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PRINCIPAL CONTENTS

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OUR CONTRIBUTORS

Articles

Shri K. L. Handa is Lecturer in Financial Administration, Financial Management Unit, IIPA.

Dr. Paul S. Kim is Assistant Professor of Political Science, Gannon College, University of Pennsylvania, U.S.A.

Shri J. Shivakumar is Deputy Secretary (Planning), Department of Finance, Government of Tamil Nadu, Madras.

Shri S. S. Viswanathan is Programme Consultant (Performance Budgeting), Financial Management Unit, IIPA.

Shri B. B. Vohra, IAS, is Joint Secretary, Ministry of Food, Agriculture, Community Development & Co-operation, Government of India, New Delhi.

Comments

Shri P. K. Das, IAS, is Manager (Administration), Gujarat Industrial Investment Corporation Ltd., Ahmedabad.

Shri B. K. Dey is Senior Analyst, Incharge of Research and Administrative Intelligence, and Senior Assistant Editor, *Management in Government*, Quarterly Journal of the Department of Administrative Reforms, Government of India, New Delhi.

THE INDIAN JOURNAL
OF
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EDITORIAL NOTE

The readers of the Journal will notice a change in its editorship. Shri L. P. Singh, honorary Editor of the Journal since April 1958, laid down the office, on the 30th of June, 1970.

Shri L. P. Singh shouldered the onerous responsibility of the editorship of the IJPA with great professional ability, high regard for standards, and dedication. The credit for building the Journal to its present stature largely goes to Shri Singh who brought to bear on his editorial work, wide knowledge of public affairs in India and abroad, rich experience and insights, scholarship and deep understanding of the art and science of administration. The invaluable contribution which Shri Singh made will find a significant place in the history of study and research in public administration in India.

During Shri Singh's tenure as Editor, forty-nine issues of the IJPA were published. Shri Singh constantly sought to develop the Journal as a forum for analytical and reflective discussions on contemporary issues of administration. Apart from effecting improvements in production standards and introducing special features, Shri Singh started the practice of bringing out once a year a special number on a substantive administrative area or theme. The nine special issues, published so far, have provided at one place for readers a fund of material on specific aspects of administration. The special issues on administrative reforms helped provide an analytical perspective for the work of the Administrative Reforms Commission. Similarly, the special numbers on panchayati raj, organization and management of public enterprises, urbanization and urban development, and science and government attempted to bring into sharp focus the current critical problems and their possible solutions. For promoting a better understanding of the wider framework of administration, Shri Singh initiated a new venture of publishing reflective monographs on selected social and political subjects, containing projections of likely future trends and development. These monographs were published from time to time as special supplements to the IJPA, entitled "Perspectives". Six such monographs have already appeared and three more are ready for publication.

In our opinion, Shri Singh attached great importance to raising professional standard of the Journal. The prime consideration in accepting an article was scholarship, objectivity, and intensive and extensive understanding of the subject that the author showed. He encouraged contributions on contemporary administrative problems, viewed from a practical angle, to make the Journal an effective vehicle for stimulating change in administrative system and practice. He welcomed contributions from scholars and practitioners alike to help promote fresh and critical thinking on fundamental issues of administration. The large majority of contributions came from within the country. Contributions from abroad also were accepted when it was felt that they had a significant bearing on the Indian scene or they discussed comparative practice in other countries and provided perspective for further thinking in India.

Underlying these efforts was obviously an understanding and conviction that Indian administrative system needed significant improvement in its capability for implementing effectively the plans of economic and social development, and for meeting, with foresight and confidence, the future challenges arising from environmental change.

Deep awareness of the contribution that Shri Singh made to the development of the Journal and the complex nature of work involved in editing a professional journal like the IJPA, makes us feel rather diffident in accepting the editorial responsibility. We shall, however, continuously endeavour to maintain the standards the Journal has achieved, continue the tradition of constructive debate and discussion, and help improve its usefulness.

CREATION OF ADEQUATE INSTITUTIONAL AND ORGANIZATIONAL SUPPORT FOR GROUND WATER DEVELOPMENT

B. B. Vohra

THE critical importance of ground water to our programmes of intensive agriculture hardly needs to be stressed. The value of ground water as a source of irrigation lies in its availability, in lesser or greater quantities, in practically all parts of the country, the comparative ease and speed with which it can be put to use and the assurance—so vital for the cultivation of the new high-yielding varieties—that it holds of being instantly available whenever it is required to be applied to the soil. It is these reasons, coupled with the extension of electricity to villages during recent years, that explain the rapidly rising demand for ground water development all over the country, not excluding areas long served by flow irrigation systems.

The value of ground water for domestic, industrial and other non-agricultural purposes is, however, of no less importance to the community. In this connection, particular reference needs to be made to the needs of the arid areas where the location and development of ground water can make all the difference in the world in avoiding distress to both human and cattle population, even if the quantities available are neither sufficient nor cheap enough for attempting irrigation on any appreciable scale. There are, thus, strong economic as well as social reasons for ensuring that the fullest possible use is made of the country's ground water resources and that these are managed in a scientific manner so that no over-exploitation takes place.

Very large sums of money will be available for the development of ground water resources during the Fourth Plan. In the *Agricultural Sector alone*, the amount likely to be invested in ground water development has been estimated to be of the order of Rs. 1,400 crores, of which about Rs. 750 crores are expected to come from institutional sources (such as Agricultural Refinance Corporation, commercial banks, land development banks, etc.), about Rs. 300 crores by way of State Plan Outlays and about Rs. 350 crores from the private resources of farmers. However, the World Bank is also showing considerable interest in financing ground water development schemes in various parts of the country and money is, therefore, not likely to be a constraint in this field of activity. In this connection, mention may also be made of the Government's anxiety to come to the help of small farmers and dry areas, both of which interests can be best served if available ground water resources are fully investigated and developed.

In order to review the ground water situation in all parts of the country and to assess the difficulties in the way of development of this resource, a series of regional meetings was held during the second half of 1969 with representatives of State Governments, the Geological Survey of India, the Agricultural Refinance Corporation and the Exploratory Tubewells Organization at Hyderabad, Calcutta, Bombay, Jaipur, and Delhi. The overriding impression obtained as a result of these discussions is that the *existing arrangements for the location, development and scientific management of ground water are grossly inadequate and need to be strengthened considerably if our Fourth Plan targets of production are to be achieved.*

The problems of ground water development may be considered under three heads relating to: (*a*) the discovery and location of ground water, (*b*) its actual utilization through construction of wells and tubewells, and (*c*) its scientific management based on accurate assessments of the capacity and recharge conditions of individual aquifers and the implementation of suitable regulatory measures which would ensure that no indiscriminate pumping takes place. In the paragraphs that follow, an attempt has been made to deal with each of these stages of development and to suggest directions in which improvements in the existing arrangements can be made.

