of personal ledger accounts involves the handling of cash by a departmental officer and in some cases the transfer of large sums from the Consolidated Fund to the Public Account Section of the Government Accounts it should be extended discriminately after careful scrutiny of the needs and circumstances. The system should, as a requisite, provide for strict supervision and prompt and regular submission of monthly accounts to the Accountant-General along with the vouchers and other documents.

(7) The rules for the payment of grants-in-aid, contributions, scholarships, compensation to Government servants and the funds required for Government's investments in companies, corporations, etc., should be simplified and the procedures prescribed by the Central Government adopted *mutatis mutandis* by the State Governments.

(8) In the Public Works Department, the system of payments by cheque should be extended to the salaries of the gazetted and non-gazetted establishment on the lines of the system obtaining in the divisions of Forest Department.

241. The Treasury Officer should be empowered, in respect of State transactions, to sanction the refund of lapsed deposits, the detailed accounts of which are maintained at the treasury. No sanction of the Accountant-General should be required in such cases.

242. (1) The limit upto which the payment of pensions may be made in cash at the treasuries to the pensioners should be raised to Rs. 300 p.m.

(2) The pensions upto Rs. 100 p.m. should, at the request of the pensioners, be remitted by money order at Government expense.

(3) The officials posted in or having their headquarters in rural areas, for instance, the tahsildars and the block level officers, etc., should also be authorised to attest the written declarations signed by a pensioner who, owing to old age or infirmity, elects to have his pension paid by money order.

(4) In the case of pensioners drawing their pensions through the scheduled banks, the latter should also be empowered to issue life certificate to such pensioners.

(5) The Collector of the district should be empowered to authorise the payment of pensions on the last working day of a month, if the first two days of the succeeding month are public holidays. The power should extend to the payment of all pensions irrespective of the rate of pension per mensem.

(6) In cases of outstanding arrears of pension which have remained undrawn for more than a year, the Collector also should be empowered to allow the payment of such arrears, if the amount does not exceed Rs. 5,000.

243. (1) The responsibility for the timely remittance of the leave salary to the Government servants should rest squarely on the administrative authorities. It should be for these authorities to make arrangements for the timely remittance of the net amount of the leave salary to a Government servant by means of a demand draft at par at the address specified by him.

(2) In the case of Class IV Government servants, the net leave salary should be remitted by the prescribed officer by money order at Government expense.

(3) A Government servant proceeding on earned leave should not normally be required to appear in person at the place of payment, or to furnish a life certificate when claiming the leave salary.

(4) In order to obviate the difficulties at present experienced by the gazetted officers in drawing their salary and allowances either on their initial appointment or on transfer to a new station or district, on account of the procedural formalities involved in getting sanction from the appropriate authorities, the heads of offices should be empowered in such cases to grant advances of pay equal to a month's pay, which should be payable for a total period of two months.

244. (1) The object of public policy should be to promote the location in close proximity of the offices of the Bank and the treasury in the districts. In places where the Bank offices are at present located at a distance from the treasury, the Bank should consider the question of opening a branch office in the premises of, or at a place adjoining the treasury.

(2) The treasuries should be relieved of the functions of indenting, storing and distributing the postal stamps and this function should be taken over by the Posts and Telegraphs Department.

### **Organisation of Treasuries**

245. (1) In all States there should be in existence a regular Finance/Accounts Service to man the posts of Treasury Officers, Assistant Treasury Officers, etc.

(2) Proper standards of staffing and appropriate norms of work should be evolved for the treasuries and the systems of recruitment should provide for (a) an adequate percentage of posts being filled by means of open competitive examination and (b) certain proportion of posts being filled mainly by promotion, though here also a certain percentage should be reserved for direct recruits.

(3) The training of staff at all levels should be systematically planned and greater care and thought bestowed on the subject. The courses of training should comprise a short period of practical training in the office of the Accountant-General also.

(4) The treasury staff should increasingly look in the future for suitable avenues of promotion in the treasury and accounting organisation itself. For this purpose, a separate cadre for the non-gazetted establishment in the treasuries should exist at the district level in all the States.

(5) The State Governments should consider the setting up of a State Directorate of Treasuries manned by officers with adequate experience and training for the purpose of supervising the work of treasuries. To this Directorate should also be entrusted the responsibility of establishing cells within the treasuries for conducting a review of internal checks and controls so that deficiencies or lacunae noticed are rectified at a sufficiently early stage and the efficient working of the treasuries is ensured. The Directorate should also undertake periodical inspection of the treasuries and sub-treasuries with a view to scrutinizing the technical details of their working and seeing that the norms of work and performance are in fact being achieved.

**V AREA: PERSONNEL ADMINISTRATION**

*Report Presented*

**(11) Personnel Administration**

## **REPORT ON PERSONNEL ADMINISTRATION\***

### **An Outline of Reform—Need for Specialisation**

246. (1) The functions of Government have become greatly diversified. Wherever the numbers involved in a particular function are viable, the posts should be grouped into regularly constituted services.

(2) A functional field must be carved out for the IAS. This could consist of Land Revenue Administration, exercise of magisterial functions and regulatory work in the States in fields other than those looked after by other functional Services.

247. (1) All posts in a functional area whether in the field or at headquarters or in the Secretariat should be staffed by members of the corresponding functional services or by functional officers not encadred in a Service.

(2) There should be clearly defined schemes for staffing the middle and higher levels in each functional area.

248. (1) Posts of (or equivalent to) Under Secretary or a Deputy Secretary in the Secretariat and the attached offices should be examined and classified as falling (i) within functional; or (ii) outside functional area.

(2) Posts of Under Secretary and its equivalent should be filled by officers of the corresponding functional Class I Service. Senior Class II officers, under the Centre as well as the States, in the functional area may also fill these posts. They should normally be employed on a tenure of three years.

(3) Posts of Deputy Secretary and its equivalent should be filled by officers of the corresponding functional Class I Service (all-India, Central and State) on a tenure, normally, of four years.

249. Posts of Under Secretary not falling in any functional area should be filled by the promotion of the relevant Secretariat and attached office personnel and not by officers of Class I Services, all-India, as well as Central.

250. (1) The posts at the level of Deputy Secretary or equivalent at the Central headquarters, which do not fall within a particular functional area, should be demarcated into eight areas of specialisms as follows:

- (i) Economic Administration
- (ii) Industrial Administration
- (iii) Agricultural and Rural Development Administration
- (iv) Social and Educational Administration
- (v) Personnel Administration
- (vi) Financial Administration
- (vii) Defence Administration and Internal Security
- (viii) Planning.

\*Subject to minutes of dissent.



(2) Selection should be made from among all Class I officers to man these posts. After 8 and within 12 years of service rendered in a functional area, every Class I officer directly recruited to a Class I post—all-India or Central—should be eligible for the selection. Promotees to Class I should be eligible for selection if they have spent a minimum period of five years in Class I and have not completed 8 years therein.

(3) Selection will be made by a committee consisting of the Chairman, UPSC, and two senior Secretaries on the basis of a written test, an interview and an assessment of the previous records.

(4) After selection and before being appointed to the post of Deputy Secretary or equivalent at the Centre, they should undergo a period of training described in Chapter VII.

(5) The tenure of appointment for these Deputy Secretaries should be six years excluding the period spent under training.

251. (1) Senior management posts in functional areas should be filled by members of the respective functional Services.

(2) Senior management posts outside the functional areas should be filled by officers who have had experience as members of the policy and management pool in one of the eight specialisms. They should have completed not less than seventeen years of service.

(3) The selection for senior management posts in the functional areas as well as outside the functional areas will be made by a committee consisting of the Cabinet Secretary, the Secretary of the Department of Personnel, and one of the senior Secretaries. There should be no fixed tenure in senior management posts.

252. The Department of Personnel should be responsible for working out the detailed implications of our recommendations for staffing the higher posts in administration.

#### **Unified Grading Structure—Its Importance to Personnel Management\***

253. (1) The posts in the Civil Service should be grouped into grades so that all those which call for similar qualifications and similar difficulties and responsibilities are grouped in the same grade. The number of such grades may be between 20 and 25.

(2) All the Class I posts may be evaluated and assigned to, say, 9 common pay scales, an illustrative chart of which is attached at the end of this chapter. These nine grades or pay scales may be divided into three levels, namely, junior, middle and senior. The progress of an officer of an established Class I Service among the grades within each level should be on the basis of proved performance. Promotions from the junior to the middle level and from the middle to the senior level should be by selection.

(3) The Department of Personnel should undertake urgently a detailed study for the purpose of determining the grades as well as the posts to which they should be attached.

\*Subject to minutes of dissent.

254. After all Class I posts under the Centre and those to be manned by the all-India Services in the States have been evaluated and allotted to the various grades, other posts at the Centre as well as in the States be taken up for examination and the entire Civil Service brought into a frame work of 20 to 25 grades.

#### **Recruitment Policy\***

255. (1) For all Services advance projection should be made of the requirements of personnel for five years at a time. Mid-term appraisal also should be made if circumstances warrant it and necessary correctives made on the basis of the appraisal.

(2) Such projections should be made by cadre management committees which should be constituted in the manner described in para 5.

256. (1) The recruitment to Class I Engineering posts should, as far as possible, be made only through competitive examination, and the selection after a simple interview should be restricted to cases where some prior experience or special qualifications other than the basic degree are required or where new projects are to be undertaken at short notice.

(2) For the Indian Administrative Service/Indian Foreign Service and other non-technical Class I Services, recruitment should be made only through a single competitive examination, it being left to the candidates to express their order of preference for the different Services.

257. The subjects to be offered at the combined competitive examination for non-technical Services may include Engineering subjects as well as subjects relevant to a medical degree.

258. A committee should be set up to go into the questions of devising speedier methods of recruitment, in general, of bringing down the proportion of candidates to posts, of reducing the expenditure on publicity, and of revising the syllabus of the examination for the higher Services.

259. (1) The upper age limit for entrance to the competitive examinations may be raised to 26.

(2) The total number of chances a candidate can take for the technical as well as the non-technical Services (both inclusive) should be restricted to two.

260. (1) A special competitive examination for non-technical Class I Services may be held for first class graduates who have an aggregate of not less than 60 per cent marks either at the first degree or the Master's degree.

(2) The examination should consist of a written test of a non-academic type followed by an oral test conducted by a screening board. Final selection should be made by the U.P.S.C. The screening board should be presided over by a Member of the UPSC and have at least three other members one of whom should be a psychologist with experience of personnel testing techniques. The other members

\*Subject to minutes of dissent.

may be civil servants (retired or in service) or reputed men belonging to the learned professions.

(3) This method should be adopted initially only on a small scale and on an experimental basis. It should be restricted to the selection of candidates for 10 per cent of available vacancies. After the method has been tried for three years, a review should be made of its working. If the review shows that the method has produced satisfactory results, its scope may further be expanded. Otherwise, it may be modified or even discontinued.

261. In order to provide greater opportunities for the advancement of talented persons who are not already in Class I—

- (a) the quota of vacancies in Class I to be filled by promotion may be increased upto a maximum of 40 per cent where the existing quota falls short of that percentage;
- (b) Every one who has completed 6 years of service in Government and is less than 35 years of age may be given one and only one chance to sit for the open competitive examination for Class I non-technical services, irrespective of the chances already taken, provided that he fulfils conditions relating to educational qualifications.

262. Provision should be made for appointment to technical posts at the senior levels of persons of proved competence from universities and industrial and commercial concerns, etc., if the capabilities and expertise possessed by them are needed and are not available within the ranks of the Civil Service. Care should be taken to regulate the seniority of the lateral entrant on the criteria described in para 264. This assessment, as well as the selection be made by a committee presided over by the Chairman of the UPSC.

263. (1) Direct recruitment to Class II posts of Section Officers may be stopped and these posts may be filled by promotion of Assistants whose direct recruitment, however, will continue.

(2) Direct recruitment to Class II posts whose incumbents perform duties similar to those allotted to Junior Class I officers may be abolished. Such posts may be filled entirely by promotion.

264. For recruitment to Clerical and repetitive jobs not calling for any special skill, simple objective tests may be devised and adopted in place of the essay type of examination or where no examinations are held at present.

265. There should be provision for recruiting from the personnel of the State Governments for Central posts in organisations like the Secretariat, and the Departments of Agriculture and Education, etc.

#### **Recruiting Agencies\***

266. (1) In making appointments to a State Public Service Commission, the Governor should consult the Chairman of the Union Public Service Commission and the Chairman of the State Public Service Commission. (The latter may be consulted also with regard to the appointment of his own successor).

\*Subject to minutes of dissent.

(2) In making appointments to the Union Public Service Commission, the Chairman of the Union Public Service Commission should be consulted (even with regard to the appointment of his own successor).

(3) Not less than two-thirds of the membership of the Union Public Service Commission should be drawn from among the Chairmen and Members of the State Public Service Commissions.

(4) At least one of the Members of a State Public Service Commission should belong to a different State.

(5) The minimum academic qualification for membership of a Commission should be a university degree.

(6) A Member selected from among Government officers should have held office under a State Government or the Central Government for at least ten years, and should have occupied the position of a head of department or Secretary to Government in a State, or a post of equivalent rank under the Central Government, or a comparable position in an institution of higher education.

(7) Members selected from non-officials should have practised at least for ten years in any of the recognised professions like Teaching, Law, Medicine, Engineering, Science, Technology, Accountancy or Administration.

267. Government's decisions on the exclusion of certain matters from the purview of consultation with Public Service Commissions should be taken after consulting the Commission.

268. (1) Wherever possible, different departmental authorities should pool their requirements of non-technical Class III and Class IV-personnel who are directly to be recruited, and make a joint recruitment.

(2) Recruitment Boards should be constituted for technical appointments in Class III and Class IV and should consist of senior officers representing the Department concerned, as well as some other technical Department.

269. (1) UPSC should be associated with the selection of personnel to, and their promotion within the quasi-Government bodies entirely or substantially financed by Government.

(2) In the case of smaller organisation, the function of the UPSC should be to approve the regulations governing recruitment and promotion, including the constitution of Selection Boards and promotion Committees.

(3) In the case of bigger organisations like the CSIR, however, only broad personnel policies need be framed in consultation with the Commission, the details of selection and promotion being left to the organisation itself.

(4) In all cases, the UPSC should develop an adequate system of reporting and inspection to ensure that at least minimum standards are observed in selection and promotion. The Commission may recommend, at their discretion, the annulment of selections and promotions falling short of such minimum standards.

(5) Comments, if any, by the UPSC on the working of these arrangements should be incorporated in its annual report to be placed before Parliament.

(6) Powers similar to those proposed for the UPSC, should vest in the State PSCs vis-a-vis quasi-government institutions which are either entirely or substantially financed by the State Governments.

270. (1) The staffing of the Secretariat of the Commissions should become diversified and should aim to include persons with wide experience in education, scientific fields and practical consideration.

(2) Research cells should be set up in the Public Service Commissions to assess the effectiveness of recruitment by follow-up studies and to analyse trends in the skill market and in the educational sphere and to provide data for determining the recruitment policies.

### **Training\***

271. Government should, with the assistance of experienced administrators and experts in training techniques, formulate a clear-cut and far sighted national policy on civil service training, setting out objectives and priorities and guidelines for preparation of training plans.

272. The Central Training Division should be located in the new Department of Personnel. The Division should have the following main functions:

#### Leadership:

- promote, coordinate and facilitate training.
- formulate policies, regulations and procedures on training and oversee their implementation
- advise Ministries and Departments on:  
determination of training needs, instructional techniques, evaluation of training programmes.

#### Services:

- arrange for courses in subjects such as management that are a common need
- arrange for training overseas
- arrange for preparation of training materials and research on different training methods
- train training coordinators.

273. Each Ministry or Department, having a sizeable programme of training, should have a separate training cell, located in its Chief Personnel Office. It should be manned by a Training Coordinator on a full or a part-time basis, as appropriate, and a few staff aides.

274. (1) The scope of the foundational course at present given by National Academy of Administration should be extended to cover also technical Class I Central Services and all all-India Services.

\*Subject to minutes of dissent.

(2) The content of the foundational course should be suitably revised to improve its usefulness and lay added emphasis on building proper values and attitudes among the trainees and inculcating in them a sense of dedication to duty and service orientation. The need abstain from intoxicating drink should be emphasised.

(3) Every trainee should live in a village at least for a fortnight to acquaint himself with rural life and conditions.

(4) The Government should set up a small committee of leading non-officials, experts and experienced civil servants to revise the scheme of the foundational training on the above lines.

275. (1) The post-foundational institutional training should be entrusted to a separate staff college for the IAS.

(2) The National Academy of Administration should be responsible for the foundational course for Class I Central Services and all-India Services and for middle management training.

(3) The Academy should be under the new Department of Personnel and its directing staff should be drawn from different Services.

276. The proposals for sandwich pattern of post-foundational institutional training for the IAS under the consideration of the Government, should be finalised and implemented early. Such a sandwich pattern of training should normally be followed in all programmes of probationary training of other Class I Services.

277. The compulsory training of horse riding for the IAS may be scrapped. Training in jeep driving and motor mechanics should be imparted when the Academy shifts to Delhi.

278. (1) The Central Government should evolve a common pattern of field training for IAS probationers, which may be adopted by the States with modifications suited to their local conditions. During their training in the States, the IAS probationers should be assigned to carefully chosen senior Collectors who are known for their interest in training and whose methods of work are considered worthy in emulation.

(2) For Class I Services other than IAS, training institutions may be set up where they do not exist, if the number of trainees is large enough.

279. A refresher training course for Under Secretaries from the CSS Cadre and a 12 week training course for other Under Secretaries may be formulated.

280. (1) Training for middle-level management in the Secretariat (for Deputy Secretaries and other officers with equivalent status) should have the following three broad elements:

- (a) training in headquarters work.
- (b) special courses in each of the eight broad specialisms; and
- (c) sub-area specialism training.

(2) Training in policy and planning should be provided as a part of training for all specialisms.

(3) The responsibility for arranging middle management training programmes should rest with the National Academy of Administration. The special courses in the eight specialisms should, as far as possible, be farmed out to professional organisations which have the needed expertise.

281. (1) Senior management education and preparation should be largely oriented towards policy-making, programme planning and review, and problem solving. It should be divided into two parts: (A) A general study and orientation supplemented by group discussions, seminars and syndicates; (B) Specific studies of a set of policy problems or a detailed study of the entire policy-making process in a segment or area of administrative activity.

(2) Persons who are marked out for senior management should be attached to professional institutions for pursuing the programmes of advanced study. Part A of this programme may be arranged with the assistance of the Indian Institute of Public Administration; and Part B at other institutions like the Institutes of Management at Ahmedabad and Calcutta, Administrative Staff College, Hyderabad, the Institute of Economic Growth, etc., which specialise in the area which would be of interest to the official concerned.

282. A programme of refresher courses should be drawn up for each functional service group by the cadre administering authority with due regard to actual needs and the career development plans which are evolved.

283. A review should be made of existing facilities for training available for Class III and Class IV staff and of the actual training needs, and a phased programme for improved training for these categories of personnel should be drawn up. Such training should aim at not only improving job skills but also developing proper attitudes towards the public.

284. The Central Training Division should arrange for appropriate research on various training methods and experimentation in techniques. It should also promote the development of training materials.

#### **Promotion Policy\***

285. Departmental Promotion Committees should be constituted, wherever they do not exist now, for appraising the merits of the persons concerned for promotion. The Chairman of the Departmental Promotion Committee should be an officer at a sufficiently high level. One of the members of the Committee should be an officer from a Department not connected with the one in which promotions are considered.

286. (1) At the end of each year, official reported upon should submit a brief resume, not exceeding three hundred words, of the work done by him, bringing out any special achievement of his. The resume should be submitted to the reporting officer and should form a part of the confidential record. In giving his own assessment, the reporting officer should duly take note of the resume and after making his own comments and assessment, submit the entire record to the next higher officer, namely, the reviewing officer. The reviewing officer should add his own comments, if any, and also do the grading.

\*Subject to minutes of dissent.

(2) The gradings in the confidential report should be reduced to three—(i) fit for promotion out of turn; (ii) fit for promotion; and (iii) not yet fit for promotion. There need be no such category as 'unfit for promotion'.

(3) Only five to ten per cent of officials engaged in work of a similar nature and at the same level in any office or organisation should normally be graded 'fit for promotion out of turn'. This grading should be supported by a specific mention of the outstanding work.

(4) There is no need to communicate adverse remarks to an official. In the event of any adverse remarks having been recorded, the reviewing officer should after discussing them with the reporting officer, and, if necessary, the officer reported upon, either confirm the remarks or suitably modify them, as the case may be.

(5) The annual report may be called "Performance Report" instead of "Confidential Report".

287. (1) Half of the vacancies available for promotion of Class II officers to Class I, including all-India Services, may be filled by the existing method and the other half on the basis of an examination. Class II officers may be allowed to sit for this examination, provided that they have put in a prescribed minimum number of years of service say, five, and have not been graded as 'not yet fit for promotion'.

(2) On the basis of the performance in the written examination, the candidates should be categorised as 'A', 'B' or 'C'. The candidates in category 'C' will be those who do not come up to the standard required; those in 'B' will be of the required standard and those in 'A' will be outstanding. The valuation should be strict and the persons placed in category 'A' should not, in general, exceed 10 per cent of the candidates who have come up to the required standard.