Prospecting and Exploratory Drilling

At the national level, responsibility for this work is divided between two organizations—the Geological Survey of India (GSI) in the Ministry of Petroleum & Chemicals and Mines & Metals (Department of Mines & Metals), and the Exploratory Tubewells Organization (ETO) in the Ministry of Food, Agriculture, Community Development & Cooperation (Department of Agriculture). The Geological Survey of India is responsible for prospecting for water by means of geo-physical and other sophisticated methods as well as by reconnaissance surveys on the ground. It also undertakes "systematic surveys" with the object of preparing small scale basic maps which depict geo-hydrological conditions and also contain information with regard to water levels in open wells and the chemical quantity of ground water. At the rate at which "systematic surveys" and hydrological

mapping is being done by the Geological Survey of India today, it has been variously estimated that it might take the Survey anything between 30 to 50 years to cover the entire country.

The Geological Survey of India has recently drawn up a plan for the expansion of its ground water activities by about 50 per cent in the very near future. It has also arranged for part of its staff to specialize in ground water work and has grouped such personnel into 5 Regional Ground Water Directorates located at Calcutta, Lucknow, Jaipur, Nagpur and Hyderabad. However, the number of geologists engaged on ground water work in the GSI is only about 80 out of the Survey's total strength of about 1,000 geologists. Ground water work, therefore, accounts for only a very small portion of the GSI's total responsibilities as its main pre-occupation is with the discovery of mineral and metal resources.

This matter is of some importance because no exploratory drilling work can be undertaken either by the ETO or any other State ground water organization unless the area concerned has first been surveyed by the GSI and certified to be likely to contain ground water. (This, of course, is, as it should be, because drilling must follow prospecting and not be carried out in a haphazard way.) As far as deep drilling is concerned—up to sometimes as much as 2,000 feet—this is possible (and necessary) only in 30 per cent or so of the country's surface which is classified as non-hard rock area and which comprises mainly of alluvial strata. Such drilling is undertaken mainly by the ETO with the object of looking for water in places where its presence is suspected at great depths. Since the ETO is (for certain reasons which need not be gone into at the moment) capable at present of only a limited programme of drilling, it is not difficult for the GSI to arrange to survey the areas in which it wishes to operate. However, the position would be quite different if the ETO were to increase its efficiency manifold (and there is a scope for such an improvement) and thus needed much larger areas to be prospected by the GSI. In that case, the GSI would have to step up its activities a very great deal indeed in order to keep pace with the ETO's requirements.

Since the ETO, in its 16 or 17 years of existence, has operated only in the non-hard rock areas, it is in these very areas that the bulk of the GSI's ground water work has been done, particularly because the GSI's own ground water specialization is also of about the same age. In the hard rock areas, water is not to be found beyond the first 250 feet or so and is generally extracted by means of open wells which are being increasingly fitted with pump-sets. Ground water resources in such areas are naturally limited and the capacity of individual wells depends on such factors as the cracks and fissures which they can tap. Prospecting for water in these areas is in some ways more difficult than in alluvial strata, because hydrological conditions can change within short distances depending upon changes in the formation of rocks and, therefore, require more careful and detailed geo-hydrological surveys than in alluvial areas. The responsibility for exploratory drilling in hard rock areas rests not with the ETO but with State Governments, because drilling up to 250 feet or so does not present any great technical problems and is comparatively easy to organize. The State Governments are also responsible for advising the farmer with regard to the exact location of his well or tubewell in hard rock areas. However, the State Governments would be greatly assisted in their task of carrying out detailed investigations and preparing large-scale maps (8″ or 16″ to a mile and showing the location of existing wells) if the basic geological maps of at least 1″ to a mile could be made available by the GSI. But, as noticed earlier, such maps can be prepared by the GSI for the whole country only in 30 to 50 years at its present pace of work.

The GSI's pace of work in the field of ground water came up for particular discussion in the context of the requirements of the arid areas of the country. These areas are located mainly in Haryana, Rajasthan, Gujarat, Maharashtra, Andhra Pradesh, Mysore, and Tamil Nadu. In accordance with suggestions made by the Ministry of Food & Agriculture, these States have already demarcated their chronically drought-affected areas and have also divided them into 3 categories according to the intensity of the distress suffered by them. The State representatives felt that Category 'A', representing the worst-hit areas, should be completely surveyed by the GSI within two years and the remaining chronically drought-affected areas within five years from now. *If these targets are to be met, the Survey will have to undertake a very substantial expansion of its ground water programmes, but this is unlikely to happen so long as its main concern is with minerals and it is part of a Ministry in which ground water figures only as a fringe activity.*

On their part, the State Governments need to create efficient ground water organizations which would be capable of preparing large scale village-wise maps showing local hydrological conditions and of carrying out whatever exploratory drilling is required in hard rock areas. Most of the States have, as of now, made only a beginning towards this goal.

Production and Development

This subject may be considered under two heads, namely, the financing of development works and their actual implementation. While discussing financing arrangements, a distinction may be made between works which are to be executed by State Governments and those which are to be implemented by individual farmers. Provision for State Works exists in their Five Year Plans and is meant primarily for high-capacity tubewells designed to tap deep aquifers and to serve a large number of farmers. Very little investment of this sort is, however, possible in hard rock areas and many States in this region have instead earmarked money for partly compensating private farmers in case of the failure of their wells or tubewells. Provisions in the State Plans are also meant to cover the cost of the building up of adequate ground water organizations.

The bulk of the investment on ground water development during the Fourth Plan will, however, be accounted for by private works which will be financed by institutional sources, such as land mortgage banks, co-operative banks, commercial banks and the World Bank. The experience of the last 2 or 3 years, during which these sources have come into existence, shows that while money is available with them in plenty, there are as yet no proper arrangements to make use of it. Thus, the total value of ground water schemes sanctioned by the Agricultural Refinance Corporation till the beginning of September 1969 was Rs. 132 crores, of which only about 10 per cent had been actually spent. The performance of the States also varied a great deal and reflected their different degrees of preparedness to take advantage of the opportunities offered. The Punjab stood at the top of the list with sanctioned schemes worth Rs. 24 crores and an actual outlay of Rs. 5.5 crores. At the end of the scale was West Bengal which had sanctioned schemes worth only Rs. 15 lakhs and no actual utilization. The table given on the next page tells its own story.