(3) The performance of all the candidates in their jobs should also be categorised as 'A' or 'B'. A final list of officers divided into three classes may then be prepared as follows:

Class I—those who have secured 'A' in the examination as well as in the performance gradings.

Class II—those who have secured 'A' in one of the two gradings—examination or performance—and 'B' in the other.

Class III—those who have secured 'B' in the examination as well as in the performance gradings.

In each category, the officers should be listed in accordance with their seniority. Promotions should then be made in accordance with this list.

(4) Each candidate will have only two chances for the examination. However, if due to an insufficient number of vacancies, a candidate who has secured a grading 'A' in the examination is not promoted to Class I, he should be allowed to carry forward that grading for the next, and only the next, promotion year.

288. In respect of promotion from Class III to Class II in cases where no examinations are now held and the area of selection is



large enough, an examination of the type recommended by us for promotion to Class I from Class II may be introduced for the purpose of filling 50 per cent of the vacancies, the other 50 per cent being filled by the existing method.

289. (1) In the functional areas, promotions from one grade to another in the Junior and Middle levels, in the all-India and the Central Class I Services, should be made a formally constituted Departmental Promotion Committee presided over by the Chairman or a Member of the Union Public Service Commission.

(2) Selections to the posts of Deputy Secretaries in areas outside any particular functional area should be on the basis of the mid-career selection process given in Chapter III.

(3) Promotion from middle levels to the senior levels that is, the senior management in the functional area as well as outside the functional area, should be by a committee consisting of the Cabinet Secretary, the Secretary of the Department of Personnel and one of the Senior Secretaries.

### **Conduct and Discipline\***

290. Rules relating to the recruitment and other conditions of service of Government employees, serving the Union may continue to be made by the President in the exercise of his powers derived from the Constitution. The rules should, however, be placed before Parliament. Similar procedure should be adopted in the States also.

291. (1) Every Government servant should before entering upon service sign a pledge that he will under no circumstances resort to strikes.

(2) The Essential Services Maintenance Act, 1968, authorising the Central Government to prohibit strikes in essential services and providing for penalties for persons participating in prohibited strikes or instigation and financing such strikes shall be adopted also by the State Governments.

292. (1) The employees' representatives in the Joint Consultative Bodies at the lowest levels—regional or departmental as the case may be—should be directly elected by the employees. For the bodies at the higher level or levels, the representatives should be chosen through indirect election.

(2) No person who is not serving under Government should be eligible for election to the Joint Consultative Bodies.

293. A legislation may be passed declaring demonstrations inside public offices, leading to disruption of orderly and peaceful work, as an offence for which punishment can be imposed as on acts of public nuisance.

294. Where the volume of work in connection with the departmental enquiries justifies the appointment of a separate officer for a department, or a group of offices, or for a region, a separate, whole-time officer fully trained for conducting disciplinary proceedings may be appointed.

\*Subject to a minutes of dissent.

295. Powers to compel attendance of witnesses or production of documents or to examine the witnesses on oath, etc., should be vested in the officers holding disciplinary inquiries.

296. The item "withholding of promotions" may be deleted from the list of penalties which can be imposed in departmental disciplinary proceedings.

297. No person should ordinarily be kept under suspension for a period of more than three months except in the cases pending in the courts.

298. (1) Provision should be made in the rules for summary disposal of disciplinary cases in respect of misdemeanour or other irregular acts arising from insubordination, contempt, and unbecoming conduct including intimidation or threat of violence.

(2) All supervisory officers should be empowered to suspend a subordinate officer in circumstances disclosing gross dereliction of duty, subject, however, to a review of the order of suspension, within a short time, by the next higher authority.

299. (1) Civil Service Tribunals should be set up to function as final appellate authorities in respect of orders inflicting major punishments of dismissal, removal from service and reduction in rank.

(2) There should be one Tribunal at the Centre with jurisdiction over the all all-India Service officers, all the Central Government employees at Delhi as well as all Central Class I employees serving outside Delhi. There should be one Tribunal for each State or for a group of States to hear appeals from State Government employees as well as Central Government employees other than those in Class I stationed in the geographical area within the jurisdiction of the Tribunal.

(3) Each Tribunal should be presided over by a person who is or has been a Judge of a High Court, or is qualified to be such a Judge. The Tribunal should include an eminent member of the public having experience of administration, and a senior officer of Government.

(4) The Chairman and Members of the Tribunal at the Centre and in the States will be appointed in consultation with the Chief Justice of India, or the Chief Justice of the High Court concerned.

(5) The person aggrieved by an order inflicting a major punishment will have the right of first appeal to a departmental authority except in a case where the order of punishment is passed by the President or the Governor. The Tribunals will hear appeals against the first appellate orders as well as the punishment order passed by the President or the Governor, as the case may be. When the Tribunals are established, the Public Service Commission need not be consulted before an order inflicting a major punishment is passed by the President or the Governor.

300. The suggestions made in the report of the Study Team on the Machinery of Government of India and its Procedures of Work Part II in paragraphs 9.4 to 9.9 relating to the enforcement of punctuality, the maintenance of the official premises, etc., may be considered and implemented by Government.

### Conditions of Service and Related Matters\*

301. Administrative offices should observe working hours from 10 A.M. to 5.30 P.M. with a lunch break of 45 minutes on all working days with every Saturday being half working day from 9 A.M. to 1 P.M. Sundays should be holidays as at present. Other Offices should follow this general pattern with such alterations as may be required by local needs.

302. (1) There need not be a holiday on Independence Day.

(2) The system of restricted religious holidays may be dispensed with by adding two more days to the present 12 days casual leave quantum.

303. (1) For overtime working, the time spent beyond the prescribed hours may be totalled up and for each six hours of overtime working, an off-day may be given. Suitable increase in staff, wherever justified for this purpose, may be provided.

(2) Where the course suggested above is not feasible, cash compensation may be paid at hourly rates, as at present, but such compensation should, in a week, be limited to an amount not exceeding one-twelfth of the monthly salary. Such payments should be resorted to only in exceptional cases.

304. (1) A civil servant may be allowed to retire voluntarily after he has completed fifteen years of service and given proportionate pension and gratuity.

(2) Such government servants who may have been superseded may, however, be allowed to retire even earlier on similar terms if they have put in at least ten year's service.

305. In cases, where civil servants are retired for reasons of their unsuitability or inefficiency, etc., at the age of 50 or after the completion of 25 years, the list of such persons should be drawn up by a high powered committee. For Class I civil servants, the committee may consist of the Cabinet Secretary, the concerned Secretary, and the Secretary of Department of Personnel at the Centre, and the Chief Secretary, the Head of the Department and the concerned Secretary, in the States. Similar committees should also be formed for Class II civil servants.

306. If a temporary employee has continued in Government service, without a break, for ten years or more, all such service, whether followed by confirmation or not, should count for pension and gratuity on the same scale as admissible to permanent Government employees.

307. (1) The quantum of pension admissible may be raised to  $\frac{3}{6}$ ths of the average emoluments of the last three years of service, as against the existing  $\frac{3}{8}$ th. The present ceiling should also be raised to Rs. 1,000 per mensem. The receipt of a death-cum-retirement gratuity should be made optional, and any reduction in the quantum of pension on this account should be made only after the expiry of the first two years of retirement.

\*Subject to minutes of dissent.

(2) The restrictions which now operate on the acceptance of commercial and other employment by retired personnel during a period of two years after retirement may be removed or approval of such appointments given as a matter of course. This should, however, be subject to the following condition:

If the salary received in the new employment, together with the pension, exceeds the last pay drawn, the pension will be withheld in part or in *toto*, as may be necessary.

308. The existing medical reimbursement scheme should be abolished. In order to more effectively serve the government servants, the Contributory Health Scheme should be extended to all government servants. Meanwhile, suitable monetary ceiling should be fixed for reimbursement of medical expenses.

309. (1) Incentives for timely completion of a specific project may be provided through suitable awards such as rolling cup or a shield. In individual cases, commendatory certificates may be issued.

(2) Cash awards or one or two advance increments may be given to those who give valuable suggestions for simplification of work which lead to economies in expenditure or otherwise increase efficiency.

(3) Any exemplary or special achievement by an employee may be recognised by grant of medals as is practised at present in the Police Department.

310. Government should accept, in principle, the need to provide reasonably good accommodation to all its employees. As an immediate measure, Housing Boards should be encouraged to build houses and rent them out to Government servants. Necessary financial assistance may be provided by Government or arranged through the Life Insurance Corporation, for the Housing Boards, for this purpose.

311. In view of the mounting unemployment in the country and of the pressing need to ensure in this distressing milieu, that at least each family should have some means of subsistence, it would be reasonable to impose restrictions on the employment of more than one member of a family, at least under Government. For this purpose, the family should be taken to mean only the husband and wife. Both the husband and wife should not be employed under Government at the same time. These provisions should apply to future entrants to Government service and will not apply to those who are already in service on the date on which they come into effect.

312. (1) Work norms for various posts in Government, specially at Class III and Class IV levels, should be evolved urgently. A target date for completing this work should be fixed for each Department and the resources of all units concerned with this aspect, namely, the O&M units, the Staff Inspection Unit and the Department of Administrative Reforms, should be pressed into service.

(2) Staff strength of all organisations should be reviewed by the Staff Inspection Unit. There should be no exception whatsoever, given to any Ministry or organisation in this matter.

(3) With a view to spotlighting delays, noting on papers which are not disposed of within a prescribed time after receipt thereof, should be made in red ink.

(4) A complaint book should, as a rule, be kept in all offices which have dealings with the public. The head of the office should himself scrutinise this book from time to time and satisfy himself that action is being taken or has been taken to redress the grievances.

(5) The work of revising office manuals, Civil Service Regulations, Fundamental Rules, etc., should be taken up by the O&M organisation. A competent body of persons from the concerned administrative office aided by experienced officers from the Audit Department should be entrusted with this task.

## **VI AREA : ECONOMIC ADMINISTRATION**

*Reports Presented:*

- (12) Economic Administration**
- (13) Public Sector Undertakings**
- (14) Life Insurance Administration**
- (15) Central Direct Taxes Administration**
- (16) Small Scale Sector**
- (17) The Reserve Bank of India**

## REPORT ON ECONOMIC ADMINISTRATION

### Strategy for Economic Development

313. The Prime Minister should keep herself informed about the overall progress in the implementation of the Plan with a view to ensuring that all the sectors of the economy move forward in unison with the Plan and to issue necessary directives.

314. As soon as the Plan is formulated and approved, each Ministry or Department concerned should frame operational equivalents of the Plan proposals. On this basis a general paper covering the entire field of Central and State developmental activities should be prepared and circulated to all concerned. The paper should contain guidelines for development in high priority areas and should be in the form of a policy-cum-operational statement for the short-term.

315. The broad strategy for industrial growth should aim at harnessing the high potential already created in the industrial sector and the technological know-how available and ending in the shortest possible time the present state of abject dependence on foreign aid.

316. The organisational structure of public sector enterprises should be strengthened by creating technically competent and high-powered sectoral corporations.

317. All industries should be divided into three categories:

- (a) A high priority category comprising a small number of industries which would involve a large capital investment and/or a considerable amount of foreign exchange. The industries in this category should be licensed. The license should be given only after the earmarking of inputs has been completed.
- (b) Industries which require foreign exchange and/or assistance in the matter of other inputs and are not included in the category (a). They should be graded according to a scheme of priorities. While they will not require to be licensed, allocation of foreign exchange and other inputs will be in accordance with the schedule of priorities.
- (c) All other industries which do not require foreign exchange and which are not entitled to any priority consideration in the matter of allocation of other inputs. These industries will not require to be licensed.

### The Role of Government in Industrial Development

318. The subjects of Commerce and industry should be combined into a single Ministry of Commerce and Industry. This Ministry should be responsible for formulating broad policies and strategy for industrial and commercial development in the public as well as private sectors. It should, however, not be in administrative control of any public sector industrial undertakings.

319. (1) The work of the DGTD should be divided among a number of Directorates, each Directorate being responsible for advisory service to a group of related industries. Above the level of Directors, there should be three or four Deputy Directors-General, each of them having under him a few Directors dealing with broadly related subjects.

(2) In Ministries which have to deal with sizeable areas of industrial development or one or more major industries, there should be a complement of technical officers at senior levels drawn from the field, i.e., from the public sector enterprises and other organisations throwing up technical talent.

(3) The advisory service provided by the DGTD should also extend to sugar and vanaspati.

320. (1) The higher technical posts in the organisation of the DGTD should appropriately be graded with suitable emoluments for each grade.

(2) Provision should be made for the appointment to higher technical posts "on contract" for specified periods.

(3) Officers who work under Government for a long period should periodically be deputed to field organisations so that their outlook may be realistic and their knowledge up-to-date.

321. The Director General, Technical Development, should be specifically charged with the responsibility for promoting modernisation.

322. The DGTD, though placed in the Ministry of Commerce and Industry should be viewed as a common service agency to the entire Government of India. Ministries dealing with individual or sectoral industries or public sector undertakings should be able to draw upon this service directly.

323. (1) It should be desirable to constitute Development Boards for industries which may assume large dimensions and require special care in the matter of development and regulation.

(2) The functions of the Boards will be—

- (a) planning of production and setting up of production targets;
- (b) furnishing the necessary technical advice to Government;
- (c) providing technical consultancy service to public sector undertakings, other autonomous organisations, and the private sector;
- (d) ensuring the provision of necessary scarce inputs to industry; and
- (e) collection, maintenance and publication of industrial statistics.

(3) The Heads of these Boards should be able to deal directly with the Secretary and the Minister concerned, their offices functioning also as the offices of the Ministry.



(4) The Development Boards should be compact, well-integrated bodies and should be composed largely of technical and specialist personnel of high competence.

(5) Persons with economic and management expertise may be appointed as members of a Board if the nature and the needs of the industry concerned justify such an appointment. One of the members could be an administrator with a flair for or having specialised knowledge of or experience in the economic and financial fields.

324. (1) The Coal Board should be reconstituted into a Development Board of the type we have described.

(2) It should *inter alia* be entrusted with functions relating to expansion and modernisation of mines, procurement of machinery, distribution of coal, co-ordination of research, import substitution and export promotion.

(3) The regulatory functions now being exercised by the Coal Controller should be transferred to the Board.

(4) The Board should have a high-powered full-time Chairman, having the requisite knowledge and experience in the technical field of mining and geology. There should be four other members, namely, Member (Technical), Member (Finance and Administration), Member (Commercial) and the Chief Mining Engineer.

(5) The Coal Board, when dealing with matters other than regulatory, should co-opt an advisory body consisting of—(a) the Director General of Mines Safety; (b) a senior officer of the transportation wing of the Railways; (c) a representative of public sector collieries; (d) one representative of the private sector collieries and (e) two representatives of the principal consumers.

325. The Chief Inspector of Mines should continue to be responsible for the enforcement of mines safety regulation.

326. The licensing function of the Iron and Steel Controller in respect of import of steel should be transferred to the Chief Controller of Imports and Exports. The remaining functions of the Iron and Steel Controller should be transferred to a Directorate of Iron and Steel in the Ministry of Iron and Steel.

327. A Development Council for Iron and Steel under the Industries Development and Regulation Act should be constituted in place of the present Advisory Council in the area.

328. (1) A Development Board of the type we have described should be constituted for Textiles.

(2) The Board should have five full-time members designated as Members, Cotton Textile; Member, Jute; Member, Man-made Fibres; Member, Wool; and Member, Financial Administration.

(3) The Office of the Member-in-charge, Jute Industry, should be located in Calcutta and should assume all functions which are at present performed by the Jute Commissioner.

(4) The offices of the Textile Commissioner and the Jute Commissioner will be merged into the organisation of the Board.

### Commission on "Prices, Cost and Tariff"

329. (1) A Commission to be known as the "Commission on Prices, Costs and Tariff" should be set up by law for undertaking the following functions:

- (a) determination of prices of industrial products and industrial raw materials and intermediates with a view to assisting the Government in evolving a rational price policy;
- (b) conducting studies on the costs of production of selected industrial products and locating the areas in which reductions in costs are feasible and necessary and making recommendations for the achievement of such reduction; and
- (c) conducting inquiries relating to tariff protection and making recommendations to Government on the basis of such inquiries.

(2) The Commission will conduct inquiries and studies either on a requisition being made by Government or on its own motion after obtaining the concurrence of Government. It should also assist the Planning Commission in carrying out studies relating to prices and cost.

(3) The Commission should be invested with the powers similar to those enjoyed by the Commissions of Inquiry appointed under the Commissions of Inquiry Act, 1952.

(4) The Tariff Commission should be abolished after this Commission is set up, and its staff should be absorbed in the new Commission.

330. (1) The Commission should have seven full-time members.

(2) It should adequately be staffed with experts who are required for the due discharge of its functions. Thus the staff of the existing Tariff Commission, the staff of the Cost Accounts Organisation of the Ministry of Finance and of the DGTD may be drawn upon.

(3) The Chairman of the Commission should, preferably be a non-official with high competence and ability.

(4) Two of the Members should be technologists; two of them should be drawn from the field of economists, chartered and cost accountants and management experts; one member should represent consumers' interests and one should be a Trade Union representative.

(5) The DGTD and the Chief Economic Adviser should be associated with the work of the Commission. They will, however, not be members of the Commission.

### Import Control

331. The system of physical import control should continue and the organisation for implementing the control should continue to be an executive agency of the Government.

332. (1) An attempt should be made to declare periodically for as wide an area as possible the Government's foreign exchange policy regarding maintenance imports.

(2) The DGTD should periodically work out for each important industry the utilisation of its installed capacity so that the allocation of current inputs could be viewed along this data to ensure their optimum utilisation.

333. The policy and the procedures for the allotment of foreign exchange to industries and the principles to be followed in the unit-wise allocation of foreign exchange should be discussed periodically with the non-official members of the Advisory Council on Trade.

334. (1) Provision should be made for filling review applications to Government against second appellate orders relating to permits and licences, including punitive orders.

(2) A Board of Referees should be set up for advising the Government before the applications for review are disposed of.

(3) The Board of Referees should include, besides very senior officers of Government, representatives of recognised bodies in the field of industry and commerce, e.g., Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce.

(4) Where the decision on a review application is not in favour of the applicant the reasons underlying the decision should clearly be brought out.

(5) The review applications should be disposed of within a period of, say three months.

335. The present practice of calling for income-tax verification or exemption certificates from import licensees should be given up.

### **Export Promotion**

336. The Export Promotion Councils should constantly be engaged in identifying handicaps experienced by Indian exporters and recommend adoption of specific remedies to remove them.

337. (1) The Indian Institute of Foreign Trade should assist the various bodies sponsoring market surveys with the exact design of the market surveys and in locating competent foreign surveys and research agencies.

(2) The Institute of Foreign Trade should also develop within itself the competence and capacity to undertake assignments in overseas market surveys.

338. (1) The following defects relating to delegations to foreign countries sponsored by the Export Promotion Councils should be removed:

- (a) Bunching of several delegations in one country;
- (b) Unsuitable timings of the delegations;
- (c) Inadequacy of the knowledge of the members regarding the commodities concerned and the pattern of their trade; and
- (d) Inadequate knowledge about the peculiar customs and practices of the country visited.

(2) On return the delegations should submit reports containing their observations and the concerned Export Promotion Councils should take the necessary follow-up action.

339. While recognition of Export Houses need not be unduly restrictive for some time to come, the recognition should be limited for a specific number of years and its further continuance should depend upon the results of a special review conducted with a view to ascertaining whether an export House has maintained high standards of integrity and business ethics in its operations.

340. The Export Promotion Councils should formulate a code of trade practices and standard terms covering the contracts between the exporter and the manufacturer for each important commodity or group of commodities.

341. (1) The practice of giving representation for various interests on the Commodity Boards should continue.

(2) The Chairman of the Commodity Board should be one having a knowledge of the sector concerned.

342. (1) After the budget of the Commodity Board is sanctioned, there should be no further occasion for getting individual schemes approved by the Government.

(2) The foreign exchange allotment should be made at the beginning of the year after due scrutiny of the proposed expenditure and the Boards should be left to incur expenditure within the allotted funds without further reference to Government.

343. The Export Credit Guarantee Corporation should not undertake direct supplementary financing of exports.

344. The ECGC should thoroughly examine the past experience in different countries in regard to insurance claims and keep in view the export strategy of Government from time to time in respect of specific markets and specific commodities. They should revise the insurance rates incorporating necessary differentials in the light of various factors mentioned above.

345. The Corporation should agree to carry out recovery proceedings on behalf of their clients rather liberally on request. The Corporation should also be given a general permission by the Reserve Bank of India to file cases without the need for specific prior permission in individual cases. A blanket foreign exchange permit should be granted to the ECGC to enable them to meet their legal expenses abroad.

346. (1) The activities of the Directorate of Exhibition should, as early as possible, be transferred to the Indian Council of Trade Fairs and Exhibitions.

(2) The grants-in-aid to the Council may continue for a few years, but the Council should ultimately become self-supporting, charging the necessary fees for the services rendered by it to the trade.

347. (1) A bulk allotment of foreign exchange should be made at the beginning of each year. When expenditure is incurred against this allotment, the Department of Economic Affairs need not be required to give a clearance to each item of expenditure.

(2) The requirements of staff (in terms of man-days) for each fair or exhibition in which the ICTFE is allowed to participate should be worked out and got approved in the beginning of the year and thereafter the Council should be allowed to select the persons and the periods of deputation without further reference to Government.

348. (1) Foreign publicity for export promotion should be limited to selected items and areas.

(2) ICTFE should help in organising the foreign publicity for various Export Promotion Councils.

(3) The ICTFE should also work out the overall strategy of commercial publicity abroad, keeping in view the resources available for the entire export sector.

349. The system of fixing standard amount of refund on account of customs and excise duties which have gone into the cost of some exported products may be extended to as many more products as possible.

350. The Ministry of Commerce and Industry should keep a continuous watch on the international prices of the commodities subject to export duties and take the initiative in suggesting to the Ministry of Finance any reductions in the duties required to compensate for the fall in international prices of these commodities. In the event of a difference of opinion in any case between the Ministry of Commerce and Industry and the Ministry of Finance, the matter should be referred to the full Cabinet.

351. The estimates of the import content in the products exported, adopted for the purpose of calculating import entitlements, should be reviewed periodically, say once a year, by the technical advisers of the Government in consultation with the concerned Export Promotion Councils and Development Councils.

### **Foreign Collaboration**

352. A Resolution on foreign investment should be issued by Government setting forth its policy regarding conditions subject to which foreign collaboration would be allowed. The Resolution should also provide for exceptional cases being dealt with on merits and also indicate the areas in which foreign investment would be welcome.

353. (1) The DGTD should conduct a systematic study of the collaboration agreements entered in the past and recommend, in consultation with the Department of Economic Affairs on points involving financial implications, standard terms of financial and technical collaboration with foreign investors.

(2) This review and standardisation of terms of collaboration could be started in important sectors and later on extended to the remaining sectors as well.

354. The Foreign Investment Committee may be abolished and the matters now going before it may be considered by the Foreign Agreements Committee itself.

355. Foreign collaboration agreements involving investments of over Rs. 5 crores need not go to the Negotiating Committee and may be considered by the Foreign Agreements Committee itself. The Cabinet Secretary may, however, be associated with the decisions in these cases.

356. The DGTD should prepare lists showing items in respect of which import of foreign know-how will be permitted; items in respect of which indigenous know-how is available and industries in respect of which import of technical know-how will be prohibited. After its approval of the lists, the Government should give them wide publicity.

### **Management of Foreign Exchange**

357. (1) The annual foreign exchange estimates should be taken up simultaneously with the formulation of the Annual Plan which should take into consideration the availability of foreign exchange.

(2) As a general principle, the allocation of foreign exchange for maintenance requirements of the industrial units should be done on an annual basis.

(3) The system of data collection in the Reserve Bank should be improved and the Bank adequately equipped for tabulating the information collected.

358. (1) The DGTD should initiate the proposals for apportioning the available foreign exchange for current requirements of industries in the light of accepted priorities.

(2) The approval of the Capital Goods Committee should be considered as the final stage where foreign exchange resources are committed. Therefore, the stage of preparedness of the industrial units before giving approval should be thoroughly examined.

(3) DGTD after a critical examination of the foreign exchange requirements of different industries should work out a schedule according to which the foreign exchange allocation should progressively be reduced.

359. (1) The DGTD should determine and publish in advance for the benefit of importers, the types of equipment and the types of industry which can be financed from particular sources to the maximum economic advantage of the country.

(2) The present practice of setting overall monetary limits for the import of plants of standard sizes instead of setting limits for individual items should be extended to more industries.

360. (1) The present practice of checking whether a person proposing to travel abroad has repatriated earlier export proceeds should be given up; instead the RBI should periodically prepare a list of persistent defaulters in this regard who should be black-listed for the release of exchange for travel.

(2) Businessmen belonging to a firm which is a member of any Export Promotion Council need not be required to furnish a Bank Certificate vouchsafing their financial standing, before they are granted foreign exchange for travel to promote exports.

361. The rule regulating the release of foreign exchange for studies abroad should be widely published for general information and should not be altered for a period of at least three years.

362. The Reserve Bank should insist on the production of proper accounts by persons granted foreign exchange for medical treatment and should undertake where necessary enforcement proceedings.

363. (1) A "Red Book" on invisibles containing regulations governing release of foreign exchange for invisible item may be published.

(2) The amount of foreign exchange spent under the various items and wherever practicable, the number of applicants of various types should be published every six months.

364. The 'P' Form Control should be abolished.

#### **Control of Capital Issues**

365. (1) The maximum amount of debenture interest or preference share dividends which could be fixed by companies without reference to the Controller of Capital Issues may be incorporated in the Capital Issues Exemption Order.

(2) The months during which large issues of capital by companies are not to be permitted should be declared from time to time by the Government under powers derived from an enabling provision to be incorporated for that purpose in the Exemption Order.

(3) The companies may be allowed to make issues provided all the conditions including those relating to the matters referred to at (1) and (2) above are satisfied without making a prior reference to the Controller of Capital Issues.

(4) The separate post of Controller of Capital Issues may be abolished and the Secretary, Department of Economic Affairs, may be declared as the Controller of Capital Issues in addition to his own duties.

#### **Administration of Companies Act**

366. (1) Government should formulate general principles and guidelines in consultation with the Advisory Committee in respect of important matters.

(2) Cases arising in areas in respect of which guidelines are prescribed should be referred to the Advisory Committee for advice if they deviate from the guidelines.

367. (1) The responsibility for the conduct of inspections should be transferred to the Regional Directors of Company Law Administration to whom Regional Inspectors are administratively subordinate. The Regional Directors should, however, draw up the programme for inspection in advance and get them approved by the Director of Inspection.

(2) The Regional Directors should take such follow-up action on the inspection reports as is found necessary in all matters in respect of which powers have been delegated to them under the Act. Other matters should be referred to the Central Directorate.

(3) With the transfer of his responsibility for the 'conduct of inspections to the Regional Directors, the Director of Inspection and Investigation should concentrate on the directing of investigation, and on the follow-up action (including prosecution) found necessary as the result of investigation. He should be re-designated as Director of Inspection, Investigation and Prosecution.

(4) The Director will formulate principles, procedures and techniques for carrying out inspections and investigations. The Director will give, where necessary, technical guidance in individual cases to the Regional Directors and the regional inspection staff. Where inter-regional inspections are to be carried out, he will have to devise a concerted strategy which will ensure effective coordination of the inspections carried out in various regions.

(5) Those parts of the Secretariat which deal with inspection, investigation and prosecution, should be transferred to the Director so that duplication of work may be avoided. Matters of policy and final approval of prosecution will, of course, continue to be dealt with in the Secretariat.

368. The functions which are now discharged by the Courts under the Companies Act may be reviewed and those which are of routine administrative nature may be transferred to the executive.

369. The work relating to Stock Exchanges may be transferred to the Department of Company Affairs.



## REPORT ON PUBLIC SECTOR UNDERTAKINGS

### Organisational Structure

370. (1) The form of a statutory corporation should in general be adopted for public sector projects in the industrial and manufacturing field.

(2) For projects in which there is an element of private participation, the Government company form may be adopted.

(3) Promotional and developmental agencies should, as far as possible, be run as statutory corporations or departmental concerns.

(4) Undertakings which are predominantly trading concerns or which are set up to improve and stabilise particular areas of business may have the company form.

371. (1) All the industrial and manufacturing concerns in the areas mentioned in paragraph 12 and the concerns in the fields of air transport, shipping and hotels and tourism should be grouped into sector corporations as indicated in Annexure. The State-owned shares in an undertaking in which there is private participation should be transferred to the sector corporation.

(2) A sector corporation should also be set up in the field of Electronics when a programme for a large-scale expansion in this field is decided upon.

372. (1) The powers of the Government *vis-a-vis* the sector corporations and the functions of the corporations should in general be as follows:

Powers reserved to the Government:

- (i) to appoint the Chairman of the Corporation and the Government representatives on the board of the corporation;
- (ii) to appoint in consultation with the Chairman, other members of the board of the corporation;
- (iii) to give directions to the corporation as to the exercise and performance of its functions in matters involving national security or substantial public interest and to ensure that the corporation gives effect to such directions;
- (iv) to call for such returns, accounts and other information with respect to the property and activities of the corporation as may be required from time to time;
- (v) to authorise the amount of capital to be raised and the terms and conditions on which it may be raised;
- (vi) to approve the corporation's five-year and annual plans of development and the corporation's capital budget;

- (vii) to approve the corporation's revenue budget in case there is an element of deficit which is proposed to be met by obtaining funds from the Government; and
- (viii) to approve agreements involving foreign collaboration proposed to be entered into by the corporation and to approve purchases and contracts of a major nature involving substantial capital outlay which are in excess of the powers vested in the corporation.

#### Functions of the Sector Corporations:

- (i) to advise the Government on general matters affecting industry in the public sector;
  - (ii) to promote and develop industry in the public sector including the setting up of new projects in accordance with the Plan;
  - (iii) to promote, provide or coordinate activities relating to—
    - (a) training of personnel;
    - (b) research and consultancy;
    - (c) sales promotion; and
    - (d) such other common services as the constituent units may agree to be provided by the corporation.
  - (iv) to evolve a common policy for the wages and salaries and other terms and conditions of service of the employees of the corporation;
  - (v) to approve the revenue budgets of the constituent units;
  - (vi) to scrutinise the capital budgets of the constituent units and submit a consolidated budget to the Government;
  - (vii) to make appointments to posts below the board level in the sector corporation;
  - (viii) to appoint the chief executive of the constituent units in consultation with the Government;
  - (ix) to appoint heads of departments in the constituent units in consultation with the chief executive of the unit concerned;
  - (x) to call for such returns, accounts and other information with respect to properties and activities of each of the constituent units as the corporation may require from time to time.
  - (xi) to secure the largest degree of decentralisation consistent with the proper discharge by the corporation of their duties and function; and
  - (xii) to set up an effective machinery for the speedy disposal of grievances and complaints pertaining to maladministration and abuse of authority by officers subordinate to the corporation.
- (2) Subject to the above, all the necessary powers required by the constituent units to discharge their duties and functions should be conferred on the managements at the unit level.

373. (1) The boards of management of sector corporations should be of a mixed type. The board should consist of—

- (a) a full-time Chairman-cum-Managing Director;
- (b) full-time functional directors, their number depending on the needs of the case;
- (c) not more than two part-time Government representatives; and
- (d) two or three part-time members from outside the Government.

(2) The Government representatives should be selected on the basis of their qualifications and experience and not by virtue of the office which they hold in a particular Ministry.

(3) Part-time members from outside the Government should be persons with proven ability in the fields of industrial, commercial or financial enterprise or in administration or in trade union organisation. These qualifications should be laid down in the Act, or, in the case of Government companies in the Articles of Association. These members should have faith in public enterprise and should not have such business or other interests as may affect their objectivity in the discharge of their duties on the board.

374. (1) The constituent unit of a sector corporation which has an element of private participation and, therefore, the form of Government company should have a board of directors as envisaged at present under the Companies Act. No Government representative need be appointed on these boards and the sector corporation which holds the State-owned shares should nominate its representatives from among its directors and the executive heads of departments to serve as part-time members on the boards of such companies. The composition of these boards will depend upon the extent of shares held by the sector corporation and the private parties and the agreement between them.

(2) For a constituent unit which is wholly owned by the Government, there should be a committee of management if the size and nature of the operations of that unit so require. This committee should be functional and have the chief executive of the unit as the Chairman and the heads of key departments as members. For the smaller wholly-owned units there need only be a single executive, who may function directly under the board of the sector corporation.

(3) The organisational structure of the constituent units of a sector corporation should also be defined in the Act setting up the corporation, but only in broad terms so as to enable the corporation to devise specific structures in individual cases in consultation with the Government and within the framework laid down in the Act. Provision should also be made in the Act to enable the corporation to devise the organisational structure for a new unit in the same way.

375. (1) Until such time as the necessary legislation is enacted for giving effect to proposals relating to sector corporations, Government many, under the provisions of the Companies Act, bring about

the amalgamation of the existing Government companies which are functioning in the same major area of enterprise and which are wholly owned by the Government and transfer the State-owned shares held in public undertakings not wholly-owned by Government to the appropriate multi-unit undertaking. In the amalgamated company, powers and functions will be distributed between the top management and the operating units in a manner similar to that contemplated for the distribution of powers between the sector corporation and the operating units. Subsequently, the multi-unit companies can be transformed into statutory corporations under Acts of Parliament.

(2) The Indian Oil Corporation and the Oil and Natural Gas Commission should be grouped together to form one sector corporation by an Act of Parliament.

376. (1) Full and effective use should be made of Section 620 of the Companies Act for exempting a Government company from such provisions of that Act which are not meaningful in their application to it.

(2) The definition of a "Government company" should be enlarged so as to include a company not less than 51 per cent of whose shares are held by a sector corporation.

### **Public Enterprises, Parliament and Government**

377. Parliament may be approached to agree to earmark a number of days for discussion of the working of public sector undertakings.

378. The Committee on Public Undertakings may consider taking up for examination a group of undertakings falling within one major area of enterprise and bringing out a consolidated report thereon.

379. (1) The Bureau of Public Enterprises, in consultation with the Ministries and public undertakings, should work out a model form for the Annual Reports of public undertakings. Standard operational indices should also be prepared for use by the public undertakings in order that essential information relating to their working is brought out in the Annual Reports in a readily intelligible form.

(2) Each Annual Report should cover *inter alia* the following points:

- (a) information about the adequacy of the quantity and quality of output and reduction in cost;
- (b) information relating to the utilisation of the principal ingredients of production, *viz.*, labour materials and installed capacity; in the case of undertakings not concerned with manufacture like transport and trading concerns the corresponding information should relate to factors relevant to such concerns.

- (c) comparative performance between different parts of the undertaking, between one undertaking and another and in relation to similar undertakings abroad;
- (d) a brief report of the future plans indicating the extent of demand for the product proposed to be met, the variations in the quantity and quality of supply and the steps planned to reduce costs; and
- (e) a brief summary of the past operational results with comparisons of the results achieved during a specified period in order to bring out long-term trends.

380. The Ministries should not fail to bring to the notice of the Speaker questions which under the rules in force are not admissible.

381. (1) No officer of a Ministry should be made Chairman of a public undertaking, nor should the Secretary of a Ministry be included in its board of management.

(2) The top management posts, like those of the Chairman or full-time members of the board, should be filled by officers on deputation only when there is no suitable alternative available. As a general rule, Government servants selected for appointment to these posts should, on appointment thereto, opt out permanently for service in the public sector.

(3) The Government officers appointed as part-time members of the board should be fairly senior and not below the rank of a Joint Secretary. These officers should not be taken as representing any particular Ministry so that even when they are transferred, they continue on the boards, the Ministry concerned making the necessary arrangements to keep the officer informed of its views.

(4) The chairmen of the sector corporations should be accorded a status consistent with the requirements and importance of their functions without the limitations as to emoluments as exist at present.

(5) All appointments below the board level should be made by the board itself. However, in the case of the chief executive of a constituent unit and its Financial Adviser the appointment should be made by the board in consultation with the Government.

(6) The power vested in the managements for sanctioning capital expenditure should be reviewed with a view to making upward revisions in the case of the larger undertakings.

(7) The board should have full freedom in delegating its powers to its executive officers whenever necessary.

(8) Any suggestion from Government to a public undertaking asking it to act in a manner different from that dictated by economic considerations should invariably be in the shape of a formal directive and it should be duly brought out in the Annual Report of the undertaking.

382. (1) The Bureau of Public Enterprises should be invested with authority appropriate to its responsibilities. It should be headed by a person of the status of Secretary who should hold a full-time time charge of it.

(2) The person heading the Bureau should be acquainted with the working of public undertakings and should be competent to deal with problems of economic and statistical nature.

(3) The work at present being looked after by the Project Co-ordination Division of the Ministry of Industrial Development and Company Affairs and the Management Division (COPP) of the Planning Commission and the work of the Home Ministry relating to the Industrial Management Pool should be transferred to the Bureau of Public Enterprises.

(4) The functions of Bureau, in broad terms, should be—

- (a) to maintain panels of suitable persons with a view to assisting the administrative Ministries in making appointments to the boards of public undertakings and providing consultation for such senior posts under the corporations as many be prescribed;
- (b) to furnish periodical reports to Parliament and Government on the working of public undertakings;
- (c) to act as a data bank and as a clearing house of information in respect of important matters of common interest including information about organisational structure and pricing policies in public sector undertakings in other countries of the world;
- (d) to coordinate the work relating to the examination of public undertakings by Parliamentary Committees;
- (e) to compile information on the terms and conditions of service of employees and to advise public undertakings with a view to ensuring desirable uniformities in these matters.
- (f) to maintain liaison with the Department of Administrative Reforms in respect of matters like work-study, operations, research and improved reporting systems;
- (g) to assist the concerned Ministries and Finance Ministry in making a more expert scrutiny and evaluation of feasibility studies/DPRs;
- (h) to assist the Ministries in controlling expenditure on residential and administrative buildings, residences of senior executives, townships and ancillary facilities; and
- (i) to advise public undertakings on matters on which advice is sought.

383. The Bureau of Public Enterprises should continue to be located in the Ministry of Finance.

384. A small technical cell should be set up in each Ministry concerned with public undertakings to assist in the scrutiny and evaluation of feasibility studies and detailed project reports and for the analysis and utilisation of progress reports and returns received from public undertakings. These cells need not be on an elaborate scale in view of the proposed strengthening of the Bureau of Public Enterprises and the building up of the technical organisations in the sector corporations.

385. The location of public undertakings under the different Ministries should be as indicated in Annexure.

386. (1) An expert Study Group, under the Bureau of Public Enterprises should be set up to make a detailed examination of reporting by the public undertakings to the Government. This group can enlist the help of officers concerned in the Ministries and public undertakings as well as of the external consultants in the field. The information requirements of the controlling Ministries and other Government agencies should be reviewed to avoid overlapping and to enable standardised returns to be developed.

(2) The forms devised for the submission of information by the public undertakings to the Government should, as far as possible, be identical with the forms adopted for submitting similar information to the management board.

(3) The administrative Ministry should periodically review the extent of utilisation of the reports and returns obtained from public undertakings in order to cut out non-essential items of information and to strengthen their own organisation, if necessary, for carrying out the processing and analysis of information received through the reports, and for taking follow-up action on them.

#### **Planning and Construction of Projects**

387. (1) Planning Commission's Memorandum on 'Feasibility Studies for Public Sector Projects' should be adopted as a guide for the steps to be taken including the preparation of documents, before sanctioning a project.

(2) For every project involving investment above, say, Rs. 5 crores a feasibility study should be made along the lines set out in the Memorandum.

(3) Before going in for additional capacity in the public sector, the agency concerned should assess the demand for the product after taking all relevant factors into consideration.

(4) A project should not be included in the Plan unless the feasibility study has been completed and it has been found to be satisfactory on scrutiny. However, when such a study is not complete the project may be mentioned only as a notional target without mentioning locations.

388. (1) For projects not requiring foreign collaboration, Government approval to go ahead with the initial work on the project may be given on the basis of the feasibility report and final sanction for the release of funds should be given after supplementary project estimates taking the necessary changes into account have been prepared.

(2) For projects that require the detailed project report to be prepared by a foreign technical collaborator, the Government of the public undertaking should prepare a feasibility study from the standpoint of national economic benefit and the approval of the project should be based on this report.

389. (1) Government and the Planning Commission should evolve and lay down standard guide-lines clearly for ascertaining the national economic profitability.

(2) Immediately on receipt of the feasibility study/DPR, a piloting committee should be set up consisting of the representatives of all the Ministries and agencies concerned and this committee should undertake a concurrent and collective examination of the feasibility study/DPR so that delays due to successive examination by different agencies may be avoided.

390. (1) Public undertakings should be encouraged and assisted to set up adequate designing and consultancy organisations.

(2) The work of project planning and formulation should be handed over to the sector corporations.

(3) Turnkey contracts with foreign collaborators should ordinarily be avoided. In the special case when it is decided to award such a contract, care should be taken to see that complete drawings and designs are supplied by the foreign contractors, and that Indian engineers and technicians are given full and adequate training and associated with the construction work.

391. (1) Once a project has been approved, systematic and thorough planning of the construction programme should be undertaken before starting actual construction.

(2) For all projects involving sizeable investment, say, of Rs. 5 crores and above, a complete master plan of construction should be drawn up with the help of network techniques like the PERT and CPM (Programme Evaluation and Review Technique and Critical Path Method).

392. (1) The construction effort under each contract should be scheduled and coordinated within the framework of a master plan.

(2) For various types of items of work, model contract papers should be drawn up for the use of project authorities so that vagueness in defining the obligations of different parties is avoided.

(3) Contracts should provide for incentives as well as penalties. The penalty clauses will be more effective if instead of being linked to a single completion date; they are linked to key stages of work to enable management to ensure adherence to the time schedule. Incentive payments for the completion of a project on a date earlier than that specified in the agreement should be provided for whenever such earlier completion of the contract would facilitate the earlier completion of project as a whole.

(4) Performance data should be collected about contractors doing work on public sector projects so that sufficient documentation may be available to the management for supporting their decision to reject the lowest tender in case of the contractor making it is adjudged unsuitable.

393. The net-work techniques should be adopted for monitoring the progress of construction.



394. Till such time as the corporations are set up, the Bureau should compile information about the surpluses, or likely surpluses, of construction personnel and equipment and disseminate this information among the public undertakings with a view to securing their more efficient utilisation.