In order to take advantage of the unparalleled opportunities which exist today for the financing of ground water development, it is necessary that financing institutions should be presented with viable and adequately documented schemes drawn up *on an area basis*. The loan proposals should define the extent of the area which is proposed to be developed, it estimated ground water potential (in our present circumstances, this can only be an approximation) the extent to which this has been tapped already and the economics of the suggested investment.

Sl. No.	Name of the State	Schemes Sanctioned as on 5-9-69			Schemes pending as on 5-9-69	
		No.	Total financial outlay (in lakhs)	Outlay incurred (in lakhs)	No.	Total financial outlay (in lakhs)
1.	Andhra Pradesh	46	1 865.022	27.630	21	1 759.07
2.	Assam	—	—	—	—	—
3.	Bihar	4	1 013.379	18.000	2	600.52
4.	Delhi	1	8.050	—	—	—
5.	Gujarat	21	1 410.200	230.400	24	1 365.05
6.	Haryana	5	1 103.500	282.897	5	676.00
7.	Jammu & Kashmir	—	—	—	—	—
8.	Kerala	1	87.350	—	—	—
9.	Madhya Pradesh	10	1 182.594	31.050	6	666.50
10.	Maharashtra	6	528.970	32.400	35	3 302.62
11.	Mysore	4	528.070	—	10	1 622.50
12.	Orissa	—	—	—	—	—
13.	Punjab	18	2 402.673	549.909	7	2 030.00
14.	Rajasthan	4	516.885	5.760	7	396.50
15.	Tamil Nadu	10	1 042.000	32.400	10	861.30
16.	Uttar Pradesh	14	1 503.236	122.283	15	2 365.91
17.	West Bengal	1	15.200	—	—	—
	Total :	145	13 207.929	1 323.729	142	15 645.97

Insistence on an area approach is necessary because compact schemes mean economy in electrification, and resource potentials can be estimated only for areas which are defined. Hardly any State is today fully equipped to prepare area schemes which are backed with adequate hydrological and economic data and can, therefore, be rapidly appraised by financing institutions as being deserving of support. Many States are not even sufficiently aware of the necessity to create organizational structures which will enable them to undertake such work on anything like the scale required. It may be mentioned in this connection that although certain land mortgage banks, co-operative banks and commercial banks do not at present insist on ground water schemes

being drawn up on an area basis, as is being done by the Agricultural Refinance Coporation (ARC), they are likely to fall in line with the ARC sooner or later.

During our discussions, delays in the sanctioning of the schemes by the ARC were also gone into. Till very recently, the ARC, which is the principal agency concerned, referred all ground water schemes for technical appraisal to either a panel of private hydrological experts maintained by it or to the ETO. At the instance of the Department of Agriculture, steps have been taken to increase the number of experts on the ARC panel as well as to involve the GSI in the work of technical appraisal along with the ETO. Certain procedures have also been streamlined to ensure that schemes are not delayed by the appraising agencies. However, no real improvement in the rate at which area schemes are sanctioned can be expected till it can be ensured that the States are capable of drawing up and presenting schemes which are complete in all respects and satisfy the requirements of viability. This, in turn, can only be done if adequately staffed and equipped geo-hydrological units are set up in the States to study ground water conditions in detail and to gather the various kinds of data necessary to form even a rough idea of the potential of a given area.

The expeditious implementation of ground water schemes—once they have been sanctioned—requires that States should possess adequate drilling (and blasting also, in the case of open wells in hard rock areas) capacity as well as expertise in the design and construction of tube-wells and wells. It is also necessary that there should be close liaison between the State ground water organizations and Electricity Boards, so that the energization of pump-sets is carried out as soon as possible after they have been installed. Here again, the existing picture is not at all satisfactory. The number of qualified contractors who can carry out a proper job of work is extremely limited with the result that the speed as well as standard of execution is generally poor. Lack of planning and co-ordination at State Government levels also results in big delays in energization.

Most of the States possess some engineering organizations which are equipped to carry out drilling and blasting work, but these are sometimes dispersed over a number of Departments, such as Agriculture, Irrigation, Public Health and Panchayats, and are generally incapable of carrying out a development scheme in an efficient and business-like manner. There is great need to centralize control of all departmental boring and blasting equipment and operations in one place to improve operational efficiency and to develop expertise.

In this context, reference may be made to the present practice in many States for Government organizations to charge subsidized rates for drilling or blasting work. Although this is done with the best of intentions and in order to help the farmer, it has the effect of discouraging private parties from entering this field of activity and thereby depriving the farmer of a useful and competitive service. This matter has been brought to the notice of the State concerned and it is hoped that the rates charged by them will be revised in the ultimate interest of the farmer.

In hard rock areas where open wells fitted with pump-sets are the order of the day, it has been found that the application of improved methods of the 'renovation' of wells results in very great savings. Thus, instead of boring large diameter vertical holes in existing wells whose capacity has decreased on account of the blocking or choking of cracks and fissures, it is much more useful as well as cheaper to carry out slim drillings in various directions at a fraction of the cost of the former. Such techniques need to be propagated widely and backed by adequate organizational arrangements for the execution of work. More research into the ground water problems of hard rock areas also needs to be undertaken—a committee of experts has been recently set up to consider this matter.

In alluvial areas, particularly the Gangetic Valley, fears have been expressed by some experts that the unregulated sinking of a very large number of shallow tubewells might result in lowering of the water table and, therefore, failure of wells and loss of the investment they represent. It has also been pointed out that most of the existing shallow tubewells with a capacity of 0.2 to 0.5 cusecs are under-utilized and that it would be much more economical to the community as a whole to replace them by deeper tubewells of 3 to 4 cusecs each which could be run to full capacity and serve all farmers in their command including small farmers who are today neither in a position to instal tubewells of their own nor to get water from their richer neighbours at reasonable rates. These suggestions need to be considered carefully and would be worth adopting if improvements could be carried out in the operation of state tubewells so as to prevent losses in distribution and provide satisfaction to all consumers, and if water rates could be increased to economic levels. Haryana has, in fact, decided to set up a corporation to run its existing tubewells and to construct new ones on strictly commercial lines. Such an arrangement will enable it not only to raise existing water rates but also to find funds for a big tubewell programme from institutional sources, without burdening the Plan.

Visiting experts have also pointed out the need to improve the design of our tubewells and to use new materials like fibre glass in place of steel for pipes as is being done in West Pakistan on a large scale. The low level of operational efficiency of rigs operated both by the ETO in the Government of India and by State Governments is another matter which calls for notice. Since Government procedures and regulations are not conducive to efficient commercial operations, it may be found that the best way of increasing the efficiency of our rigs might be to make a clear distinction between exploratory drilling and production drilling and to hand over at least the latter type of work to corporations. A step in this direction has already been taken by the Andhra Pradesh Government by making its Agro-Industries Corporation responsible for drilling and blasting work on commercial lines and certain other States are thinking of following this example. The responsibility for giving technical advice and assistance to farmers with regard to the design of their wells and tubewells should, however, remain with the engineering wing of State ground water organizations, as this is in the nature of an extensive service.

Whatever the arrangements for execution may be, it is necessary that wells and tubewells should be located at the best possible sites from the hydrological point of view. This consideration is not very important in alluvial areas where generally uniform conditions obtain over large distances but has particular relevance to hard rock areas. Such advice can be given only by adequately staffed State ground water organizations which should, thus, have two distinct wings, one to deal with the engineering problems of well designing and construction and the other with geo-hydrological matters, including the preparation of large-scale maps on the scale of 8″ or 16″ to a mile showing strata conditions, the location of existing wells, water tables and the chemical quality of water, etc.

The need to ensure the co-ordination of the financial, hydrological, engineering and energization aspects of ground water schemes points to the desirability of creating in each State a ground water organization which would also include a third wing—responsible for area development. This wing would take the initiative in getting schemes prepared and sanctioned and ensure their timely implementation up to the final stage of energization.

Scientific Management

The scientific management of ground water resources involves two steps, firstly, a quantitative assessment of the capacity and the

With the formation of a National Commission, it would become possible for the first time to obtain an overall view of the country's needs in the field of ground water and to voice the same in an authoritative manner. The latest techniques in prospecting, mapping, resource assessment and management would find it easier to gain acceptance by the Commission than they do with the existing authorities. With a single (and we hope prestigious) body to speak for ground water, it would become possible to draw up policies and plans which are really adequate to meet the challenge of the times and to develop the self-confidence to implement them. Such a body would also provide a convenient point of contact for foreign experts on the subject and make it easier to obtain external assistance in fields of expertise in which we are dificient today. Within the country, the Commission would be a valuable source of advice, information and guidance to various bodies and institutions concerned with the ground water, not excluding State ground water organizations.

Another direction, in which a reform is due, concerns the arrangements in the Department of Agriculture for overseeing the implementation of ground water development programmes in the States. As noticed earlier, the total amount of investment in ground water during the Fourth Plan is expected to be of the order of Rs. 1,400 crores. At present, there are only 2 or 3 officers in the Department of Agriculture charged with the responsibility of ensuring the success of such a huge programme. All of them are headquartered in Delhi and there are no Regional Officers to watch and keep under constant reivew the progress of each State in the field of ground water development. This kind of supervision—so necessary to ensure the success of the schemes —can be undertaken only if we build up regional organizations and make one senior officer (of the rank of Deputy Commissioner at least) responsible for overseeing not more than 4 or 5 States. A minimum of 5 Regional Officers would thus be required in the Minor Irrigation Division of the Department of Agriculture. The cost of providing this additional support would be negligible when compared to the size of the programme.

(B) *At The State Level*

The need for State Governments to provide themselves with properly staffed and equipped ground water organizations has already been stressed. The present situation in this regard is quite unsatisfactory and there are only a few States which can claim to have even paid attention to this matter. Rajasthan has the best ground water organization in the shape of a State Ground Water Board which is

equipped for drilling and blasting work as well as for geo-hydrological investigations and works under the administrative control of the Agricultural Production Commissioner. Among the remaining States, only Andhra Pradesh, Haryana, Gujarat, Maharashtra, Mysore, Orissa, Tamil Nadu and Uttar Pradesh have made a beginning with the setting up of ground water organizations, while the rest have yet to make a start. However, conditions vary widely from State to State even within those mentioned above and there is no uniformity of organizations. Thus, in Andhra Pradesh, geo-hydrological work has been placed in the Directorate of Agriculture while drilling has been entrusted to the Agro-Industries Corporation although certain departments, like Irrigation, Panchayats and Public Health, also continue to operate their own rigs. In Haryana, a ground water cell has been created in the Irrigation Department and not in the Agriculture Department. In Mysore, the drilling organization is in the Department of Agriculture while the geo-hydrological cell is in the Directorate of Mines in the Department of Industries. In Tamil Nadu, the geo-hydrological cell is in the Department of Irrigation.

As a result of our regional discussions, there emerged a consensus of opinion that the State ground water organizations should form part of the agricultural production set up and be directly under the Commissioner for Agricultural Production or where this post does not exist, under the Secretary (Agriculture). The reasons for this recommendation are too obvious to mention.

It is recommended that the State ground water organization should be headed by a senior officer who may be called Director (Ground Water) and be responsible for all aspects of development. This officer may be assisted by 3 or 4 officers of the rank of Additional, Joint or Deputy Director, depending upon the circumstances of the State. The first of these, who may be called Additional/Joint/Deputy Director (Engineering) should be a senior engineer responsible for all departmental drilling and blasting and for giving technical advice to the farmers on matters relating to the construction and design of wells and tubewells. If the State is situated in the alluvial belt and possesses State tubewells, it would be proper to place the construction and operation of such tubewells under the charge of this officer unless it is decided to set up a Tubewell Corporation on the lines of the Haryana experiment. The second principal officer, who may be called the Additional/Joint/Deputy Director (Geo-hydrology) should be a senior hydrologist who would be responsible for preparation of large scale hydrological maps, collection of data pertaining to ground water conditions and for investigations and assessments necessary for the recharge conditions of aquifers and, secondly, the control and regulation of pumping from them so as to avoid over-exploitation. The quantitative assessment of ground water resources is a rather complex process and has to be based on observations made over a number of years. These observations pertain to the territorial limits and depths of aquifers, the extent to which they are fed by percolation and other sources and the limit to which they can be exploited without causing depletion. Since all ground water was originally surface water, studies have to be made of rainfall, temperature and evaporation conditions as well as of the movement of water in streams, etc. We have so far made only a beginning with quantitative assessment by taking up two projects, one in Rajasthan and the other in Madras, both with assistance of the UNDP. While the final reports of both these projects have yet to come in, interim reports reveal that one of the areas surveyed in Rajasthan is, contrary to popular impression, being already over-exploited and that if the present rate of pumping is continued, stands in danger of not only falling water levels but also of saline infestation. In the meanwhile, reports have also been received from Mehsana in Gujarat and Coimbatore in Tamil Nadu of falling water levels as a result of over-exploitation.