395. (1) Detailed information should be compiled about deviations from earlier estimates and this information should be communicated to the agencies connected with the technical scrutiny of feasibility studies of similar projects.

(2) A project completion report should be drawn up for each project containing such information as may be found useful during the construction of similar projects in the future.

(3) Work on the project completion report should preferably be undertaken from the start so that all useful data at every stage of construction is sifted, analysed and recorded while events are still fresh in memory.

(4) Case histories based on the project completion report, bringing out the problems encountered and measures adopted to overcome them, should be prepared and circulated to all the agencies who are likely to find them useful.

### Resources—External and Internal

396. (1) A uniform loan-equity ratio need not be adopted for all public enterprises irrespective of their size, productive function and borrowing capacity.

(2) The administrative procedures for releasing funds to the public undertakings should be liberalised to ensure that work is not held up while projects wait for an elaborate pre-scrutiny of proposals asking for the release of already budgeted amounts. It should be possible for the Government to exercise post-withdrawal scrutiny of the manner in which the funds have been released to and utilised by the public undertakings.

397. (1) Government should be willing to provide the necessary guarantee if a public enterprise is unable to secure funds otherwise.

(2) Public enterprises should be free to have cash credit arrangements with any scheduled bank that has deposits above a certain limit. Government should be kept informed of such arrangements.

398. A public undertaking, whether a Government company or a statutory corporation, should not be required to submit its revenue budget to Government or Parliament for prior approval except in cases where the Government is expected to make up the deficit, if any, in the budget.

399. Government should make a comprehensive and clear statement on the objectives and obligations of public undertakings. This statement should lay down the broad principles for determining the precise financial and economic obligations of the enterprises in matters such as creation of various reserves, the extent to which enterprises should undertake the responsibilities of self-financing, the anticipated

returns on the capital employed, and the basis for working out rational wage structures and pricing policies. These governing principles should be formulated in consultation with the public enterprises. There should also be regular consultation between the Government and public enterprises to review the extent to which they can expect additional finance from Government for their capital requirements and the amount of surpluses that are expected from the undertakings.

400. The Bureau of Public Enterprises should be asked to work out standard scales in such matters as housing accommodation, hospitals and education facilities and other amenities provided to the employees. These standards should be worked out in consultation with the public undertakings and the Ministries concerned, note being taken of the varying conditions in different projects. The Ministry of Finance should ensure that scales prescribed are actually complied with.

401. In view of the fact that capital for construction of township is, in any case, provided by the Central Government, the provisions of the subsidy, as may be admissible under the Subsidised Housing Scheme, should be made at the very start.

402. In formulating the pricing policies of public enterprises the following principles should be kept in view:

- (1) Public enterprises in the industrial and manufacturing field should aim at earning surpluses to make a substantial contribution to capital development out of their earnings besides making a contribution to the Exchequer.
- (2) Public enterprises should in any event pay their way and should not run into losses except in pursuance of express directives issued by Government in public interest.
- (3) In the case of public utilities and services, greater stress should be laid on output than on return on investment, the former being extended upto a level at which marginal cost is equal to price.
- (4) While determining the price structure commensurate with the surpluses expected from them, public enterprises should keep the level of output as near the rated capacity as possible subject, of course, to the volume of demand for the product.

403. (1) If in the public interest, Government require an undertaking to keep prices at an artificially low level, the financial obligations of that undertaking should be revised.

(2) Wherever public undertakings are operating under non-competitive conditions or where the number of buyers of the product is limited, the price levels should be determined on the basis of the c.i.f. value of similar items in preference to the cost plus formula. In cases where the imported goods have the benefit of export subsidies in the countries of origin, the c.i.f. prices should be proportionately weighted.

(3) As the ability to produce goods at costs matching the c.i.f. price of similar goods will differ from undertaking to undertaking, a detailed examination of the cost structure of the products of such

undertakings, should be made to determine the levels of permissible deviations. For this purpose, Government can utilise the machinery of Tariff Commission or the Cost Accounts Organisation of the Ministry of Finance.

404. (1) Consumers' Consultative Councils should be set up in each sector of public enterprise. These Councils should consist of the representatives of organised bodies of consumers concerned with the products of the undertaking, the controlling Ministry, the sector corporation concerned and other interested Government departments and public undertakings.

(2) Parliament may elect two members to serve on each of these Councils.

(3) The Councils should deal with matters involving the interest of the consumers and further advise Government or Sector Corporation on such matters as may be referred to them by the latter.

405. (1) High-powered standing committees consisting of the representatives of the public undertakings and the Ministries concerned should be constituted for deciding matters under dispute between Central public undertakings. The Chief Economic Adviser or his nominee should be included in these committees so that he might be able to provide expert advice to them.

(2) In case the dispute over prices is between undertakings under the control of different Governments, the decision will have to come from a statutory body. In such cases, the agency and expertise of the Tariff Commission can be utilised or a special tribunal set up, with the statutory authority necessary to ensure that its decisions are binding on the disputants.

### Financial and Materials Management

406. (1) Budget should be viewed as embodying a programme of action which enables those who are responsible for the use of resources to project their ideas into the future, and concurrently to look back and review actual performance and progress as compared with promise and intentions. It should not be looked upon merely as a device for obtaining funds and as an instrument of control over those who are authorised to spend.

(2) Public undertakings should prepare comprehensive budgets to embrace the entire organisation and to cover *inter alia* the following range of budgeting activities:

- (a) Production Estimates;
- (b) Sales Estimates;
- (c) Cost of Production Budget with its necessary sub-divisions, e.g.,
  - . Materials Purchase Estimates,
  - . Labour and Personnel Estimates,
  - . Overheads Estimates,
  - . Plant Maintenance Estimates, etc.

- (d) Manpower Budget;
- (e) Township and Welfare Estimates;
- (f) Research and Development Estimates;
- (g) Capital Expenditure Budget;
- (h) Profit and Loss Estimates;
- (i) Cash Flow Estimates;
- (j) "Capital Employed" Budget—Fixed and Working Capital.

407. (1) The preparation of the revenue budget should be taken as an opportunity to make a comprehensive and forward-looking review of plans and standards. The work of budget preparation should begin sufficiently in advance to enable every part of the enterprise to be associated in the preparation of estimates and to have their own separate budgets within the overall budget of the enterprise.

(2) The comparison of performance data with budget estimates should be undertaken periodically during the currency of the budget itself. Expenditure budgets in general may be reviewed at least twice a year to enable the management to obtain some mid-year knowledge of how expenditure is faring so that they may take corrective steps, where necessary, before the year has ended.

(3) Monthly reviews should be undertaken of sales, production, consumption and yield figures at each plant and unit Profit and loss accounts and balance sheets as well as cost statements should also be prepared every month.

(4) All management levels required to submit reports and returns should themselves be encouraged to analyse and make use of the data, with the assistance that the finance and accounts organisation of the undertaking can provide.

408. (1) Every public undertaking should have a fairly long-term capital expenditure budget to serve as a framework within which individual schemes can be planned, approved by the Government and taken in hand.

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

(3) Proper controls may be prescribed to keep public sector investment generally within the Government's resources. For instance, Government may each year fix an upper limit on the expenditure to be incurred on capital account by the enterprises during a shorter period, ahead, say, 2 years.

409. The cash budget and the periodical budget-performance comparison statements and cash flow statements should be treated as an integral part of the budgetary process.

410. (1) Improvement in budgetary and financial control should be accompanied by a greater delegation of authority as well as reduction in the number of cases requiring prior financial concurrence. The

need for prior financial concurrence can be further reduced or eliminated by increasing the financial powers of managers, purchase officers, etc. and providing for inter-branch standing committees for such purposes as review of tenders, purchase of equipment and stores.

(2) Each public enterprise should be asked to compile a comprehensive budget manual to cover the various forms for compiling information for the budget, the time schedule for its preparation, the responsibility/cost centres and the financial powers related to budgetary levels at each responsibility centre, budget committees and the procedures for carrying out periodical budgetary reviews.

411. (1) Internal audit should be effectively organised in every public enterprise as a staff function.

(2) The principal tasks of internal audit should be—

- (a) to review the soundness, adequacy and application of accounting, financial and operational controls;
- (b) to ascertain the extent of compliance with prescribed plans and procedures and accuracy of accounts and other data developed within the organisation;
- (c) to make constructive suggestions for improvement; and
- (d) to review and report the action taken by line authorities on the points brought out in previous audit reports of internal as well as external auditors.

(3) Other duties that may be assigned to the internal audit organisation are—

- (a) to verify that proper authorisations exist for the acquisition and disposal of assets of the enterprise; and
- (b) to test-check a certain percentage of transactions and verify inventories with a view to helping in the prevention and detection of frauds, misappropriation and pilferage.

412. (1) It is of the utmost importance that the Financial Adviser of an enterprise should regard himself as an integral part of the management team and not look upon himself as an outsider representing the financial interests of the Government.

(2) The Financial Advisers of undertakings, both at the sector level and at the unit level, should be encouraged to place greater emphasis on the management accounting aspect of their working.

413. (1) Materials management should be accorded due recognition at the top management level where a Central Control Section should be set up for materials planning and for securing the introduction of modern techniques.

(2) A Materials Management Manual should be drawn up to give concrete shape to the relevant scientific concepts in each public undertaking and to outline the prescribed procedures in order to facilitate the general adoption of improved techniques.

(3) Training in materials management should be given greater importance. In addition to having fully trained staff in the materials management organisation, it will be advantageous to have short-term training imparted to the personnel of other departments as well.

(4) The operating procedures in the public undertakings should be simplified by taking among others, the following measures—

- (a) on the basis of the annual and longer term plans of the undertaking, the Central Control Section for materials management and planning should draw up its own plan and assess the volume of work to be done and the amount and type of materials to be procured;
- (b) rules involving financial concurrence should be clearly laid down for open tender as well as limited enquiry tenders and standing committees should be set up for scrutiny and sanction of tenders to avoid inter-branch references within the undertaking.
- (c) purchase within predetermined financial limits laid down in the budget should not normally require prior financial concurrence except for the very costly items; and
- (d) procedure for purchasing low cost items should be very much simplified, reducing, or, if possible, even eliminating the need for enquiry and quotations.

414. (1) Project authorities should be precise in estimating the requirements of items like earth-moving equipment, vehicles, common tools, etc. needed during the construction phase. In the larger projects a Central Planning Group for materials should be set up, under the engineer in charge of construction, for planning the total requirements and phasing their procurement.

(2) The recommendations made by foreign collaborators on the provision of spares should be scrutinised in comparison with the position prevailing in similar plants abroad, including the foreign collaborators' own plants.

(3) A small cell comprising technical experts and materials management experts should be formed in each large project, and especially in those with substantial dependence on imported items, to identify and catalogue the spares and to obtain their manufacturing, drawings and specifications as a first step towards establishing their indigenous manufacture. Project authorities should take timely steps to create their own workshop facilities in respect of items required in small quantities and non-repetitively.

(4) Government should evolve effective inspection arrangements to keep sufficient check on the quality of the products of indigenous manufacturers. They should not come to enjoy a monopolistic position *vis-a-vis* the purchasing public enterprises under the shelter of Government's understandable desire to promote import substitution. Government should also formulate a uniform policy for the price preference that the public enterprises should extend to indigenous manufacturers to serve as guidelines for the public enterprises, the indigenous manufacturers and the Directorate General of Technical Development.

(5) The recommendations made by the Mathur Committee for facilitating imports by public enterprises, and accepted by the Government, should be effectively implemented as soon as possible, particularly, the recommendations relating to the facilities of annual licensing and vesting of powers in project authorities to operate on foreign exchange within the sanctioned allocations.

### Personnel

415. (1) While making appointments to the board, preference should be given to the officers working within the undertaking. The system of appointments should be in accordance with the basic principle that a person from the lowest ranks of service can rise to the top if he has acquired the necessary qualifications, and if his performance has been outstanding.

(2) The whole procedure for the appointment of members of the board should be systematised. Action to fill these posts should be taken well in advance to avoid vacancies remaining unfilled and making appointments in haste. They new appointee should be placed in position as an understudy for the brief period of a month or so to get acquainted with the job before taking over the post.

(3) The Bureau should draw up panels of suitable persons for board appointments. Selections to these panels should be made by a committee consisting of the Director-General of the Bureau of Public Enterprises and two chairmen of sector corporations. This committee should be reconstituted periodically to enable the chairmen of different sector corporations to be associated with it.

(4) If sufficiently experienced and senior men are not available within the public undertakings for holding board memberships, suitable persons may be selected from among Government officers, leading industrialists and businessmen, and professional managers and specialists in the private sector. In such cases, persons selected should sever their connections with their previous organisations. In particular, Government officers selected for these posts should be asked to resign their service with the Government.

(5) Certain general qualifications should be prescribed for the members of the board, e.g., experience of industrial, commercial or financial matters, applied sciences or administration or trade union organisation. The Chairman of the public undertaking concerned should be consulted before Government makes appointments to the board except in the case of part-time official nominees of the Government.

(6) While appointing the part-time official nominees to the board Government should see that persons nominated do not have to serve on more than two or three boards and are not so burdened with their substantive work that they find it difficult to play a useful part in board meetings.

(7) Frequent changes and long vacancies in top posts must be avoided. The Chairman and full-time functional members of the board should have a fairly long period of tenure to enable them to

make a significant contribution on the basis of experience gained in the undertaking. A period of 5 years should be regarded as the minimum for the chairman and the full-time members of the board and a period of not less than two years for the part-time non-official members.

(8) Salaries of persons occupying top posts in public undertakings should be fixed on the basis of the responsibility attaching to the posts and the needs of the situation, and need not necessarily be pegged to the scales obtaining in Government service.

416. (1) Every sector corporation should evolve a common policy for laying down, on a uniform basis, the terms and conditions of service of employees of the corporation.

(2) Except for the higher levels of managerial and technical personnel, such as posts with a minimum starting salary of Rs. 1,300 per month or so, full powers of recruitment, promotion and disciplinary and administrative control of staff employed in a constituent unit should be with the unit itself. The sector corporation should, however, have the authority of making inter-unit transfers within the corporation in consultation with the units concerned.

(3) Authority for recruitment, promotion and transfer, etc. of persons occupying senior posts described at (2) above, should be vested in the sector corporation. However, all officers in the constituent unit should be under the administrative and disciplinary control of that unit, provided that powers of deciding appeals and of imposing a punishment involving termination of services of a person occupying a senior post should remain with the sector corporation. In respect of heads of departments, the power to impose punishment involving reduction in rank should also be reserved to the sector corporation. An appeal should lie to the Government against an original order passed by the sector corporation if it is one of dismissal, removal from service or reduction in rank. The appeal should be decided in consultation with the Union Public Service Commission.

(4) The sector corporations and their constituent units should make their own administrative arrangements for carrying out the recruitment and training programmes.

(5) Arrangements should be made for providing from sector corporations suitable officers to the smaller public undertakings which do not belong to a sector corporation. The possible requirements of such smaller public undertakings for experienced personnel should be kept in view by the appropriate sector corporation. The Bureau should draw up panels under the direction of the committee, consisting of the Director-General of the Bureau and two chairmen of sector corporations, for facilitating such inter-undertaking transfers. The assistance of this committee can also be taken when inter-corporation transfers are found to be necessary.

417. (1) All necessary steps should be taken to reduce and eliminate the dependence on deputationists in manning posts in the public sector.

(2) For manning senior posts, preference should be given to persons working in the undertaking. If no suitable person is available in the undertaking, the best available person may be selected by tapping



all possible sources including other public undertakings, the Government and the private sector. The appointment should, as far as possible, be on a regular basis and not on terms of deputation.

(3) In the rare case when it becomes unavoidable to take an officer on deputation for want of a suitable alternative, the term of employment in the undertaking should under a contract, normally be for a period of five years with a provision for review at the end of the first year to enable termination of cases of mal-adjustment.

(4) Service rules relating to Government officers should be liberalised for facilitating the permanent absorption of deputationists at any level in the service of the undertaking. Similarly, rules standing in the way of a sufficiently long term of deputation in the public undertakings should be modified to ensure a minimum five-year period.

418. (1) Enforcement of a uniform pattern in the matter of pay and allowances of employees in the public sector will neither be advisable nor practicable in view of the number and variety of jobs. The best way to ensure rationality and a degree of uniformity in these matters would be to provide information as an advisory service instead of insisting on prior Government approval or conformity with rigid guide-lines.

(2) The Bureau should act as a clearing house of information relating to service conditions, pay scales and allowances in force in different public undertakings. This information should be made available to public undertakings and the controlling Ministries. In case, any undertaking goes seriously out of the line without due justification, Government will always be in a position to correct the situation by issuing a directive.

419. (1) The survey of additional requirements for managerial and technical manpower for the Fourth and Fifth Plan periods, made recently by the public undertakings should be further examined by a body of experts with the assistance of the Institute of Applied Manpower Research. A much more detailed assessment of manpower requirements is necessary to formulate a concrete programme, particularly for the specialised branches.

(2) Public enterprises need not assume responsibility for basic training in general management, and training in professions. The existing training institutes should be utilised for imparting this type of training.

(3) The Bureau, in cooperation with the public undertakings and the Ministries concerned, should—

- (a) review the existing training facilities and programmes to avoid duplication of effort;
- (b) identify areas where training facilities need to be extended or increased; and
- (c) evaluate the suitability of training programmes to the requirements of the public sector.

(4) Training of specialists and technicians required only by the public undertakings will have to be taken care of by the undertakings themselves. Undertakings operating in the same field of technology should do this in cooperation with each other. Where sector

corporations are set up they should provide common training facilities.

420. (1) Proper work standards and other control techniques should be adopted from the very beginning to avoid over staffing.

(2) In the undertakings where over-staffing has become chronic, work studies should be undertaken by industrial engineers to find out the extent and area of over-staffing.

(3) The normal vacancies occurring in the over-staffed departments may be left unfilled; employees who are found surplus may be allowed to freely apply for jobs outside. Skilled workmen should be persuaded with the help of incentives, if necessary, to do without the assistance of helpers. The practice of having helpers should not be allowed in the new projects.

(4) Greater use should be made of the construction corporations in the public sector and non-departmental agencies wherever such a course is feasible.

421. (1) Any advanced training programme given during the course of a period of service should be linked to a definite ladder of promotion so that technical personnel after such training can look forward to comparatively early promotions to higher grades.

(2) Persons selected for training should be required to execute a bond to render service for a minimum period of five years after the completion of training. The amount for which the bond should be executed should be a fair proportion of the total amount spent during the training course, and, in the event of infringement, the conditions of the bond should be rigidly enforced. Provision should be made, by a special enactment, if necessary, to enable the recovery of the amount of the forfeited bond in a manner similar to the recovery of arrears of land revenue.

(3) A person who resigns or deserts from the service of a public undertaking within the period for which he has bound himself to serve the undertaking should not be employed under the Government or in a public undertaking till the amount due from him has been fully paid to the undertaking concerned.

422. (1) The special obligations of managements in the public sector with regard to labour matters should be spelt out more clearly by the Government.

(2) Managements of public undertakings should evince keen interest in the welfare of the workers. The personnel policies of public undertakings should be such as would develop the skills and capabilities of the workers and improve their prospects and standard of living.

(3) The model employer concept should not be construed to mean that supervising officers should condone or be lenient towards indifferent work or acts of indiscipline.

423. (1) It should be ensured that every public undertaking effectively discharges all the statutory obligations imposed on the employers by the labour laws. The controlling Ministry and the Ministry of Labour, Employment and Rehabilitation should undertake periodic reviews for this purpose.

(2) Public undertakings should have their personnel managers trained in industrial relations and labour management and should adequately strengthen their personnel departments.

(3) A professionally qualified and experienced labour officer should be available at a sufficiently senior level in the personnel department. He should have the facility of direct approach to the chief executive in case he felt that his advice was being unjustifiably disregarded by any line authority.

(4) Officers entrusted with labour relations should not shoulder any direct responsibility in matters like recruitment, promotions and disciplinary action against workers.

(5) As a rule, a separate section should be established exclusively for labour relations within the personnel department. In the larger undertakings, a separate department should be organised solely for labour relations.

(6) The labour officers of the Central Pool maintained by the Ministry of Labour, Employment and Rehabilitation may, in suitable cases, be got permanently absorbed in the service of the public undertakings. An outside pool need not be maintained for the purpose of deputing officers to the undertakings.

424. (1) Township and connected facilities should form a separate unit of administration managed by a committee consisting of the officers concerned of the public undertaking and a few representatives elected by the staff and workers living in the township from among themselves.

(2) The township administration, in discharging its responsibilities for maintaining sanitation and other municipal services should be required, as far as possible, to pay its way with the help of recoveries of rent and such taxes as may be imposed by the management committee of the township.

(3) Variations in the amount of subsidy given by different public undertakings in respect of expenditure incurred on various items of workers' welfare should be examined by a committee comprising the representatives of selected public undertakings and the Ministries concerned with a view to laying down guide-lines and norms.

425. (1) Labour laws applying to public undertakings need not be identical with those applicable to private concerns.

(2) Cases of illegal strike in public undertakings should be dealt with firmly. The union responsible for launching such a strike should, if it is a recognised union, be immediately de-recognised. Provision should also be made to remove from service, after summary inquiry held in consonance with principles of natural justice such workers as are proved to have taken part in an illegal strike.

(3) Feasibility of adopting the 'check-off system' (under which union dues are collected by making deductions from wages) in the public sector should be examined.