It goes without saying that we must equip ourselves as soon as possible with the expertise necessary to carry out a large number of assessment studies in all parts of the country. This can be done either by sending our own officers abroad for training and/or by giving them on-the-job-training in existing projects as well as in any new projects which may be taken up either with or without foreign assistance. The Department of Agriculture is currently engaged in exploring all such possibilities.

Only after the capacity and recharge conditions of all the aquifers in a given area have been studied, is it possible to plan their optimum development in an integrated manner, and to decide which layers should be tapped and to what extent. Analog models and other scientific aids are of great use in arriving at such management decisions and are, in fact, being already used by the Oil and Natural Gas Commission (ONGC) in the development of oil fields. But management decisions, will require the backing of law before they can be implemented in certain cases, and no such backing is available at present. The whole question of a law to regulate and control the use of ground water in the best interests of the community is, however, being studied by an inter-departmental working group and a model Act is being drafted which is proposed to be circulated to all States for adoption. The implementation of such a law will require an enforcement machinery which again could be most appropriately located in State Ground Water Organizations.

SUGGESTIONS FOR IMPROVING THE SITUATION

(A) *At the Government of India Level*

It will be seen from the foregoing that not enough attention is being paid to ground water problems either at the Centre or in the States. In the Government of India, problems relating to the development of ground water figure in two Ministries. The Ministry of Petroleum & Chemicals and Mines & Metals (Department of Mines & Metals) comes into the picture as far as prospecting and the preparation of basic maps is concerned. This work, however, represents only about 8 per cent of the responsibilities of the Geological Survey of India and perhaps 1 per cent of the work load of the entire Ministry. The other Ministry concerned is the Ministry of Food, Agriculture, Community Development & Co-operation, in which the ETO is located. The ETO, however, claims only about 50 per cent of the time of one of the 15 or 16 Joint/Additional Secretaries of the Ministry which works out to about 3 per cent of the attention of the Ministry as a whole.

It is obvious that no great improvement in the existing situation can be expected so long as this state of affairs lasts. The first thing to be done would seem to be to locate all ground water work in one place so far as the Government of India is concerned and to ensure that the new unified organization has adequate authority and prestige. Such an organization can very appropriately take the form of a Commission on the analogy of the Oil and Natural Gas Commission and the Central Water & Power Commission (which deals with surface water). Surely, ground water is at least as important as oil and natural gas or surface water for the life and well-being of the community and there is no reason why it should not receive at least as much attention as these resources. The proposed Commission should deal with all matters connected with the search for water, its optimum development and its scientific management which require attention at the Central level and should take over the duties of the Ground Water Wing of the Geological Survey of India as well as of the ETO. It should be administratively linked to the Ministry of Food and Agriculture (Department of Agriculture) for the simple reason that agriculture is the greatest beneficiary of ground water and, therefore, most interested in its development.

preparation of ARC and other 'area' schemes. In hard rock areas, this officer would also be responsible for advising farmers with regard to the exact location of their wells after examining local geological conditions and the position of existing wells. The third principal officer may be designated Additional/Joint/Deputy Director (Area Development) and should be responsible for the preparation and processing of area schemes, for watching their implementation and for maintaining liaison with the State Electricity Board for timely energization. This officer could also appropriately be made responsible for follow-up action, after the scheme has been executed, in such matters as providing enough short-term credit, seed, fertilizers, etc., to farmers. (Since ARC area schemes require the appointment of Project Officers, this State level officer would for all purposes act as their chief.) A fourth officer would become necessary whenever the proposed ground, water legislation comes into force in a State. This officer, who may be designated as Additional/Joint/Deputy Director (Regulation) would be responsible for registering the rights of existing users of ground water, the licensing of new users and the imposition of such restrictions in pumping as may be necessary on technical considerations.

SOCIAL CHARACTERISTICS OF JAPANESE PREFECTURAL GOVERNORS

Paul S. Kim

THE gubernatorial elections in post-War Japan have attracted attention not only from the residents of the prefectures, but also from the nation at large and, for some time, from foreign countries as well. The primary reason for this widespread interest is that the prefectural governorship is a pivotal position in Japanese politics and attracts many candidates of national stature; also, many of the central issues are actually national problems.[1]

During the period of the Meiji Constitution (1888-1946), Japan was divided into forty-six political sub-divisions commonly known as prefectures. Local governments enjoyed virtually no autonomy, for they were controlled by the strong, centralized bureaucratic system of the national government. Until 1946, the prefectural governor was appointed by the Japanese Emperor on the recommendation of the Home Minister. As His Majesty's Servant and an official of the national government, the prefectural governor was responsible for executing national law and transmitting the wishes of the central government to the people of his own sub-division. Further, he had the authority to overrule the decisions of the prefectural legislature, and he could refuse to approve the candidacies of men who sought office in their own municipalities.[2]

[1] The author would like to express his gratitude to the Faculty Senate of Gannon College for providing him with the research grant which enabled him to travel to Japan and undertake the necessary research in the summer of 1968. He is deeply indebted to Professor Masamichi Ryoyama, former President of O-Cha-No-Mizu Women's College; Professor Kiyoaki Tsuji, Tokyo University, and Professor Atsushi Sato, Seikei University, for their invaluable assistance in collecting data and interviewing government officials during the preparation of the article. Further, he would like to express his thanks to Professor Albert Somit, Chairman of the Political Science Department, State University of New York at Buffalo, for his constant encouragement and guidance in research methods, and to Professor George Welch, Gannon College, for reading the manuscript and offering constructive criticism.

[2] Supreme Commander for the Allied Powers (SCAP), Government Section, *Political Reorientation of Japan, September, 1945 to September, 1948*; Washington, U. S. Government Printing Office, 1950, pp. 260-89. The following books in English offer a good introduction to the subject of Japanese local government: Harold S. Quigley and John E. Turner, *The New Japan,* Minneapolis, 1956; Ardath W. Burks, *The Government*

The American military government which controlled the Allied occupation of Japan in the immediate post-War period objected to the continuation of this system. Because the political objective of the American authorities was the democratization of Japan, the military government compelled the Japanese to adopt a system of decentralized local government which would be directly responsive to local desires and conditions. Chapter VIII of the new Constitution, together with the Local Autonomy Law (April 17, 1949), provided the legal basis for the present system of local government in Japan.