(4) Labour Councils with a prescribed number of members, should be formed for conducting negotiations with the management on labour matters. The members of the Council should be elected once in two years by all the workers, each of them having one vote.

426. For matters relating to settlement of disputes, the Central Government should be designated as the appropriate Government under the Industrial Disputes Act, 1947, for certain additional categories of heavy industries which would cover units like the steel plants, heavy electricals plants, fertilisers and chemicals plants, aircraft manufacturing units and shipyards.

427. Managements should regard Works Committee meetings as opportunities to inform the workers of their plans and difficulties and to explain the reasons for the changes being initiated. Due publicity should be given to the proceedings of the Works Committee so that the workers' representatives may feel more interested and responsible for what emerges from the discussions.

428. In the Joint Management Councils the workers' representatives should be elected by all the workers and not nominated by the unions.

429. Steps should be taken immediately to introduce effective incentive schemes for the employees of the public undertakings. The basic approach in working out such a scheme should be to link the earnings of workers to their productivity and performance subject to certain prescribed minima and maxima. The scheme should take into account the existing levels of productivity and prescribe realistic targets in terms of production as well as reductions in costs.

### **Audit and Appraisal**

430. (1) Four or five Audit Boards should be constituted, each Board dealing with specified sectors of public enterprise. These Boards have to function under the general supervision of the C&AG.

(2) Each of these Boards should have five members; three should be permanent members common to all the Boards and should be senior officers belonging to the organisation of the C&AG. One of these members of the rank of an Additional Deputy Comptroller and Auditor-General should be the chairman of all the Boards. Each Board should have two part-time members to be appointed by the Government in consultation with the C&AG. These part-time members should be selected having in view the area of enterprise the Audit Board is required to deal with. Part-time memberships need not be restricted to serving officials. Selections may be made from the ranks of senior experienced persons working in public enterprises or from among experts in commercial or financial matters.

(3) The staff required for the Audit Boards should be recruited through the Union Public Service Commission. Those who are already working in the audit offices may also apply for posts in the Audit Boards. The selected staff should undergo a course in orientation for which arrangements should be made. The existing departmental set-up of the Directorate of Commercial Audit should be utilised until the new recruits take over the work.

431. (1) Combined audit parties comprising the staff of the Audit Boards and the professional auditors should be formed for carrying out their work in an undertaking concurrently and collectively.

(2) An Audit Board should finalise its reports on an individual undertaking after a discussion in the presence of the representatives of the public undertaking and the Ministry concerned.

(3) The report of the Audit Boards, with such comments as the C&AG may wish to make, should be placed before Parliament.

432. (1) A systematic appraisal of the performance of public undertakings should be undertaken and this task should be entrusted to the Audit Boards.

(2) For this work the expertise of the auditors under the Audit Boards should be augmented by employing economists, management engineers, statisticians, etc. and also those who have had the experience of working in public undertakings.

(3) In evaluating the performance of a public enterprise, account should be taken of the constraints under which it functions.

## REPORT ON LIFE INSURANCE ADMINISTRATION

433. (a) There should be a vigorous campaign for popularising the concept of savings-cum-insurance.

(b) A special type of policy suited to the peculiar needs of the rural areas should be devised. It should provide for collection of premium at specified periods of the year and also collection of deposits in bumper years which could be set off against premia due in lean years.

(c) A Special Agent should be appointed to organise the business in a cluster of villages and his area of operation settled by the Branch. The scheme should not result in an increase in cost.

(d) The Corporation's O.Y.H. Scheme should be adapted to the needs of the rural areas. Policy loans should also be designed so as to cater to the needs of farmers for development of their farms and increasing industrial production.

434. Steps should be taken to eliminate the delays in settling claims. Interest at the rate of 6 per cent per annum (instead of at 3 per cent as at present) should be paid by the Corporation on delayed payments upto 6 months and 9 per cent thereafter for the period in excess of 30 days from the date of maturity in the case of maturity claims and 60 days from the date of receipt of intimation of death in the case of claims made on the death of the policy-holder. In either case, the time taken by the claimants in complying with the necessary formalities should be left out of account.

435. The Corporation should have a well-trained and efficient Agency Force, each Agent working in a well-defined area. The Agent should propagate the message of insurance in the area allotted to him, secure new business and continue to provide the necessary services to the policyholders in that area. The Agent should receive training in a Model Office for a period of two or three months during which time he should get himself fully conversant with the relevant procedures and also get a good knowledge of the theoretical aspect of life insurance.

436. The existing Agents should be given the option to work as Area Agents in specified areas. They may also be given an option to work as "free agents" but only in the urban areas, with the stipulation that any policy sold by them should not be of less than a prescribed minimum value. If the free agent also provides the necessary service facilities to the policyholder he could retain the whole of the renewal commission. If the Area Agent provides these services, half of the renewal commission should be paid to him.

437. In big cities, the areas in which the opportunities for selling insurance are far in excess of what can reasonably be left to be handled by a single Area Agent, may be declared as "free areas" in which the free agents can sell insurance without being subjected to the requirement that the policy should exceed, in value, a prescribed

minimum. However, to ensure proper servicing in such "free areas" Area Agents for them should be drawn from a new cadre of Area Officers referred to in para 8, Chapter III.

438. (a) The Development Officer should be allotted an exclusive jurisdiction comprising a given number of Areas.

(b) In the rural areas, the Development Officers' headquarters should be located at an appropriate place within the Areas concerned.

(c) The functions of the Development Officers will be as described in para 6, Chapter III.

439. (a) There should be a Branch Office at every district headquarters and each Branch Office to function as a complete servicing and development unit and to work like a "satellite insurance company" with only certain functions of a central character reserved for the head office. The administrative procedures should be simplified so as to obviate references to the Central Office in regard to the functions developing on the Branch Office.

(b) With the servicing and routine functions transferred to the Branch Offices, the Divisional Office should devote its attention to the coordination of the activities of the Branches. Inspection by the Divisional Office and periodical reports to it by the Branches should ensure that the policies laid down by the Central Office are faithfully implemented and the organisation is functioning satisfactorily. The territorial jurisdiction of Divisions should as far as possible not extend beyond the State boundaries.

(c) The Zonal Offices should be abolished.

(d) The Central Office should confine itself to planning and development of business, research and surveys, investment of funds, valuation and personnel problems.

440. A new cadre of Area Officers whose pay and allowances will be identical with those of Assistants should be created.

441. The strength of each office should be fixed by the O & M Department of the Central Office in the light of reorganisation recommended so as to deploy the available personnel fully and effectively. Until this is done, there should be a ban on the recruitment of officers and staff.

442. Policyholders' Associations may be organised for each Division. The Associations should elect the members of the Policyholders Council in the Division.

443. There should only be a single Corporation as at present. It should achieve economy and efficiency by implementing our recommendations for reorganisation. It should also simultaneously introduce competitive spirit among the Branches and Divisions in efficient service to policyholders and reduction in expense ratio.

444. The Corporation should include:

- (i) full-time functional members including the Chairman not more than five in number;
- (ii) not more than two officials representing the Government;
- (iii) one representative of the Reserve Bank of India; and

- (iv) four part-time members from outside the Government with established reputation in the fields of industrial, commercial or financial enterprise, or in administration, or in trade union organisation.

The practice of appointing general administrators as Chairman must be discontinued. The chairmanship should be earmarked for the functional members or for one outside the Corporation who is an outstanding personality in the insurance field.

445. There should be a General Council consisting of—

- (i) Members of the Corporation;
- (ii) One representative of the Policyholders' Associations from each Division;
- (iii) Five representatives of the Life Insurance Agents Federation; and
- (iv) Five nominated members who are experts in industrial, commercial, financial or administrative fields.

The Council will be a purely deliberative and advisory body without any executive functions. It will meet twice a year and will consider reports prepared by the Corporation on the various aspects of its work and evaluate the performance of the Corporation.

446. The field officers should bring to the notice of the claimants the provisions of Section 47A of the Insurance Act under which the claimants can at their option refer disputes to the Controller of Insurance. The limit of the insured amount prescribed in Section 47A should be abolished so that all disputes irrespective of pecuniary limits regarding settlement of claims could, at the option of the claimant, be referred to the Controller of Insurance for his decision.

447. The yield aspect of the investments should not be ignored and the Corporation should endeavour to make its policies more attractive by reducing the premium rates and increasing the bonus. Action on these matters may be taken after the receipt of the report of the Committee of Actuaries which has been set up by the Corporation. In this connection suitable action should be taken for ensuring that old policyholders, are not discriminated against while reducing future premium rates.

448. The policy loans should be made available with the same speed, simplicity and facility as withdrawal of a bank deposit. Further, loans should be disbursed on the basis of a simple assignment of policy to the Corporation and without execution of loan bonds.

449. If the Corporation is required to invest in the public sector over and above the statutory limit prescribed it should be duly compensated for the loss of extra income which it would have earned if the investments had been made in more remunerative and at the same time safe assets.

450. The Corporation should make earnest efforts to safeguard the policyholders against depreciation in the currency value.



## REPORT ON CENTRAL DIRECT TAXES ADMINISTRATION

### Measures to Expedite the Disposal of Assessments

451. (1) A system of prior agreement of the income-tax liability for the next three years based on the results of the last three assessments (or on the basis of the current assessment made on a new assessee) may be introduced for dealing with the cases of small shopkeepers, hawkers and vendors (who are not likely to maintain regular accounts) where annual income does not exceed Rs. 7,500.

(2) The law may be amended rendering it unnecessary to call the assessee for an interview if a small addition is made to the income declared in the return in order to rectify deficiencies. The maximum of addition that can be so made may be fixed by law.

(3) The procedure for assessment in cases other than those mentioned in (1) may be simplified in the manner described in paragraphs 7 to 9.

(4) The provisions of Rule 12A may be amended so as to provide for the furnishing of the following information in all cases in which the returned income from business exceeds Rs. 50,000 and the returns are prepared by Chartered Accounts:

- (a) a brief history of the case;
- (b) the nature of the business;
- (c) the books of account maintained;
- (d) the documents sent along with the return;
- (e) the number of bank accounts maintained;
- (f) brief explanation of the various loans and overdrafts appearing in the Balance sheet; and
- (g) a brief explanation of the entries in the Capital account.

### Arrears of Collection

452. Appropriate amendment should be made in the Income-tax Act to provide that no appeal be entertained from an assessee unless the tax on the undisputed amount involved in the assessment is paid or satisfactory arrangements are made for the payment of such tax.

453. Action should be taken for expediting the write off of outstanding demands if they are found clearly to be irrecoverable. Such demands should be scrutinised by a committee consisting of the Commissioner, the Inspecting Assistant Commissioner, and the Income-tax Officer concerned if the amount to be written off does not exceed Rs. 2 lakhs. Where such amount ranges between Rs. 2 lakhs and Rs. 5 lakhs, the committee for scrutinising should consist of the Commissioner and a Director of Inspection. Where higher amounts are involved, the Commissioner and a Director of Inspection should scrutinise the cases and put them up to the Board for disposal.

454. Commissioners and Inspecting Assistant Commissioners should impress on the assessing officers that over-assessment would be noted as a defect indicating want of judgement and a sense of proportion.

455. (1) The recovery work should be taken over by the Income-tax Department in those charges where it is now entrusted to the States.

(2) (a) The Estate Duty Act may be amended so as to provide for recoveries on the lines provided in the Income-tax Act.

(b) Provision may be made in the Estate Duty Act for the prevention of transfer, before payment of the relevant Estate Duty, of immovable property left by a deceased intestate.

### **Facilities for Tax-payers**

456. Basic literature on tax-payers' obligations and rights should be brought out in Hindi, English and the regional languages.

457. The scheme regarding the opening of cash counters in Income-tax offices and the maintenance of Personal Ledger Accounts as suggested by the Working Group may be examined by the Government for being introduced in big cities like Bombay, Calcutta, Delhi, Madras, Kanpur, Bangalore, Ahmedabad and Hyderabad.

### **Removal of Avoidable Complexities in the Law**

458. (a) Amendments to tax laws should be made only after a careful survey of their total effect by all concerned. It will not be possible to make such a survey if amendments are rushed through the annual Finance Bill which needs to be passed before a prescribed date. Such amendments should therefore be made through separate Bills whose provisions can be considered in detail by select committees and on which the various professional or trade and industrial bodies will have an opportunity to express their considered views.

(b) Before rules are amended or new rules framed, the views of the Commissioners of Income-tax and of leading professional or trade and industrial bodies should be ascertained and considered.

459. A standard "previous year" should be prescribed for companies. This may be the calendar year if the financial year continues to commence on the 1st of April. However, if the financial year is to commence on the 1st of November, as recommended by us in our report on "Finance, Accounts and Audit", the "previous year" for companies may be taken to be the year ending on the 30th of June.

460. (1) Partnership may be recognised for the purpose of income-tax assessment if—

(a) it is evidenced by an instrument of partnership specifying the shares of partners;

(b) it is registered with the Registrar of Firms within six months of its commencement;

- (c) any change in its constitution is evidenced by a new partnership deed, similarly registered with the Registrar of Firms;
- (d) none of the partners is a nominee or benamdar of any other; and
- (e) the return of income of the partnership is signed by all the partners.

(2) There should be a provision for the cancellation of recognition if the partnership is found to be a bogus one.

(3) The tax on a recognised firm may be fixed in such a manner that the rate of tax on a firm with a large number of partners is higher than that on a firm with a smaller number.

461. The Income-tax Act may be amended so as to provide that the annual value of a house property is determined on the basis of the annual rentals received or receivable or the municipal valuation of the property whichever of the two is greater.

462. The provisions relating to provisional assessment may be deleted and self-assessment made compulsory for all cases where the tax payable is Rs. 100 or more.

463. The disadvantage of introducing complexity in the Income-tax law and its administration should be set off against the possible advantages envisaged by the use of that law as an instrument for providing incentives to various schemes of development. Whenever the need for providing such an incentive arises, attempts should be made, as far as possible, to achieve the objective aimed at through methods other than the indirect one of providing some savings in income-tax.

464. (1) (a) The Special Investigation Branches in the Commissioners' charges should be strengthened.

(b) They should concentrate on collection and dissemination of information relevant for purposes of assessment and their energies should not be directed to other items of work.

(c) They should be placed under the immediate supervision of an Inspecting Assistant Commissioner who will also be in charge of Internal Audit Department.

(d) Periodical inspection of their work should be organised by one of the Directors of Inspection.

(2) External Survey, which has been suspended, may be revived at a suitable time.

465. (1) (a) The Income-tax and Wealth-tax returns may be so amended as to require an assessee to certify that they cover not only the source of income and assets held in his name but also those which are beneficially held for him by others.

(b) It should be provided by law that unless such sources of income and assets are declared for purposes of income-tax and wealth-tax by an assessee his claim to them not be enforceable in law.

(2) (a) When accounts are submitted by an assessee in support of the return made by him, those accounts should be deemed as a part of the return for the purposes of the penalty provisions of the Income-tax Act.

(b) Every return should bear a verification certificate the accuracy and the truth of the transaction entered in the accounts on which the return is based. The certificate should also include the two following statements, viz.,

- (i) that all cash takings have been recorded in the books and that no cash has been held outside the books; and
- (ii) that stock has been included in the stock figures valued at cost or the market value (whichever is the method regularly adopted by the assessee) and that no stock is held outside the accounts.

(3) Persons engaged in money-lending business (other than banking companies) should clearly indicate in the accounts of the business the money available for the business and keep in the banks all amounts in excess of a maximum to be prescribed by law.

(4) Tax authorities (like the Registrar, for the purposes of Stamp Act) should be enabled by law to challenge valuation of immovable property if, on the basis of expert advice, it is found that property has been under-valued.

466. (a) Steps may be taken to introduce a system of registration of assessees in an all-India list on the lines of the scheme described in para 6.19 of the Report of the Working Group.

(b) In the meanwhile, a procedure may be devised and enforced by law for the quoting of the existing General Index Numbers of Assesseees in transactions involving substantial capital transactions or mercantile or banking transactions exceeding in value of prescribed amount.

### **Some Administration Issues**

467. (1) (a) The Central Board of Direct Taxes should be allowed to function as a self-contained department of the Government administering not only its subordinate offices but also its headquarters offices.

(b) One of the three posts of Director of Inspection may be abolished.

(2) Income-tax Officers on promotion to the grade of Assistant Commissioners should be given training in judicial practice and procedure by being attached to a District Judge for a period of one month. This training will be a preliminary to his posting as Appellate Assistant Commissioner.

(3)(a) With the introduction of internal as well as statutory audit, the inspections carried on by Inspecting Assistant Commissioners may be restricted to the test-check of important cases of assessment in which pre-assessment advice has not been given by him.

(b) Internal Audit may be placed under the direct supervision of the Inspecting Assistant Commissioner in each Commissioner's charge.

(4) Assistant Commissioners should be placed in the same pay scale as that of Junior Administrative Officers in the Central Services.

(5) In future, direct recruitment to Class II of Income-tax Officers should be stopped. The strength of the Class II cadre may be reduced over a period of years.

(6) Income-tax Officers in Class I may be designated as Senior Income-tax Officers.

## **REPORT ON SMALL SCALE SECTOR**

### **A Policy for Small Industries**

468. A clear-cut and new statement of policy on small industries, suitably modifying/implying the Industrial Policy Resolution of 1956, should be enunciated at the earliest.

469. In line with our recommendation in our Report on Economic Administration in relation to other plan proposals, operational equivalents should be fully worked out for the planned programmes and policies relating to the small sector also. For the success of the operational efforts, a system for periodical review should be instituted to assess and evaluate the progress made.

470. The Industrial Policy for the development of small scale industries should clearly affirm the high priority to be given to the industries in the small scale sector in view of its potential for creating employment opportunities, stimulating entrepreneurship on a wide base and bringing about a more equitable distribution of income and wealth. It is of the utmost importance to ensure healthy growth of the small scale sector, not only to accelerate the industrial and economic progress of the country, but also to provide a broader and economically and socially more justifiable industrial base.

471. For the implementation of the policies in relation to common production programme and the reservation of fields, there should be set up, at the Centre, in consultation with the institutions concerned, a Committee consisting of Joint Secretary-in-charge of the small industries sector in the appropriate Ministry, and the representatives of organizations like the Small Scale Industries Commission (proposed by us below), the Khadi and Village Industries Commission, the Federation of Small Scale Industries Associations, etc. This body should be advisory in character and it should review periodically the progress in implementing the policies in respect of matters mentioned above and suggest remedial measures. Corresponding arrangements should be made in the States also. In the light of past experience, the policies in respect of common production programme and reservation of fields will need to be enunciated afresh.

### **Administrative Organisation at the Centre**

472. (1) A Small Scale Industries Commission should be set up under a statute of Parliament in place of the existing Small Scale Industries Board.

(2) There should be distribution of work between the proposed Commission and the existing Khadi and Village Industries Commission on functional rather than on area basis. The Small Scale Industries Commission should be charged with the responsibility for the development of the modernized small sector.

(3) An inter-Ministerial Committee presided over preferably by a non-official may deal with problems of common interest like common production programme, evaluation and formulation of policy.

(4) If considered necessary, the existing all-India Boards like the Handicrafts Board, the Handloom Board, etc. might continue for some time to serve as subsidiaries of the two commissions in their respective fields. Certain Specialised Boards, like the Coir Board, may, however, be allowed to continue as at present.

473. The organisation of the Development Commissioner, Small Scale Industries, should become a part of the Ministry of Industrial Development, etc., and the DCSSI should function as the Principal Adviser to the Government on the development of the small scale industry. This organisation should be technically strengthened by inducting suitable experts in various specialities.

474. (1) The Industrial Estate at Naini should be transferred to the State Industries Department.

(2) The National Small Industries Corporation should be divested of the responsibility of the administration and management of the Proto-type Production-cum-Training Centres. Their administration should be entrusted to another Central agency, preferably the proposed Commission.

(3) The National Small Industries Corporation should undertake vigorous marketing assistance programmes. In the initial stages, this activity should not be treated as a commercial activity but as of promotional nature.

(4) The National Small Industries Corporation may either have regional offices or preferably enter into arrangement or understanding with the State Governments, under which the Director of Industries will act as their local agent in the hire-purchases cases. There should be the maximum decentralisation of its hire-purchase activity so that journeys of small entrepreneurs to the headquarters of the Corporation may be avoided.

475. On the coming into existence of the Small Scale Industries Commission, there should be a fresh appraisal of the duties and responsibilities of the National Small Industries Corporation so that the overlap of functions or conflicts over the spheres of work are avoided.

### **Administrative Organization in States**

476. (1) The Director of Industries in the State should be a senior officer, and should normally hold his assignment for a period of three to four years. He should have a status adequate to the discharge of his multifarious duties.

(2) The Director of Industries should be the undisputed head of his department and should enjoy all the powers and discharge all the functions of a major head of department in the State Government.

(3) In case the Directorate of Industries has under its charge the large scale sector as well, an Additional Director with almost equal status and powers may be appointed for the medium and large sectors with overall supervision in defined fields only if the volume and nature of work relating to large scale sector clearly warrant it. The responsibility of the Director of Industries in regard to the small sector should be direct and complete and should not be whittled down in any respect.

477. (1) The officials of the Industries Department working at the district and block level should lay more emphasis on and devote more attention to the developmental aspects of their duties rather than to regulatory aspects.