Local government in post-War Japan is organized into forty-six prefectures, including the capital prefecture, Tokyo-to; two urban prefectures, Kyoto-Fu and Osaka-Fu; the district of Hokkaido; and forty-two rural prefectures, known as *ken*.[3] The functions of the prefectural government are to enact and enforce local legislation, and to enforce certain national laws as the local agent of the central government. In the exercise of the latter function, prefectural authorities are supervised by the appropriate ministries of the national government, particularly those of Autonomy, Finance, Education, and Welfare.

According to the new system, the prefectural assembly has the power to enact "by-laws" in accordance with the Local Autonomy Law. The size of the prefectural legislative body is determined by law and varies from 40 to 120 members, depending upon the population of the prefecture; they are elected for four-year terms. The subjects within the scope of the prefectural government's legislative authority include the budget of the local government; the levying and collection of local taxes; and other matters falling under the jurisdiction of the prefectural assembly.

Under the new Constitution, prefectural governors are directly elected for terms of four years, subject to recall by the people or a vote of no-confidence by the assembly. When a no-confidence resolution is passed, the governor, like the Prime Minister in a parliamentary

of Japan, (2nd ed.), New York, 1964; and Theodore McNally, *Contemporary Government of Japan*, Boston, 1963. Among Japanese Texts, the following are useful: Isomura Eiichi and Hoshino Mitsuo, *Chihojichi Tokuhon* (A Reader in Local Self-Government), Tokyo, 1961; Ryoyama Masamichi, *Chiho Seido No Kaikaku* (The Reform of the Local Government System), Tokyo, 1953; and Tanaka Jiro, *Chiho Seido Kaikaku No Shomondai* (Various Issues of Reform of the Local Government System), Tokyo, 1955.

[3] Before World War II, there were 46 prefectures, including Okinawa Prefecture, but excluding the district of Hokkaido; after the War, Hokkaido became a prefecture, but Okinawa was excluded because it came under U. S. authority. The total number of prefectures thus remained unchanged.

system, must either resign or dissolve the Assembly. Like his American counterpart, the Japanese prefectural governor may veto a bill passed by the prefectural legislature, but the legislature may override his veto by a two-thirds majority vote.

When a prefectural governor acts as an agent of the national government, in accordance with the Local Autonomy Law, he is subject to the direction and supervision of the appropriate Cabinet Minister. If the governor refuses to enforce a national law, the Cabinet Minister can request a court order compelling him to fulfil this responsibility; moreover, in the event of his continued refusal to perform his duties as an agent of the national government, the Prime Minister can even remove him from office. Thus, the prefectural governor must serve two masters, the national government and the local Assembly.

The percentage of voter participation in the gubernatorial elections in Japan is considerably higher than in the United States, where the turnout seldom exceeds that in a presidential election. According to V. O. Key's study, *Percentage of Citizens* 21 *years of Age and over Voting in Ohio Gubernatorial Elections*, 1920-1954[4], there were only two instances out of 18 in which more than 70 per cent of those eligible to vote actually did so, and in most cases less than 60 per cent participated. Furthermore, the percentage of voter participation in Japanese gubernatorial elections exceeds the rate for Japanese national elections, (*see* Table 1, p. 174) despite the fact that most of the governors identify themselves as independent conservatives rather than as representatives of any national party.

Professor Atsushi Sato has attributed the higher rate of voter participation in the Japanese gubernatorial elections to a keener interest in prefectural politics, which may have a direct bearing on the political and economic interests of the voters, whereas the national elections may seem somewhat more removed from their immediate concern.[5]

Yet we must deal with certain significant questions pertaining to the prefectural governors themselves: "Who are they"? "What are their personal characteristics—age, education, profession, and individual

[4] V. O. Key, Jr., *Politics, Parties, and Pressure Groups* (5th ed.), New York, Rhomas Y. Crowell Company, 1964, p. 580.

[5] This hypothesis was advanced to the author in the summer of 1968 by Professor Atsushi Sato. *See* also his book, *Nihon No Jiiki Kaihatsu* (Japan's Regional Development), Tokyo, 1965.

attainment—which attracted people to support them?" "Was there any significant difference in the social characteristics of the governors holding office in 1960 and those of the governors serving in 1969?" and "What sort of person was the 'typical' prefectural governor in the post-War period in Japan?"

Table 1

PERCENTAGE OF VOTERS PARTICIPATING IN GUBERNATORIAL AND NATIONAL ELECTIONS IN JAPAN[6]

Year	*Gubernatorial Election (per cent)*	*National Election (per cent)*
1947	72	61
1950	—	72
1951	83	—
1953	—	63
1954	78	—
1955	—	62
1959	78	59
1962	—	68
1963	75	—
1965	—	67
1967	69	—

To answer these questions, I have compiled, from various sources, personal data concerning the 46 prefectural governors in 1960 and in 1969, and subjected these data to statistical analysis. The principal findings of the study are presented in the following sections of the article.[7]

[6] Japan Jichisho, *Jiho Senkyo Kekka Shirabe* (Results of Local Election), April, 1967, p. 10.

[7] The biographical material concerning the prefectural governors has been gathered from various sources. The names of the governors serving in 1960 and 1969 are taken from Okurasho, *Shokuinroku* (Roster of Government Employees), 1960 and 1969; *Asahi Nenkan* (Asahi Year Book), 1960 and 1969. The information concerning their age, sex, education, professional experience, family status, etc., was compiled from the following sources: Nihon Kankai Chohosha's *Nihon Kankai Meikan* (Who's Who in Japanese Government), 1960 and 1969; *Nihon Shinshi Roku* (Roster of Japanese Men), 1960 and 1969; *Jinji Koshin Roku* (Who's Who in Japan), 1959-1969; and *Asahi Nankan*, 1959-1969.

AGE, SEX, AND BIRTH-PLACE

In general, the prefectural governor in Japan is a man who has had approximately thirty years' experience in private and public life. In 1960, only three of the 46 governors were in their forties, while 19 were over sixty years of age; the average age was 57. The youngest, Governor Iwakami of Ibaragi Prefecture, was 46; the oldest, Governor Tanikuchi of Shiga Prefecture was 75.

This age pattern, however, had changed considerably, by 1969. Only one governor was in his forties, while nearly two-thirds were sixty or over; the average age of the governors had risen to 61. The range of the governors' ages was from 48 (Governor Nosaki of Shiga Prefecture) to 75 (Governor Kinoshita of Oita Prefecture). Governor Nagano of Hiroshima Prefecture was the youngest man ever to hold that title, taking office at 44; a few other men became governors at 45. On the whole, youth, with its progressive outlook and bold willingness to experiment, do not seem to be attracting the backing of Japanese voters; indeed, this has been a common complaint of the most outspoken critics of the Japanese government.