(2) Normally, in the district, the full responsibility in respect of all aspects of work relating to small scale industries should vest in the District Industries Officer and the officers subordinate to him. In those States, however, where the subject of small scale industries has also been transferred to the panchayati raj institutions, the State Governments concerned should review the position and consider whether the entire responsibility in this field could be entrusted to the officers of the Industries Department.

478. (1) There should be at the most three identifiable levels of responsibility in the Department of Industries.

(2) Necessary delegation of powers should be effected at all the three levels, clearly defining the duties, responsibilities etc. in accordance with our recommendations in the Report on State Administration.

(3) Any tendency to informal withdrawal of the delegations made or of the due exercise of authority should be effectively curbed.

(4) The authorities whom the entrepreneurs have to approach should be reduced to the minimum.

479. There should be provision for compulsory registration of establishments in the small scale sector with the Directorate of Industries of the State Government. Besides, the Directorate should also have the responsibility of collecting and compiling periodical information and data from the small scale units. At the district level this function should be discharged by the District Industries Officer under the guidance and supervision of the Director of Industries. There should be proper liaison and coordination in this field between the Directorate of Industries and the State Statistical Organisation.

### **Technical Assistance**

480. (1) The responsibility for providing technical advice and guidance in common basic trades and in industries with comparatively lower technologies should rest with the State Governments.

(2) The remaining Extension Centres, run at present by the Central Small Industries Organisation, should be taken over by the State Governments on mutually agreed terms and should be run, in future, by the latter. In the case of sophisticated industries and



those requiring more complicated and constantly changing technologies, foreign know-how, etc., the Small Scale Industries Commission should assume responsibility for providing the requisite technical assistance. The proposed Commission should also play a coordinating role in general in the field of technical assistance.

(3) The SISIs should be well-equipped to give technical advice for the requirements of industries with advanced technology. For this purpose they should be further strengthened by such supporting staff and equipment as may be found to be necessary. They should continue to be under the C.S.I.O.

481. (1) The services of private consultants and experts may be utilised on a part-time basis in suitable cases to supplement the work done by SISIs direct in this field. The provision of high-level technical/consultancy service on a regional basis should be arranged by establishing technical panels of part-time consultants for various key industries.

(2) Efforts should also be made to encourage the private corporate agencies, trade associations, etc., to take over part of this work. The public sector undertakings or a group or groups of private industries should be encouraged to develop technical services in the appropriate fields, particularly in the case of their ancillary and feeder industries.

482. Well-equipped laboratories should be established where they do not exist, for testing raw materials, components and end products and also for providing inspection services, etc. The existing laboratories like the Textile Research Laboratory, etc., even though they serve large scale industries, should be utilised to the extent possible. The Central Government laboratories could also be utilised for testing and quality control work, if surplus capacity be available. Ways and means may also be devised for setting up subsidiary laboratories or units affiliated to or associated with the national and regional laboratories at the appropriate level. The S.I.S.I. Workshops and laboratories at metropolitan centres may also be developed into full-fledged regional testing centres to cater to the needs of certain industries. Necessary steps should also be taken to set up process and product-development centres-cum-testing laboratories in trades like rubber, plastics, electrical appliances, etc. at suitable places.

483. The Small Scale Industries Commission should make arrangements for organising quality control, inspections, etc., in consultation with the existing institutions in the field. No separate agencies need, however, be set up for the small sector alone. The trade and commerce associations etc. should also be encouraged to set up similar organisations and under adequate supervision.

484. Both Government technical organisations and private consultancy services should be utilised for preparing project reports and technical feasibility reports and taking up surveys, etc., for the benefit and use of the small scale industries. These reports/documents should be made available to them at a low cost. The setting up of private technical consultancy organisations should be encouraged and provided necessary financial incentives/assistance by State Governments.

485. Necessary steps should be taken for the preparation, under expert advice, of specifications and standards for the manufacture of commodities of daily use and mass consumption. These specifications should be widely publicised and made available to entrepreneurs.

### **Financial Assistance**

486. An apex investment and finance institution should be set up to devote its undivided attention to, and concentrate its activities on, the small scale sector. This corporation, to be known as the Small Scale Industries Finance Corporation, should be set up under an Act of Parliament with a paid-up capital, say, of Rs. 25 crores. It should be the top investment and credit body in respect of the small sector and should be charged with the responsibility of the provision of financial assistance and accommodation, both for long term capital investment and for working capital needs, to this sector.

487. In their annual report the Small Scale Industries Finance Corporation should make an evaluation of the performance of the financial institutions in implementing the guidelines and instructions in respect of the small scale sector.

488. A State Level Committee should be set up for effective co-ordination among various financing institutions in each State. The success as well as the usefulness of this Committee will depend, to a very large extent, on the right choice of personnel and on all the interests concerned being represented thereon.

489. There should be a coordinated approach to the financing of the small scale sector at the district level also. A Standing Committee should be set up at the district level with the Collector as the Chairman and the District Industries Officer, representatives of local banks and small scale industries and an official of the State Finance Corporation as members. The local banks may also act as agents of the State Finance Corporation for purposes of advancing loans to small entrepreneurs.

### **Marketing and Marketing Research**

490. (1) The functioning of marketing wings of Industries Departments as well as the sales emporia of the various Boards should be re-oriented, so that they work on normal commercial lines and adopt more business-like methods for sales promotion. The emporia should also undertake the organisation of certain facilities like the advance of loans, supply of raw materials, etc., to the craftsmen direct and not deal with them through the intermediaries.

(2) The Commission/Boards, where they continue to be in existence, should undertake vigorous steps towards export promotion in markets abroad by establishing centres in foreign countries.

491. The grant of price preference to the small scale units, which is admissible under the Government purchase programme, should be expeditious and prompt, subject to the competence and capacity of the small scale sector to manufacture the items of the quality and in the quantities required. Fresh administrative instructions should

be issued emphasising the need for promptness in dealing with such cases and necessary steps taken to ensure compliance. The existing list of items reserved for purchase from the small scale sector should be revised and modified from time to time and this should be undertaken by an expert committee appointed for the purpose.

492. In view of the vital importance of marketing research for the small scale sector, the proposed Commission should address itself to the task of organising marketing research, and the results of this research should be made available to the small scale sector. For this purpose the knowledge, experience and expertise of the existing bodies working in this sphere should be fully utilised by the Commission.

### **Industrial Estates**

493. The organisational pattern of an industrial estate in a particular area should be determined having due regard to the special needs and requirements of that area. In selected cases the setting up and construction of these estates may also be undertaken by State Governments departmentally. These estates should, however, not be generally located within congested areas of big cities but be sited around the new industrial townships, having in mind the environmental aspects. Also, they should be run entirely by the State Governments, through their own agencies.

494. An industrial estate should be planned with a view to developing it into a focal point of healthy industrial growth in an area rather than as a cluster merely of inward-looking group of production units. It should be so designed and managed that it may later on be in a position to provide necessary common service facilities, technical advice, etc. to the other small scale units in that area.

### **Training and Management Consultancy**

495. The training programmes of the Industrial Training Institutes should be reviewed with a view to enabling them better to serve the needs of the industries of the area in which they are located. The representatives of small industries' associations may be associated with the management of these institutions.

496. (1) There should be regular contact and continuous collaboration between the SIET, the Central Small Industries Organisation and the State Governments in the matter of course contents and the methods and techniques of training so that the participation of the officers connected with industrial development of the Central and State Governments in the training programmes may be more fruitful and purposeful.

(2) Training of entrepreneurs-cum-managers in the small scale sector should be enlarged and intensified and its coverage widened. The SISIs which exist almost in every State should be made responsible for giving a comprehensive training in technical, managerial and plant management fields to the small industrialists, etc.

(3) Short-term training programmes at suitable centres and as close to the centres of the small scale industries as possible should

also be organised through peripatetic teams, so that the entrepreneur is enabled to attend such courses without detriment to his work.

(4) S.I.E.T. should prepare model training programmes for being administered in different areas and for different industries. These programmes should be subjected to continuous review and appraisal in the light of the experience gained. Suitable incentives, such as stipends, may also be given, on a selective basis, to the trainees of particularly weak units which cannot themselves finance such training.

497. The SIET should have reasonable freedom to develop its programme of research, extension and training, provided it keeps its main focus on the problems of small scale sector. Its research programme should be ancillary to the training programme and should be oriented to the applied research problems relating to small industries.

498. Periodic refresher training courses should be organised for the District Industries Officers and the block level Industries Officers, Training in disciplines like elementary operational research, quality control, etc., to familiarise them with workshop conditions and problems should be arranged from time to time.

499. The establishment of new management consultancy units by the management associations and the public sector enterprises should be promoted. The services of these consultancy units should be made available to the units in the small sector with the assistance of a subsidy, if necessary, on a graduated basis.

#### **Raw Materials and Equipment**

500. (1) There should be equitable distribution of scarce raw materials between the large scale and the small scale sectors, based on the priority of the end-products.

(2) The present discrimination in the matter of classification of the industries which serve as ancillary or feeder to a priority industry as non-priority should be removed as early as possible and such ancillary industry should be treated on par with the priority industry concerned in respect of import licences and the allocation of imported raw materials.

(3) In regard to the import of items like copper, zinc, lead, tin, nickel, etc., the present system should be modified and if the Minerals & Metals Trading Corporation are unable to effect the physical delivery of the materials within three months, the release orders should be expeditiously converted into import licences and the actual users allowed to import direct.

(4) The Joint Plant Committee of the steel industry should take expeditious action in regard to supply of scarce categories of steel to the small scale sector keeping in view the needs and difficulties of this sector and its contribution to industrial production.

(5) In view of the shortages of indigenous raw materials and basic metals, the Government should take steps to reserve a certain percentage of such scarce materials for distribution to the small scale sector.

(6) The recommendations of the Lokanathan Committee on Scarce Raw Materials should be examined afresh and appropriate action taken to implement such of their recommendations as have relevance/validity in the existing circumstances.

501. In view of the importance to the national economy of the small scale sector, a suitable proportion of foreign exchange provided for the industrial and allied sectors should be ear-marked for the small scale industry. Necessary steps may be also taken and, if necessary, the existing systems and procedures suitably modified with a view to ensuring that more foreign credits given by the donor countries through the financing agencies, like the I.C.I.C.I., are made available to the sector.

502. (1) The relevant rules and regulations in relation to the import of capital goods, raw materials, components, etc., and their amendments, if any, should be widely publicised from time to time. The officers of the Industries Departments should provide necessary assistance and guidance to the small scale sector entrepreneurs in this matter.

(2) In order to ensure speedy and expeditious disposal of cases for the import of capital goods, raw materials, etc., the connected procedures should be simplified and streamlined.

(3) A time limit of, say, 3 months may be fixed for the disposal of applications in respect of raw materials, and capital goods up to a value of Rs. 12,000 in the organisations concerned, e.g., the Director of Industries, port authorities, etc.

(4) The powers of the regional licensing authorities to grant licences for the import of capital goods without reference to the Central organisations, should be enhanced from the present limit of Rs. 8,000 to Rs. 12,000.

(5) The applications forwarded by the State Director of Industries or other sponsoring authorities for import of capital goods should be processed as expeditiously as possible in the office of the DCSSI in consultation with the DGTD. A meeting of the SSI Committee should not ordinarily be required for the consideration of these cases, in the office of the DCSSI. Only if the cases are unduly delayed, they may be brought before the SSI Committees. In the normal course, the applications should go direct to the C.G. Ad Hoc Committee for disposal.

## LIST OF ABBREVIATIONS

- |                         |           |  |
|-------------------------|-----------|--|
| 1. CC I & E             | . . . . . | Chief Controller, Imports & Exports.                           |
| 2. CG AD Hoc Committee. | . . . . . | Capital Goods Ad Hoc Committee                                 |
| 3. CG Main Committee    | . . . . . | Capital Goods Main Committee.                                  |
| 4. CSIO                 | . . . . . | Central Small Industries Organisation.                         |
| 5. DCSSI                | . . . . . | Development Commissioner, Small Scale Industries.              |
| 6. DCSSIO               | . . . . . | Development Commissioner, Small Scale Industries Organisation. |
| 7. DGSD                 | . . . . . | Director General, Supplies & Disposals.                        |
| 8. DGTD                 | . . . . . | Director General, Technical Development.                       |
| 9. ICICI                | . . . . . | Industrial Credit and Investment Corporation of India.         |
| 10. IDBI                | . . . . . | Industrial Development Bank of India.                          |
| 11. ITI                 | . . . . . | Industrial Training Institute.                                 |
| 12. NSIC                | . . . . . | National Small Industries Corporation.                         |
| 13. PTC                 | . . . . . | Proto-type Production-cum-Training Centre.                     |
| 14. SFC                 | . . . . . | State Finance Corporation.                                     |
| 15. SIET                | . . . . . | Small Industries Extension Training Institute.                 |
| 16. SISI                | . . . . . | Small Industries Service Institute.                            |
| 17. SSI Commission      | . . . . . | Small Scale Industries Commission.                             |
| 18. SSI Committee       | . . . . . | Small Scale Industries Committee.                              |
| 19. SSIC                | . . . . . | State Small Industrial Corporation.                            |

## THE RESERVE BANK OF INDIA: A NOTE

The Commission did not consider it expedient to formulate separate recommendations of their own on the report on the subject submitted by Shri Manubhai Shah, but preferred to give their general views on the report in their consolidated Note submitted to the Government. These views are summarised as follows:

503. The Reserve Bank has to play a much larger role in regulating monetary and credit policies with a view to achieving success in the implementation of our Plans and it must be geared to that role so as to keep pace with the planned rate of economic progress.

504. On the main point made in the report that the Reserve Bank should confine its role to being a Central Bank and shed its developmental and promotional functions, it was considered that while there was a good case for separating the organisation which guarantees and finances the export trade from the Reserve Bank of India and for setting up some kind of a 'Data Bank', there were certain disadvantages in separating the other promotional activities from the Bank.

505. With regard to the suggestion for setting up specialised banks which are independent of the Reserve Bank for the agricultural, industrial and small scale industrial sectors, it was considered that the separation of financing institutions like the Industrial Development Bank of India from the Reserve Bank was likely to import into their functioning a departmental outlook which would by no means be desirable in a field like developmental banking, which has to be enterprising and bold rather than cautious. While the need for greater and more pointed attention to agricultural financing was irrefutable, any suggestion to establish an agency for this purpose without a direct link with the central bank of the country was open to serious objection. Thus, the same kind of objections would apply to independent agencies in respect of the industrial sector.

506. The necessary coordination in the field of credit was best done by the Reserve Bank of India itself. It would be a far better arrangement to set up banks and organisations suggested in the report as subsidiaries of the Reserve Bank with the largest possible degree of autonomy in actual operations consistent with the public interest and safety of public funds.

507. A new institution which should be more specialised and purposeful was needed for guaranteeing and financing the export trade and since the existing banking institutions were in the relatively early stages of export financing, a new institution was justified. An Export Bank of India could, therefore, be set up with the least dislocation and with much benefit.

508. There should be set up a central agency which will collect, analyse and publish data from all banks including the Reserve Bank of India and make them available promptly to interested parties and institutions. This agency could perhaps be called the Banking Statistical Agency.

509. The relationship between the Government and the Bank should, as far as possible, take cognisance of the autonomous character of the Reserve Bank. Where the views of the Bank and the Government do not coincide and cannot be reconciled through consultations, it would be in the public interest and also in consonance with the autonomous position of the Reserve Bank, that the Government should accept the responsibility for a decision taken and issue directives as provided in the Act.



**VII AREA: ADMINISTRATION AT THE STATE LEVEL**

**VIII AREA: DISTRICT ADMINISTRATION**

*Reports Presented:*

**(18) State Administration**

**(19) Administration of Union Territories & NEFA**

## REPORT ON STATE ADMINISTRATION

### Machinery of Government at the Apex\*

510. (1) The functions assigned to a Governor by statute (e.g., those of Chancellor of a University) should be exercised by him in his discretion. He may consult the Chief Minister if he so wishes but he should not be bound by the latter's advice.

(2) During President's Rule in a State it should be left to the State Governor to decide, in consultation with his Advisers, what matters are important enough to be referred to the Government of India. The Governor and his Advisers should be allowed to function with efficiency and speed without interference from the Centre in the day-to-day administration.

(3) The Consultative Committee set up to advise on legislation for a State under President's Rule should invariably include all Members of Parliament from that State. This Committee should also advise and assist the President/Governor on important matters of State administration. The meetings held by the Committee for this purpose may be presided over by the Governor or a person selected by the Committee.

511. (1) The Council of Ministers should be compact and homogeneous, its size being determined by administrative needs. In big States, the number of Ministers (including Ministers of State and Deputy Ministers) may range between 20 and 25, in middle-sized State from 14 to 18, and in small States between 8 and 12.

(2) Every department must be represented in the Cabinet through a Cabinet Minister.

(3) As recommended in our report on the Machinery of the Government of India and its Procedures of Work, the head of the Council of Ministers (namely, the Chief Minister) should in selecting his colleagues, give special attention to considerations of political stature, personal integrity, intellectual ability and capacity for taking decisions and sustained application to work. Further, in assigning a portfolio, due regard should be paid to the aptitude and capabilities of an incumbent.

512. (1) As recommended in our report on the Machinery of the Government of India and its Procedures of work:

"For reinforcing the principle of collective responsibility, it is essential that (a) the Cabinet should be agreed on fundamentals and all important issues are discussed and settled by the Cabinet; (b) a Minister does not announce a new policy or a major departure from current policy without the approval of the Cabinet; and (c) a Minister should not ordinarily speak or make announcements on matters not within his portfolio, However, if the circumstances so require of him, he must get himself properly briefed by the Minister concerned."

\*Subject to minutes of dissent.

(2) The Chief Minister should act as the real leader of the ministerial team. It should be his undivided responsibility to ensure smooth and efficient functioning of the Council of Ministers. In case of irreconcilable differences between the Chief Minister and any of his colleagues, the Chief Minister should call for the resignation of the Minister concerned and in case of non-compliance with such a request he should take appropriate action to remove him.

(3) The Chief Minister should himself set a high standard of public conduct and insist on other Ministers to do so. He should keep an eye on the manner in which the Ministers function and ensure that the business of the government is conducted with dispatch, and with proper regard for public interests and needs.

513. (1) The full Cabinet should meet at least twice a month.

(2) In a single party government, the Standing Committees of Cabinet may be confined to problem areas which require continuous attention, e.g., 'Planning and Development'. In coalition governments, however, Cabinet Committees may usefully be set up to help remove bottlenecks in inter-departmental co-ordination at the ministerial level.

(3) The budget of the State, excluding taxation proposals, should be discussed and finalised at meetings of the Cabinet.

514. The tours of Ministers need to be systematised and properly regulated. Official tours should be planned in advance and undertaken for well-defined official purposes only. The Chief Minister should act as the controlling authority of ministerial tours. In consultation with his colleagues, he should fix the maximum number of days for which any Minister may ordinarily be on tour. Avoidable participation by Ministers in ceremonial functions should be discouraged.

515. (1) Ministers should not intervene in the day-to-day administration except in cases of grave injustice, serious default or maladministration on the part of civil servants. Where a citizen's request for complaint calls for revision of a rule, procedure or policy, it should be met by effecting such revision, and not by relaxing the rules to accommodate an individual case.

Secretaries and other civil servants need to show greater sensitivity to and a better appreciation of the Minister's difficulties, and to discriminate between minor adjustments on the one hand, and acts of political and other forms of accommodation compromising basic principles or likely to have substantial or lasting repercussions on efficiency and morale of the services, on the other.

(2) The official relationship of the Secretary to the Minister should be one of loyalty and that of the Minister to the Secretary one of confidence.

(3) All major decisions with reasons therefor should be briefly reduced to writing, particularly where the policy of Government is not clear or where some important departure from the policy is involved or where the Minister differs from the Secretary on an important issue.

(4) The Chief Minister should, with the assistance of the Chief Secretary, take special interest to arrest the growth of unhealthy personal affiliations to individual Ministers among civil servants.

(5) As recommended in our report on the Machinery of the Government of India and its Procedures of Work, Ministers in States should take a holiday of at least two weeks in a year which they should devote to reading, reflection and relaxation.

(6) Ministers should increasingly participate in suitable discussion groups and conferences which may be organised by University Departments of Public Administration, Political Science, Economics, etc. Seminars on important economic and administrative problems should be organised by professional institutes and Ministers may be specially invited to address such seminars.

(7) The convention that civil servants are faceless and nameless in the legislature should be scrupulously upheld.

(8) The Code of Conduct for legislators adopted by the All India Whips' Conference in October 1967 (and referred to in our report on the Machinery of the Government of India and its Procedures of Work) should be accepted and observed by all the States.

516. Standing Committees of State Legislatures may be set up in selected areas of administrative activity for promoting detailed legislative review. The departments falling within the purview of these committees should be excluded from a review by the Estimates Committee of the State Legislature.

517. Steps should be taken by the Union Government and the State Governments to reduce expenditure on Governors and Raj Bhavans in conformity with the objectives of a democratic socialist society.

### State Secretariat

518. (1) The distribution of subjects as between different Secretariat departments should be so effected that such departments would deal with a particular segment of administrative activities. Such activities should be inter-related and be more or less of homogenous character. A model grouping of subjects is given in Appendix IV.

(2) The number of the State departments should, in general, not exceed 13.

(3) The basic scheme of grouping of subjects into departments should not be changed to provide for an increase in the number of Ministers' portfolios. A change should be made only on the basis of proven administrative needs and after a thorough study. The situation in which the number of members in the Council of Ministers exceeds the number of departments fixed on the basis of a rational plan should be met by putting in charge of some departments, Ministers of State and Deputy Ministers in addition to the Cabinet Ministers.

(4) Executive functions which are at present performed by the Secretariat and which do not have a close bearing on policy making should be transferred to appropriate organisations.

519. (1) In departments dealing with specific subjects, there should be set up two "staff" cells, namely, (i) a combined cell on planning and policy; and (ii) a finance cell.

(2) The new Department of Personnel (vide Chapter IX) should be under the charge of the Chief Secretary and be placed under the Chief Minister.

(3) There should be set up in each administrative department a Policy Advisory Committee with the Secretary of the department as its Chairman and the heads of all major executive departments as its members. The existing Secretariat personnel should be suitably oriented in the preparation of self-contained papers or memoranda setting out the problem, its different alternative solutions and the merits and demerits of each alternative.

520. (1) The Secretaries should shed some of their existing functions and devote more time and attention in (a) helping the formulation of long-term or strategic policies; (b) ensuring that the policies are translated adequately into operational programmes; (c) reviewing the progress in implementation; and (d) initiating measures for developing greater organisational and personnel competence both in the Secretariat and in the executive departments.

(2) The Chief Secretary should ordinarily be the senior-most person, due regard being paid to merit. He should have a minimum tenure of 3 to 4 years. He should be relieved of routine and non-essential work and, where necessary, given appropriate staff assistance to enable him to ensure quick implementation of the Cabinet decisions and effective coordination in the policies and programmes of the State Government.

521. (1) (a) There should be only two levels of consideration and decision below the Minister, with work assigned to each on the lines of "desk-officer" system.

(b) The duties and requirements of various jobs in the Secretariat at each of the two levels should be defined clearly.

(c) The officer at the first decision making level should not be assisted with a note from the office indicating the lines on which decision may be taken.

(2) For smooth and effective working of the proposed "desk-officer" system, the following measures will be necessary:

- (a) introduction of a functional file index;
- (b) maintenance of guard files or card indices which will contain all important precedents;
- (c) adequate provision for "leave" reserve; and
- (d) adequate stenographic and clerical aids.

### **Executive Departments**

522. (1) The State Governments should adopt *mutatis mutandis* the recommendations made in our Reports on "Delegation of Financial and Administrative Powers" and on "Finance, Accounts and Audit" in regard to delegations and budgets respectively.

(2) A working group should be set up in each State, which does not already have such a body, to formulate a scheme of substantial delegations to executive authorities.

(3) Each State Government should bring out an up-to-date compilation of administrative and financial delegations, using loose-leave binders in a form which would facilitate addition of amendments made from time to time.

523. (1) The headquarters organisations of executive departments concerned primarily with planning, implementation, coordination and review of a single development programme or several allied programmes, covering a substantial area of the activities of the Ministry and having a direct bearing on policy making, should be integrated with the administrative departments concerned.

(2) The heads of the executive departments which are integrated with the Secretariat should function as principal advisers to the Government in their respective areas and should enjoy a status adequate to the nature of their duties and responsibilities. They may retain their present designations.

(3) In all other cases, the present distinction between policy-making and executive organisations may be continued. Such distinction is vital for protecting the operational autonomy of the regulatory executive agencies and such developmental executive organisations as are mostly engaged in promotional activities, provision of services or production and supply of commodities.

524. (1) The existing executive departments should be so reorganised that needless multiplicity is removed and diffusion of functions and responsibility is avoided. A new function taken up by the State Government should as a rule be assigned to one of the existing executive departments. A new executive organisation should be created only after a detailed study has shown that the existing executive organisations cannot efficiently handle the new tasks.

(2) The head of each large executive department should be assisted by a deputy to relieve him of the burden of day-to-day administration. This deputy should preferably be a departmental officer who has received special training in management.

(3) Each major executive department should have a manual of procedures and instructions.

(4) Each major executive department, engaged in developmental activities, should have a special cell on "programme, planning and review". This cell should also set up a suitable and adequate progress-reporting system.

#### **District Administration\***

525. (1) In the States where judicial work of the Collector has not yet been transferred to the Judiciary, steps may be taken to get it so transferred. In those States in which only a partial transfer of judicial work has taken place, steps may be taken to make the transfer complete.

---

\*Subject to minutes of dissent.

(2) The District Administration should be divided into two sectors—one concerned with “regulatory” functions and the other with “developmental” functions. The District Collector should be the head of the former and the Panchayat Raj Administration should have the responsibility for the latter.

(3) The District Collector and the President, Zila Parishad, should meet at periodical intervals to resolve matters calling for co-ordination between the regulatory and developmental administration. This procedure should be given official recognition in the legislation dealing with Panchayati Raj.

526. (1) The Collector and the District Magistrate as the head of the regulatory administration in the district should exercise general supervisory control over the police organisation in the district. Except in an emergency, he should not interfere with the internal working of the police administration.

(2) In the day-to-day work of the police organisation and with regard to routine matters like postings and transfers, the District Superintendent of Police should have full control.

(3) The Collector should annually record his views, on the performance of the District Superintendent of Police after receipt, from the officer concerned, of a note written by him on his performance during the period under review.

527. It should not normally be necessary for the Collector or any other district officer to wait upon a visiting dignitary unless his presence is specifically required.

528. The Collector and his officers should spend a prescribed minimum number of days on tour with night halts in camp. The tour should be utilised, among other things, for the redress of public grievances on the spot wherever possible.

529. (1) There should be only two administrative units whose heads are invested with powers of decision making in the district administration—the one in the tehsil/taluka or a group of tehsils/talukas or a sub-division (in the States where there are no tehsils/talukas) and the other at the headquarters of the district. The intermediary levels, where they exist, may be abolished.

(2) Powers should be delegated to the maximum extent to the officer in charge of the sub-district administrative unit.

530. When conditions are more propitious for considering the question of readjusting the boundaries of districts, the State Governments may appoint committees for the purpose of examining the size and boundaries of districts in the light of administrative requirements.

### **Panchayati Raj Administration\***

531. (1) While the administration of development work in a district should be separated from regulatory functions and entrusted to the Panchayati Raj, institutions, adequate safeguards should be provided to ensure that development administration is conducted on sound and proper lines and that there is no abuse of power or authority. For this purpose, the Collector should have powers to

\*Subject to minutes of dissent.

obtain information regarding the working of those institutions so that he may be able to give timely and proper advice when necessary in the public interest. It should be clearly understood that this advisory role does not empower him to exercise supervisory and controlling authority over the working of the Panchayati Raj institutions.

(2) The district level officers in charge of development departments should be transferred to the jurisdiction and charge of the Zila Parishad.

(3) A senior officer, designated as District Development Officer, should be appointed as the chief executive officer of the Zila Parishad. In selecting him, his suitability in the context of the developmental functions devolved upon the Zila Parishad should be the sole criterion, and the selection should neither be confined, nor denied, to any particular service.

532. The Zila Parishad should be the main executive body of the Panchayati Raj administration in the district, with the Samiti and the Gram Panchayat functioning at the Block and village levels. Subject to this, the State Governments may undertake the distribution of executive functions and powers at the district, Samiti and village levels to suit their particular requirements.

533. The area covered by the Blocks may be so redistributed that the territorial unit of development administration may, in general, correspond to the tehsil/taluka or a sub-division as the case may be. If in an exceptional case, more than one Block is to be included in the tehsil/taluka or sub-division, care should be taken to see that the area of any Block does not extend beyond the boundaries of a single tehsil/taluka, or sub-division.

534. (1) There should, as a general rule, be a panchayat for each village. In exceptional cases a single Panchayat may be provided for more than one village, but the combination of villages should be on a voluntary basis.

(2) The outlay of a village panchayat being small in amount, it will not be necessary to have a whole-time Secretary. The Chairman himself can manage the office and be paid a small annual-allowance to meet incidental expenses.

535. The power to suspend a resolution, decision or order of a Village Panchayat or a Panchayat Samiti, may be vested with the Collector and that of Zila Parishad in the Government. But the power to annul any decision or order of any Panchayati Raj institution should vest in the State Government alone.

536. A District Tribunal consisting of the Collector and a subordinate judge should hold inquiries in cases where removal of members of Panchayati Raj bodies is involved. Final orders regarding the removal of members or office bearers should be passed only by the State Government after considering the report of the Tribunal.

537. The District Tribunal, consisting of the District Collector and a subordinate Judge, should hold inquiries in case involving supersession or dissolution of Panchayati Raj bodies and report to



the Government. The Government will pass final orders with regard to supersession or dissolution of Panchayati Raj bodies after considering the report of the Tribunal.

538. Panchayati Raj institutions need not submit their budgets for approval to higher authorities, if they frame their budgets including obligatory expenses within their resources, viz., revenues expected to be raised and the grants promised to them, the obligatory expenses taking precedence over the optional ones. If the budget for an expenditure in excess of such resources the budgets should be got approved by the authority which is in a position to meet the excess, viz., the Zila Parishad or the Government, as the case may be.

539. (1) An advisory committee consisting of officials and non-officials may be set up by each State Government for advising on the principles which should govern the grant of assistance to Panchayati Raj institutions.

(2) The committee may also be required to review the working of these institutions and suggest necessary improvements in procedures and amendments of the law.

(3) The appointment of the committee should synchronise with the formulation of the Plan.

540. (1) All officers of Class I and II may continue to be drawn from State Governments on deputation basis.

(2) Panchayat Service should be limited to Class III (Extension), Class III (Ministerial) and Class IV Services. The officers of these Services should, however, be eligible for promotion to Class II and III posts, respectively.

(3) Posts in Class III may also be filled by persons belonging to the State Services sent on deputation. If such persons are not available, personnel may be recruited specially for Panchayati Raj bodies. Recruitment to Panchayat Service Class III (Extension) should be entrusted to the State level Selection Board, while recruitment to Class III (Ministerial) Service may be handed over to a District Selection Board. The composition of these Selection Boards, may be decided upon by the State Governments.

541. The Revenue Department should continue to have an official or officials in the villages looking after the work relating to maintenance of land records, collection of land revenue, etc. Where persons previously working in such a capacity have been transferred to Gram Panchayats and continued to do the former work in a part-time capacity, they should be retransferred to the Revenue Department.

542. The present system of elections may be modified as follows:

(1) Every application for candidature must be accompanied by a deposit of Rs. 25.

(2) Every application for candidature must be supported in writing by at least one-fifth of the total number of the village population or 20 voters, whichever is less.

(3) After the time limit for withdrawals is over, if the number of candidates is equal to the number of seats, they may be declared elected.

(4) If there are more applications than the seats, a meeting of the voters of the village may be convened. The Returning Officer may arrange for a meeting at an appropriate place in the village, preferably a place of worship. The Returning Officer and persons commanding respect of the village people may speak persuading the people to have unanimous election and invite withdrawals. If the persuasion succeeds and the number of candidates is reduced so as to be equal to the number of seats after further withdrawals, the reduced number of candidates may be declared as having been elected unanimously.

(5) In case such a persuasion fails and there are more applications than the seats available, lots may be drawn in order to eliminate the extra number of applications. When the stage is reached when the number of candidates is equal to the number of seats, these candidates may be declared elected.

(6) If, per chance, the number of applications is less than the number of seats, all the candidates may be declared elected. For the remaining seats, fresh applications may be called for and a supplementary election held at which the procedure described above may be adopted.

#### **Administration at Supra—District Level\***

543. (1) The system where by a Commissioner in charge of a specified number of districts acts as a supervisory and directing officer, occupying an intermediate position in the hierarchy between the District Collector and the Government, may be abolished.

(2) Commissioners may, however, be appointed in large States with jurisdiction over fairly large-sized regions which are homogeneous in terms of economic conditions for discharging the following specific functions:

- (a) regional planning for urban and rural areas with special reference to environment purity;
- (b) statutory functions, having an inter-district coverage which cannot be assigned to any regional departmental officer;
- (c) inspection of district offices including that of the District Development Officer.

544. (1) In the States, where Boards of Revenue decide revenue appeals, the appellate work may be transferred to Revenue Tribunals consisting of a judicial officer qualified to be a judge of the High Court and a senior revenue officer.

(2) In small States, the administrative and advisory work of the Boards of Revenue may be taken over by the Secretariat. In a large State, where there is no separate Head of Department in charge of land revenue and allied matters, the State may decide, having in view the quantum of work and other relevant factors, whether the

---

\*Subject to minutes of dissent.

administrative and advisory functions relating to tax administration, land revenue and allied matters should be entrusted to a Board or should be left over to the Secretariat itself.

545. (1) Each State Government should make a detailed review of the existing regional offices. Only such regional offices as subserve definite administrative needs and/or help to bring the level of decision-making nearer to the people should be retained. The following criteria may be kept in view in taking a decision in the matter:

- (a) the work of supervision and control thrown up by the local offices is so voluminous that it would not be possible for the Head of the Department to do it effectively;
- (b) the size of the set-up required for the office of the Head of the Department is such that the work could be devolved on regional offices at no appreciably higher cost;
- (c) the operations are far-flung geographically, so that central control would involve higher costs of administration on account of touring, etc.; and
- (d) supervision and control at an intermediate level is warranted by administrative needs and the nature of work devolving on the organisation.

(2) No regional office should be established in future unless the criteria mentioned in (1) are satisfied.

546. (1) In formulating the State plans, the State Planning Boards should include a suitable programme for protecting the health of the citizens against hazards of pollution of environments arising from industrialisation and urbanisation.

(2) There should be set up, at the district level, a committee on town and country planning (including protection from environmental hazards to health). This committee may consist of the President of Zila Parishad, Chairmen of Municipalities, Executive Engineer, Public Health Officer, Town Planning Officer, or an expert if available, two Members of Legislative Assembly and Members of Parliament by rotation and the Executive Officer of Zila Parishad. Wherever there is a port or a cantonment the committee should have at representative of each of them. A representative of the Railways and P&T Department may also be invited to participate in the meetings of the committee whenever necessary.

(3) These committees should be presided over by Divisional Commissioners.

(4) Proposals for establishment of new townships or expansion of existing cities, towns and villages should be cleared through these committees and big schemes of regional or city development should be screened by the State Planning Board.

### **Redress of Public Grievances**

547. (1) Action should be taken to vest in the Lokpal when he is appointed, the jurisdiction to deal with complaints against actions of Ministers in the States.

(2) Lokayuktas should be appointed in the States to deal with complaints against State Government officials including Secretaries. Complaints against District Officers, namely, the Collector and the various officers attached to the Panchayati Raj institutions, will be looked into by them.

### Personnel Administration\*

548. (1) The proliferation of personnel under the State Governments must be checked. Organisation and Methods Divisions and Staff Inspection Units where they exist must be activated and wherever they do not exist, they must be set up with a view to finding out better ways of organisation of work and more efficient methods of doing it and to laying down rational standards for sanctioning of staff in future.

(2) Staff which has been found to be in excess should not be kept on in their old duties but should be brought on to a separate pool which should be maintained on a supernumerary basis. Recruitment to surplus categories should be stopped. Surplus personnel should be redeployed where vacancies exist or come up. Many could also be trained in new skills such as stenography, etc., and employed accordingly.

549. (1) A Personnel Department should be set up in each State under the Chief Minister. The functions of this Department would be:

- (a) Manpower planning, training and career development for all State personnel.
- (b) Liaison with the State Public Service Commission, Central Government, professional institutions, etc.
- (c) Talent hunting, development of personnel for higher posts and appointments to the level of Under and Deputy Secretary and Secretary in the State Secretariats and equivalent posts in the field organisations.
- (d) Research in personnel administration.

(2) An Establishment Board should be established in each State to select officers for the level of Under and Deputy Secretary and Secretary in the Secretariat and officers of equivalent status in the field organisations.

550. (1) Whenever the number of personnel engaged on a particular function is sufficient to constitute a viable cadre, a service should be set up for that function.

(2) The field to which all the Services should contribute on the basis of equal opportunity should be enlarged and no privileged position should be assigned to any particular service in respect of posts which can be adequately filled by all officers after training and/or experience, if necessary.

551. A regular procedure should be evolved by the Central Government in association with the U.P.S.C. and with the State Governments for the purpose of recruitment of State personnel to Central

\*Subject to minutes of dissent.

posts at levels below that of Under Secretary and equivalent in common areas of administration, like agriculture, education, medicine and public health. Such a procedure should apply to appointments in the field organisations as well as the Secretariat.

552. For the posts of Heads of Departments, men with initiative and drive as well as experience and knowledge of the subject matter should be appointed. The endeavour should be to pick out suitable personnel from the corresponding State Service to man these posts. If no suitable men are available from the corresponding State functional services, there should be no objection to consider an IAS officer with the necessary background.

553. Suitable personnel from State Services, should also be considered for ex-cadre posts which are presently reserved for IAS officers.

554. (1) Suitable personnel in the functional and specialist services (State as well as all India) should man those posts of Under and Deputy Secretaries in the State Secretariat in which the predominant requirement is a particular functional or specialist knowledge.

(2) For Secretaries' posts, technical and functional officer of the State Services should not be precluded. In areas such as agriculture, engineering and industry, there should be no bar to the consideration of relevant specialist officers along with generalist officers for posting as Secretaries.

555. (1) Officers posted as Collectors for the first time should ordinarily have at least 8 years' service to their credit.

(2) District charges should be divided into three categories having in view their workload and complexity. Commensurate remuneration should be attached, after proper evaluation of work content, to each of these three grades which should be fitted into the unified grading structure recommended by us in our report on Personnel Administration. It may, however, not be necessary for each State to have all the three grades of Collectors. Some of them may be able to do with only two.

555A. (1) Where a post carries regulatory responsibilities like Police and Taxation, periodic transfers should be the rule.

(2) Officers engaged in development activities and management of plan programmes should not, as a rule, be transferred except where a promotion is involved or qualified personnel are needed for new programmes in different locations.

(3) In the case teachers and research workers, there is no need, generally, to effect transfers.

(4) As far as gazetted officers engaged in administration or management are concerned, the scheme of transfers should be determined by the need for the career development of individual officers.

### **Public Service Commissions**

556. A large number of non-officials belonging to the various professions may be appointed as members of the Public Service Commissions, where the number of such non-official members is short of fifty per cent of total membership.

557. A convention should be established whereby the Public Service Commissions are consulted by State Governments before the latter exempt any case or types of cases from the purview of the State Public Service Commissions.

558. The power of making temporary appointments without consulting the Public Service Commission should be used only in very exceptional cases and not by way of circumventing the provisions of the Constitution.

### **Training and Administrative Reforms**

559. (1) (a) There should be set up in each State, where it does not already exist, a separate training institution for organising a common foundational course for fresh recruits to Class I or equivalent State Civil Services, institutional training for the probationers of the State Administrative Service and other generalist services, training in management for different levels of officers, and refresher courses.

(b) Each major executive department should have a training cell to organise suitable training programmes for its personnel of different categories. Special attention is to be paid to organising suitable programmes of training for Class III and Class IV personnel, designed to improve job skills as well as attitudes towards the public.

(c) Facilities available at the university departments of public administration and other professional institutions may be availed of for organising some of the training courses.

(d) The possibility of regional cooperation among a group of States for organising common training programmes may be explored. The Central Training Division of the Union Ministry of Home Affairs, should operate a special programme of assisting the State Governments in organising training courses, preparation of training materials, securing facilities for training of trainers and organising common programmes on a collaborative basis.

(2) The new Department of Personnel should have a branch on training, charged with the responsibility of formulating the overall training policy, coordinating different training activities, arranging for training of trainers and promoting preparation of training materials.

(3) Special emphasis should be laid in the foundational course on "building proper values and attitudes among the trainees and inculcating in them a sense of dedication to duty and service-orientation". Living with the people in a village for a firsthand study and observation of rural life and conditions should form an integral part of this course.

560. (1) The O&M/Administrative Reforms Units or Cells in the States should be reactivated and strengthened where necessary. A five-year broad perspective plan of O&M work should be drawn up and within its framework an annual O&M plan should be formulated with a broad scheme of priorities. O&M work should be conceived in a wider perspective covering all the aspects of an administrative organisation and it should be closely related to the attainment of its purposes.

(2) The Central O &M/Administrative Reforms Unit at the State level should be headed by a senior officer of the status of an Additional or Joint Secretary located in the Chief Secretary's organisation. Its organisational structure and staffing pattern should be research-oriented. Apart from a nucleus staff with qualifications and experience in techniques of management analysis, the Unit should also have some personnel drawn, on short tenure, from functional areas, or services. The latter should be selected in the light of the programme of O&M studies to be carried out.

(3) Each major executive department having dealings with the public should have an O & M cell.

(4) University departments and professional institutes engaged in the teaching and/or study of public administration located in the State should be given adequate financial support to undertake studies on, among others, administrative reforms and improvements in areas such as rural and urban administration; semi-government organisations; state enterprises; relations with the general public, private trade and industry; inter-relations between the political and the administrative processes and application of new methods and techniques.

# REPORT ON ADMINISTRATION OF UNION TERRITORIES AND NEFA

## THE APPROACH

561. Central financial assistance to Union Territories with Legislatures for non-Plan expenditure should be indicated in advance for 5, or, say, 3 years so that the time taken by annual Central scrutiny may be reduced.