Table 2

AGE DISTRIBUTION OF JAPANESE PREFECTURAL GOVERNORS

Age Range	*1960*	*1969*
40-49	3 (6%)	1 (2%)
50-59	24 (52%)	16 (35%)
60 or over	19 (42%)	29 (63%)
Total:	46 (100%)	46 (100%)
Average age	57.4 years	61.4 years

Under the new Constitution, there is no restriction against the election of a woman as a prefectural governor. Moreover, because of the compulsory education system, all women receive elementary and secondary schooling, and many women in Japan have distinguished themselves through personal achievements. Nevertheless, no woman has been elected to a prefectural governorship since the establishment of the new Constitution, although some women have been elected to the national legislature. Apparently, the Japanese still consider the governorship a position appropriate for men, not women.

As in the United States, one's birth-place is quite important in matters of local politics in Japan. In 1960, 39 of the 46 governors were natives of the prefectures in which they were elected. All of the remaining seven governors, interestingly, had attended or graduated from either Tokyo Imperial University or Kyoto Imperial University, and at least two of them had passed the higher civil service examination even before they completed their university education. In addition, most of the seven had been born in nearby prefectures, and, therefore, they were closely bound to their constituents by local customs and language, as well as by strong common feelings about local needs and the national government.

By 1969, the ratio of 'native' governors to 'outsiders' was little changed; 38 of the 46 had been born in the prefectures in which they held office. As in 1960, the others either had resided for a long time in the prefecture or had rendered long service to the prefectural government. In either case, by the time of their election, they had achieved outstanding personal records and had come to be regarded as 'adopted sons' of their prefectures.

EDUCATION

The educational preparation of Japanese prefectural governors compares quite favourably with that of their constituents. In 1960, 40 of the governors had had college training; 37 of these had earned degrees from major universities and colleges, while the remaining three had passed the higher civil service examination as undergraduates and entered government service before obtaining degrees. As is indicated in Table 3 (p. 177), the percentage of governors who had attended institutions of higher learning was even greater in 1969 than in 1960. Forty-two, or 91 per cent, of the prefectural governors had received higher education, and some of these had earned advanced degrees, including Ph.D.

Governor Ninagawa of Kyoto Prefecture is perhaps one of the best educated governors in Japan. A graduate of Kyoto Imperial University with an economics major, he continued his studies in both the United States and Europe. After obtaining Ph.D. in Economics, he taught at Kyoto Imperial University until his election in 1950. He has numerous publications to his credit.

Table 3

EDUCATIONAL BACKGROUND OF JAPANESE PREFECTURAL GOVERNORS

Level of Education	*1960*	*1969*
Secondary school	4 (8%)	3 (7%)
College:		
Obtained degree	37 (82%)	41 (89%)
Attended	3 (6%)	1 (2%)
No data available	2 (4%)	1 (2%)
Total:	46 (100%)	46 (100%)

Despite the complexity of its language, Japan has been nearly free from illiteracy since about 1900. Compulsory education under a modern educational system was introduced in 1872, when the government established elementary and secondary schools throughout Japan.

In the early decades of the present century, many young men living in rural areas were quite astonished by the modern conveniences which science and technology had brought into their lives. They soon discovered that these conveniences were enjoyed only by their wealthy neighbours and high-ranking government officials who had received their education in metropolitan areas. Thus, they concluded that the best way to advance in life was not to till their farms, but to obtain education in the city. Moreover, by the time when they were about to graduate from secondary school, they had come to realize that graduates of the Imperial Universities, which had better faculty and educational facilities, could command higher salaries and greater prestige. Moreover, the registration fees required by these schools were modest in comparison with the expenses of a private university.

Of the 40 prefectural governors serving in 1960, who had attended institutions of higher learning, 29 went to Imperial Universities; 33 of the 42 college-educated governors holding office in 1969 had attended Imperial Universities. Only a small percentage of the governors in each year had attended public universities, which generally are operated by the prefectural governments, subject to the supervision of the Ministry of Education.

Table 4

CLASSIFICATION OF COLLEGES ATTENDED BY GOVERNORS

Type of Institution	*1960*	*1969*
Imperial University	29 (72.5%)	33 (78.6%)
Public University	3 (7.5%)	2 (4.8%)
Private University	5 (12.5%)	6 (14.3%)
Foreign University	none	1 (2.4)
Unknown	3 (7.5%)	nil
Total:	40 (100%)	42 (100%)

As the academic attainments of an American college student are often judged by whether he was elected to Phi Beta Kappa, those of a university student in pre-War Japan were apparently judged by the prestige of the educational institution he attended. Generally, the Imperial Universities enjoyed a better reputation than the private institutions, even though in some instances the latter had better teachers and better facilities. The Tokyo Imperial University was particularly prestigious, and its position in Japanese society was perhaps even greater than that of Oxford and Cambridge in England, or of Harward and Yale in the United States.

In the early years of the modern era in Japan, the functions of the Imperial University were two-fold: to offer instruction, and to carry on thorough investigation in the arts and sciences to meet the needs of the state. According to the Imperial University Ordinance, promulgated in March, 1886, the graduates of Tokyo Imperial University were eligible for appointment to the civil service without examination. This preferential treatment helped the University attract the best students in Japan, and since 1886 the upper ranks of the civil service have been virtually monopolized by the graduates of this institution.

In both 1960 and 1969, well over half of the college-educated governors were graduates of Tokyo Imperial University (*see* Table 5, p. 179). Kyoto Imperial University produced seven prefectural

governors among each of the groups studied, while Washeda University, one of the foremost private institutions, produced only two in 1960, and three in 1969 (*see* Table 5). Most of the governors who had attended universities majored in subjects other than Law; only 12 of those serving in 1960 majored in Law, whereas 19 of those holding office in 1969 had done so. Other principal areas of interest were Political Science, Economics, and Agriculture (*see* Table 6, p. 180).