### North East Frontier Agency Manipur and Tripura

#### NEFA

562. (1) (a) The provisions of the Sixth Schedule to the Constitution relating to the administration of the tribal areas of Assam may now be applied to NEFA by issue of an appropriate notification.

(b) Keeping in mind the need for maintaining the integrity of each major tribal group, NEFA may be divided into a suitable number of autonomous districts and autonomous regions on the pattern of the Assam Hill Districts.

(c) At the district level, actual implementation of policies, particularly developmental, may be left to the autonomous district and regional councils. The district administration may only directly administer law and order, internal security, revenue, treasury and accounts.

(2) In addition to the Adviser, three Secretaries and one Judicial Officer are adequate. The status of the senior-most of the Secretaries should be that of a Director in the Central Government and of the other two that of a Deputy Secretary in the Central Government. The distribution work between the Adviser and the Secretaries may be as proposed by the Study Team in para 738 of its report.

(3) As a general rule, executive Heads of Departments should function as a part of the secretariat.

(4) Personnel for manning senior posts in the administration may, as a general rule, be obtained on deputation from Assam. In special cases, however, personnel can also be obtained from the Centre. Discretion in this matter may be left to the Administrator. Officers of the All-India Services may be provided directly from the Centre. In relation to the technical services, supervision and guidance may be obtained from Assam. Where required, they may be obtained from the Centre.

(5) There should be a separate Five-Year Road Buildings Programme and provision for air services for NEFA.

(6) It will not be necessary to have officers of the status of Deputy Commissioners in every district. Officers of lower rank with appropriate designation may be empowered to exercise the powers of Deputy Commissioner.



## MANIPUR

563. (1) The status of the Administrator may be equivalent to that of an Additional Secretary or a senior Joint Secretary in the Central Government.

(2) Adequate powers may be delegated to the Administrator so that he can function as final authority in relation to the Territorial Administration. Those provisions of the Rules of Business which require prior concurrence of the Central Government in a large number of cases before issue of orders may be deleted.

(3) The Administrator may be given full disciplinary powers in relation to the services of the Union Territory.

(4) The Council of Ministers should consist of the Chief Minister, a Minister and one or two Deputy Ministers. In order to prevent proliferation of Ministers, statutory provision may be made in the Government of Union Territories Act, 1963, limiting the size of the Council of Ministers.

(5) The Legislative Assembly may be empowered to function in a manner similar to that of a State Legislature. The Administrator may be authorised to exercise, in appropriate cases, the powers of the President to give assent to Bills. Where the Administrator considers that a Bill is of such a nature that it is necessary to obtain legal advice at a higher level, he should be enabled to consult the legal advisers of the Central Government. A Bill which would have been reserved for the assent of the President, had it been a State Bill, shall be so reserved.

(6) The secretariat may consist of a Chief Secretary and two Secretaries. The distribution of work can be organised on the lines indicated at Appendix I.

(7) Personnel for manning senior posts in the Administration may, as a general rule, be obtained on deputation from Assam. In special cases, however, personnel can also be obtained from the Centre. Discretion in this matter may be left to the Administrator. Officers of the All-India Services may be provided directly from the Centre. In relation to the technical services, supervision and guidance may be obtained from Assam, and if required, from the Centre also.

(8) The hill areas of Manipur may be constituted into two autonomous districts for the Quki and Naga tribal areas. If necessary, autonomous regions can be carved out for smaller tribal groups. Necessary statutory provision may be made for this purpose in the Government of Union Territories Act, 1963.

(9) It may not be necessary to have officers of the status of Deputy Commissioners in the new districts. Officers of lower rank, with appropriate designations, may be empowered to exercise the powers of the Deputy Commissioners.

## TRIPURA

564. The pattern of the administrative set-up in Tripura may be *mutatis mutandis*, based on the one recommended for Manipur.

## Goa, Daman and Diu and Pondicherry

### GOA, DAMAN & DIU

565. (1) There may be an Administrator of the status of a Joint Secretary in the Central Government.

(2) Adequate powers may be delegated to the Administrator on the lines suggested for the Administrators of Manipur and Tripura.

(3) The Council of Ministers may consist of the Chief Minister, a Minister and a Deputy Minister. The size of the Council of Ministers may be limited by a statute.

(4) The Legislative Assembly may function in the manner recommended in para 17 of Chapter III.

(5) There is no need for a full-fledged secretariat modelled on the secretariats of States. A Secretary-cum-Finance Officer to the Administrator and a separate Law Officer will suffice. In all other departments, the executive heads can function as a part of the secretariat of the Territorial Administration.

(6) Personnel for manning senior posts may, as a general rule, be obtained on deputation from the neighbouring States. The Administrator, in his discretion, may also obtain officers from the Centre. Officers of the All-India Services should be provided directly by the Centre. Technical advice, guidance and supervision should be obtained from officers of the neighbouring States, and if required from the Centre.

(7) At the district level, there may be a separate Collector and a Superintendent of Police. The Collector of Daman who looks after Dadra & Nagar-Haveli, may be replaced by a duly empowered officer of the status of an Additional District Magistrate.

### PONDICHERRY

566. The pattern of the administrative set-up in Pondicherry may be *mutatis mutandis* based on the one recommended for Goa, Daman & Diu.

### HIMACHAL PRADESH

567. (1) A Lt. Governor may continue to be an Administrator in Himachal Pradesh.

(2) The powers of the Administrator may be enhanced on the lines suggested for the Administrators of Manipur, Tripura, Goa, Daman & Diu and Pondicherry.

(3) The Council of Ministers may consist of the Chief Minister, two Ministers of Cabinet rank and two Deputy Ministers. The size of the Council of Ministers may be limited to this maximum by statute.

(4) The Legislative Assembly may function in the manner recommended in para 17 of Chapter III.

(5) The secretariat may consist of a Chief Secretary and three Secretaries of the status of a Joint Secretary and Deputy Secretaries respectively of the Central Government. In addition, the Chief Engineer, Multi-purpose Projects & Power, can function as a part of the secretariat. The distribution of work in the secretariat can be organised on the lines indicated in Appendix II.

(6) In the functional departments, the present arrangements may continue.

(7) A study in depth may be undertaken by the Home Ministry in consultation with the Himachal Pradesh Administration with the object of rationalisation of district boundaries and reducing their number.

(8) Immediate steps may be taken to effect substantial economies in order to reduce the gross over-staffing which exists in this Administration.

### DELHI

568. The administration of the Cantonment area may continue to be governed by the provision of the Cantonments Act, 1924, subject to such changes we may suggest in our report on 'Defence Matters'.

569. (1) For the purposes of municipal administration, New Delhi may continue as a separate unit.

(2) The New Delhi Municipal Committee may consist of a President, five members to be elected from suitable territorial constituencies and five members to be nominated by the Central Government.

(3) The President of the Committee should be nominated by the Central Government but he need not invariably be an official.

570. (1) Autonomous statutory bodies may be created for Transport, Supply of Electricity, and Water Supply and Sewage Disposal.

(2) In addition to experts, the Cantonment Board, New Delhi Municipal Committee and the Delhi Metropolitan Council should have representation on these bodies. As a general rule, experts may constitute two-thirds and the others one-third of the members of the Board.

(3) Overall supervision of these bodies may vest in the Central Government functioning through the Administrator. The powers we recommend for the Central Government are indicated in paragraph 19.

(4) The annual reports of these bodies may be discussed in the Metropolitan Council.

571. (1) The Metropolitan Council may be reconstituted so as to consist of:

- (a) 56 members directly elected from territorial constituencies from areas outside the jurisdiction of the New Delhi Municipal Committee and the Cantonment Board.

- (b) Three representatives from the New Delhi Municipal Committee to be elected by its members from amongst themselves.
- (c) One member to be elected by the Cantonment Board from amongst its members.
- (d) One member each from the three statutory bodies to be set-up for Electricity Supply, Transport and Water Supply and Sewage disposal.

The representatives of the bodies mentioned in (b) and (c) should be from amongst their elected members.

(2) The Delhi Municipal Corporation may be abolished and its functions entrusted to the Metropolitan Council.

(3) (a) The Metropolitan Council shall have the right to discuss and make recommendations with respect to the matters enumerated in para 25. Parliament will continue to legislate for this Territory.

(b) The recommendations of the Metropolitan Council on legislative matters must, as a general rule, be accepted by the Central Government and acted upon accordingly.

(c) The prohibitions which exist in the Rules of Business regarding initiation of legislation by the Territorial Administration without prior approval of the Central Government may be removed.

(4) The Administrator may be empowered to function in his discretion in relation to the subjects enumerated in para 24.

(5) In the exercise of his functions in the "transferred" field, the Administrator will be advised by the Executive Council consisting of a Chief Executive Councilor and two Executive Councillors. The Chief Executive Councilor should be appointed by the Administrator (who will select the person commanding a majority in the Metropolitan Council). The two Executive Councillors should be appointed by the Administrator on the advice of the Chief Executive Councilor. The Executive Council will be collectively responsible to the Metropolitan Council.

(6) If any issue arises in the "transferred" field, which in the opinion of the Administrator impinged on any matter included in the Union List or the Concurrent List, he may refer it to the Central Government for their decision.

(7) The Administrator may be of the status of a Secretary in the Central Government. There may only be one or two Secretaries to assist him particularly in the 'reserved' subjects. Executive functions may be carried out through specialised departments.

(8) There should be a presiding officer of the Metropolitan Council elected by the Council. He will have no executive functions. He should be designated as "Mayor" and will discharge the ceremonial functions associated with the civic head of a city administration.

(9) (a) The Metropolitan Council may constitute a number of Standing Committees. Each of them may be presided over by the Chief Executive Councilor or an Executive Councilor in accordance with their portfolios. There may be a separate committee or committees for municipal functions.

(b) In respect of its municipal functions, the Metropolitan Council may be empowered to frame regulations and bye-laws.

(c) The executive functions of government may be carried out through specialised departments.

(10) The Territorial Administration will be responsible for the administration of such tax laws as are normally levied by the States. It should also be empowered to levy the municipal taxes enumerated in paragraph 33.

(11) The Territory's budget may be broadly divided into three parts: The first, dealing with the purely municipal functions, which will be framed by the Territorial Administration and presented to the Metropolitan Council for vote;

The second, dealing with the "reserved" subjects which may be framed by the Administration and submitted to the Central Government who will present it to Parliament for vote;

And the third, relating to "transferred" subjects, which may be framed by the Territorial Administration after ascertaining the quantum of Central assistance. When the budget has been discussed by the Metropolitan Council, its recommendations may then be forwarded to the Central Government who must, as a general rule, accept such recommendations.

(12) As the Metropolitan Council will function in a manner similar to a legislature, Parliament and the Union Government may agree to forgo their right to intervene in matters falling in the "transferred" field.

## OTHER TERRITORIES

572. *Andaman and Nicobar Islands*—(1) The Administrator may be of the status of an Additional Secretary or a senior Joint Secretary in the Central Government. Adequate powers may be delegated to him on the lines we have recommended for the Administrators of other Union Territories.

(2) In order that the Administrator may keep in touch with the needs of the public, an advisory committee may be associated with him.

(3) The Administrator's secretariat may consist of a Secretary-cum-Finance Officer of the status of an Under Secretary in the Government of India and a Law Officer. The executive heads of departments may function as a part of the Secretariat.

(4) Technical supervision and guidance may be obtained from officers located at the Centre. They should visit the Islands at least once in six months and more frequently, if so required.

573. *Laccadive, Minicoy and Amindivi Islands*—The administrative set-up in the Laccadive, Minicoy and Amindivi Islands may continue unchanged.

574. *Chandigarh*—(1) There may be an Administrator of the status of a Joint Secretary in the Central Government. Adequate powers may be delegated to him on the lines we have recommended for the Administrators of other Union Territories.

(2) The Administrator's secretariat may consist of a Secretary-cum-Finance Officer of the status of a Deputy Secretary in the Central Government, a Law Officer and the executive heads functioning as a part of the secretariat.

(3) Personnel for manning senior posts may be obtained from the neighbouring States and, if necessary, from the Centre. Technical supervision and guidance may also be obtained from the neighbouring States.

575. *Dadra and Nagar Haveli*—The administrative set-up in Dadra and Nagar-Haveli may be allowed in its present form. The Administrator may, however, explore further avenues of economy in administrative expenditure.

576. At least half of the members of the Administrators' Advisory Committees for Chandigarh, Andaman and Nicobar Islands and Laccadive, Minicoy and Amindivi Islands, may be elected.

**IX AREA: PROBLEMS OF REDRESS OF CITIZENS'  
GRIEVANCES**

*Report Presented*

**(20) Problems of Redress of Citizens' Grievances (Interim)**

## PROBLEMS OF REDRESS OF CITIZENS' GRIEVANCES

577. The special circumstances relating to our country can be fully met by providing for the redress of citizens' grievances. There should be one authority dealing with complaints against the administrative acts of Ministers or Secretaries to Government at the Centre and in the States. There should be another authority in each State and at the Centre for dealing with complaints against the administrative acts of other officials. All these authorities should be independent of the executive as well as the legislature and the judiciary. The authority dealing with complaints against the Ministers and Secretaries to Government may be designated the 'Lokpal' while the authorities at the Centre and in the States empowered to deal with complaints against other officials may be designated 'loka-yukta'.

578. The administration itself must play the major role in reducing the area of grievances and providing remedies wherever necessary and feasible. For this purpose, there should be established in each Ministry or Department, as the case may be, suitable machinery for the receipt and investigation of complaints and for setting in motion where necessary, the administrative process for providing remedies. The responsibility of the Departments to deal adequately with public grievances must squarely be faced by them in the first instance.

579. The 'Lokpal' should be appointed by President on the advice of the Prime Minister, which would be tendered by him after consultation with the Chief Justice of India and the Leader of the Opposition. The Lokpal will have the same status as the Chief Justice of India. His tenure will be 5 years subject to eligibility for reappointment for another term of five years in accordance with the same procedure. He will not be removable from office except in the manner prescribed in the Constitution for the removal from office of a Judge of the Supreme Court. On appointment as Lokpal, he shall cease to be a Member of any Legislature if he was one before the appointment. He shall also resign from any post or office of profit held by him, sever his connections with all business activities, and shall also resign his membership, if any, of a political party.

580. The following matters shall be excluded from the purview of the 'Lokpal':—

- (i) Action taken in a matter certified by a Minister as affecting the relations or dealings between the Government of India and any foreign Government or any international organisation of States or Governments.
- (ii) Action taken under the Extradition Act, 1962, or Foreigners Act, 1946.



- (iii) Action taken for the purpose of investigating crime or protecting the security of the State including action taken with respect to passports.
- (iv) Action taken in the exercise of power in relation to determining whether a matter shall go to the Court.
- (v) Action taken in matters which arise out of the terms of contract governing purely commercial relation of the administration with customers or suppliers except complaints of harassment or delays in the performance of contractual obligations.
- (vi) Action taken in respect of appointments, removals, pay, discipline, superannuation or other personnel matters.
- (vii) Grant of honours and awards.
- (viii) A decision made in exercise of his discretion by an administrative authority unless the elements involved in the exercise of discretion are absent to such an extent that no discretion has been exercised to all.
- (ix) Any action in respect of which the person aggrieved has or had a right of appeal, reference or review to or before a tribunal.
- (x) Matters in respect of which a person aggrieved has or had a remedy by way of proceedings in any court of law. (However, he may look into such a matter if he is satisfied that in the particular circumstances it is not reasonable to expect the complaint to take or to have taken proceedings in a court of law).
- (xi) An administrative decision which was taken more than twelve months before the date of the complaint.

581. The powers, functions and procedures for Lokpal may apply *mutatis mutandis* to the Lokayukta.

## ANNEXURE

167 - 168

## ANNEXURE I

### MINISTRY OF HOME AFFAIRS

(Department of Administrative Reforms)

### RESOLUTION

New Delhi, the 5th January 1966

No. 40/3/65-AR(P).—The President is pleased to set up a Commission of Inquiry to be called the Administrative Reforms Commission to examine the public administration of the country and make recommendations for reforms and reorganisation where necessary.

2. The Commission will consist of Shri Morarji R. Desai, M.P., as the Chairman and the following as Members:—

- (i) Shri K. Hanumanthaiya, M.P.
- (ii) Shri H. C. Mathur, M.P.
- (iii) Shri G. S. Pathak, M.P.
- (iv) Shri H. V. Kamath, M.P.
- (v) Shri V. Shankar, I.C.S.— *Member Secretary.*

3. The Commission will give consideration to the need for ensuring the highest standards of efficiency and integrity in the public services, and for making public administration a fit instrument for carrying out the social and economic policies of the Government and achieving social and economic goals of development, as also one which is responsive to the people. In particular the Commission will consider the following:—

- (1) the machinery of the Government of India and its procedures of work;
- (2) the machinery for planning at all levels;
- (3) Centre-State relationships;
- (4) financial administration;
- (5) personnel administration;
- (6) economic administration;
- (7) administration at the State level;
- (8) district administration;
- (9) agricultural administration; and
- (10) problems of redress of citizens' grievances.

Some of the issues to be examined under each head are listed in the schedule to this Resolution.

4. The Commission may exclude from its purview the detailed examination of administration of defence, railways, external affairs, security and intelligence work, as also subjects such as educational administration already being examined by a separate commission. The Commission will, however, be free to take the problems of these sectors into account in recommending reorganisation of the machinery of the Government as a whole or of any of its common service agencies.

5. The Commission will devise its own procedures, and may appoint committees and advisers to assist it.

6. The ministries and departments of the Government of India will furnish such information and documents and other assistance as may be required by the Commission. The Government of India trusts that the State Governments and all others concerned will extend their fullest cooperation and assistance to the Commission.

7. The Commission will make its report to the Government of India as soon as practicable.

**ORDER**

**ORDERED** that a copy of the Resolution be communicated to all Ministries and Departments of the Government of India, State Governments, Administration of Union Territories, etc., etc.

**ORDERED** also that the Resolution be published in the Gazette of India for general information.

N. K. MUKARJI, *Jt. Secy.*

## SCHEDULE

- (1) *The machinery of the Government of India and its procedures of Work*
  - (i) The grouping of subjects in departments.
  - (ii) The role of the Cabinet Secretariat.
  - (iii) Problems of inter-ministry coordination.
  - (iv) Staffing patterns and methods of work within ministries and departments.
  - (v) Relationship between ministries and their attached and subordinate offices.
- (2) *The machinery for planning at all levels.*

Planning Organisations and procedures at the Centre and in the States, and the relationship of the Planning Commission at the Centre and planning agencies in the States with other agencies.
- (3) *Centre-State relationships.*
  - (i) Centre-State relationships in the realm of planning and development, with particular reference to the growth of central agencies handling concurrent and State list subjects.
  - (ii) Centre-State relationship in other spheres, with particular reference to the needs of national integration and of maintaining efficient standards of administration throughout the country.
- (4) *Financial administration.*
  - (i) Budgetary reform.
  - (ii) Reform in the administration of accounts.
  - (iii) The role of audit.
  - (iv) The system of expenditure control, including procedures for sanctioning schemes and the problem of financial delegation and decentralisation.
  - (v) Procedures governing financial relations between the Centre and the States.
- (5) *Personnel administration.*
  - (i) Personnel planning and organisation for it.
  - (ii) Recruitment policy and procedures, including selection techniques.
  - (iii) The Union Public Service Commission and the State Public Service Commissions.
  - (iv) Promotion policies and incentives.
  - (v) Policies and rules governing conduct and discipline to ensure efficiency, honesty and maintenance of morale.
  - (vi) Training.
  - (vii) The roles of the Cabinet Secretary and the Ministries of Home Affairs and Finance.
  - (viii) Personnel management for public sector enterprises.
- (6) *Economic administration.*
  - (i) Economic coordination, and the role of the Departments of Economic Affairs and Coordination, the Planning Commission and the Department of Industry in that respect.
  - (ii) Administration of foreign exchange.
  - (iii) Export promotion, the mechanism of import control, and administration for trade and commerce generally.
  - (iv) Review of the mechanism and procedures of economic controls.
  - (v) The role of the Ministry of Industry and Supply *vis-a-vis* other ministries handling specific industries.
  - (vi) Organisation for promoting industries in the private sector.

- (7) *Administration at the State-level.*
- (i) Examination of the organisation and procedures of State Governments with special reference to problems similar to those enumerated above.
  - (ii) The need to strengthen administration in the States at all levels.
- (8) *District administration.*
- (i) The role of the Collector in respect of general administration and development administration, and as the agent of the State Government.
  - (ii) The role of the Collector in the matter of public grievances and complaints.
  - (iii) The relationship between the Collector and panchayat raj institutions.
  - (iv) The relationship between the Collector and departmental heads at the district and supra-district levels.
  - (v) The size of districts.
  - (vi) Personnel policies in relation to the post of Collector.
- (9) *Agricultural administration.*
- (i) The role of the Ministry of Food and Agriculture and other ministries concerned with agricultural production, and coordination between them.
  - (ii) Inter-relationship between State Agriculture Departments, Community Development Organisations and other organisations concerned with agricultural production in the State.
  - (iii) Organisation for agricultural administration at the State and district levels.
  - (iv) Coordination between research and extension organisations.
- (10) *Problems of redress of citizens' grievances.*
- (i) The adequacy of the existing arrangements for the redress of grievances.
  - (ii) Need for introduction of any new machinery or special institution for redress of grievances.