Table 5

INSTITUTIONS OF HIGHER LEARNING ATTENDED BY GOVERNORS

Institution	*1960*	*1969*
Chuo University	2 (5.4%)	1 (2.4%)
Keijo Imperial University	1 (2.7%)	1 (2.4%)
Keio University	—	2 (4.8%)
Kyoto Imperial University	7 (18.9%)	7 (16.7%)
Rutgers University (U.S.)	—	1 (2.4%)
Tohoku Imperial University	—	1 (2.4%)
Tokyo Imperial University	21 (56.7%)	24 (57.1%)
Tokyo Koto Sanshi	1 (2.7%)	1 (2.4%)
Utsumiya Kono	1 (2.7%)	1 (2.4%)
Washeda University	2 (5.4%)	3 (7.2%)
Okayama Medical School	1 (2.7%)	—
Tokyo Jieiea Medical School	1 (2.7%)	—
Total:	37 (100%)	42 (100%)

EXPOSURE TO WESTERN CULTURAL INFLUENCE

Education in a Western country is hardly a prerequisite for the prefectural governorship in Japan. In fact, Governor Watari of Nigata Prefecture was the only one of the 46 serving in 1969 who had received a degree from a non-Japanese school (he graduated from

Rutgers University). Some others had studied briefly at universities and colleges in the United States and Europe, after they earned their degrees in Japan. Governor Ninagawa of Kyoto Prefecture studied in the United States and Europe after finishing his college education at Kyoto Imperial University. Governor Kinoshida, after receiving his law degree from Tokyo Imperial University, likewise studied abroad and was elected to the Diet before the end of World War II. It is interesting to note that Governor Hisamatsu of Aehime Prefecture, a member of the Imperial family, travelled widely and studied at London University after graduating from Tokyo Imperial University. Also, Governor Chida of Iwate Prefecture studied both at London and at Columbia University in the United States following his graduation from Washeda University in 1916 (*see* Table 7, p. 181).

Table 6

MAJOR SUBJECTS STUDIED BY GOVERNORS AT INSTITUTIONS OF HIGHER EDUCATION

Major Field of Study	*1960*	*1969*
Law	12 (32.4%)	19 (45.6%)
Political Science	7 (18.9%)	6 (14.4%)
Economics	4 (10.8%)	5 (12.0%)
Business Administration	1 (2.7%)	1 (2.4%)
Agriculture	3 (8.1%)	3 (7.2%)
Agricultural Economics	3 (8.1%)	2 (4.8%)
Medicine	3 (8.1%)	1 (2.4%)
Silk-Thread	1 (2.7%)	1 (2.4%)
Ethics	1 (2.7%)	1 (2.4%)
Civil Engineering	1 (2.7%)	—
No data available	1 (2.7%)	3 (7.2%)
Total:	37 (100%)	42 (100%)

Table 7

WESTERN INSTITUTIONS ATTENDED BY JAPANESE GOVERNORS

Type of Institution Attended	*1960*	*1969*
No Foreign Institution	42 (91.3%)	40 (87·0%)
European	1 (2.2%)	1 (2.2%)
European and American	3 (6.5%)	4 (8.7%)
American	none	1 (2.2%)
Total:	46 (100%)	46 (100%)

Moreover, the Japanese prefectural governors do not often travel to Western countries. Men serving in the hierarchy of the national civil service often have opportunities to take official trips for attending international meetings and conferences as delegates of Japan. While travelling abroad is perhaps less important for a prefectural governor as long as he understands the problems facing his own constituency, it is generally recognized that he too may learn from first-hand observation of foreigners' problems. Two governors among those serving in 1969 had extensive travel experience. Governor Takeuchi of Shizuoka Prefecture took official trips to Europe and the United States in 1957, to Communist China (where he conferred with Premier Chou En Lai) in 1959, and again to the United States in 1962. He made these journeys in his official capacity as a member of the House of Representatives, and later as Minister of Construction, before his election as Governor in 1967. Governor Uchiyana of Kanagawa prefecture was a career diplomat until he was appointed as an Imperial Prefectural Governor just before the start of World War II, and his career took him to nearly all the major Western countries, including the United States (*see* Table 8, p. 182).

PROFESSIONAL EXPERIENCE

The classification of the prefectural governors on the basis of their vocation is difficult, because many of them were involved in two or more principal activities before their election. Governor Kinoshida of Oita Prefecture, for instance, might be considered a lawyer, educator, legislator, or professional politician. He began his law practice in 1926, taught at Tokyo Dental College in 1927, won election to the House of Representatives in 1942, became Mayor of the city of Oita in 1945, was elected to the House of Representatives again (on the Japan Socialist Party ticket), and since 1955 has won four terms as prefectural governor. Governor Kimura of Fukushima Prefecture has had an even more varied career. He received a medical degree from Keio University in 1926 and started his medical practice four years later. He was elected to the Assembly of his Prefecture in 1939, and became a member of the Board of Education in 1947; after 1950 he was a member of the House of Councillors and then of the House of Representatives, then became Vice-Minister of Construction, and served as Floor Leader of the Liberal-Democratic party in the Diet. Although the following classification is somewhat arbitrary, it presents what appear to be the principal occupations of the governors (*see* Table 9, p. 183).

Table 8

TRIPS ABROAD BY JAPANESE PREFECTURAL GOVERNORS*

Areas Visited	*1960*	*1969*
United States only	2 (4.4%)	1 (2.2%)
U.S. and Europe	5 (10.9%)	1 (2.2%)
U.S., Europe, and Latin America	1 (2.2%)	2 (2.2%)
Eastern and Southeast Asia	1 (2.2%)	2 (4.4%)
Worldwide	1 (2.2%)	None
No data available	36 (78.3%)	41 (89.1%)
Total:	46 (100%)	46 (100%)

*These data do not include the experience of some governors as colonial administrators stationed in Korea, Formosa, Mongolia, China, and other Southeast Asian countries.

From these figures it is clear that the civil service affords an individual the greatest likelihood of election to a prefectural governorship, for in both 1960 and 1969 over 60 per cent of the governors

were ex-bureaucrats. This fact leads us to two important questions: first, "How did they enter the civil service", second, "In what areas did they render most of their service?"

Table 9

PRINCIPAL OCCUPATION OF PREFECTURAL GOVERNORS

Occupation	*1960*	*1969*
Civil Service	28 (60.9%)	30 (65.2%)
Law	1 (2.2%)	1 (2.2%)
Education	4 (8.7%)	5 (10.9%)
Business	5 (10.9%)	2 (4.4%)
Journalism	2 (4.4%)	2 (4.4%)
Politics	4 (8.9%)	5 (10.9%)
Medicine	1 (2.2%)	—
Farm Bureau Agent	1 (2.2%)	1 (2.2%)
Total:	46 (100%)	46 (100%)

In the pre-War period, prefectural governors were members of the higher civil service; this status was not only quite esteemed, but also difficult to achieve. Candidates for the upper category of the civil service were expected to pass a competitive examination, of which MacDonald and Esman wrote: "This examination is quite severe, as the 80 per cent mortality rate demonstrates. Those who survive are eligible for the main examination. Of the 3,000 candidates annually in the main examination, between 85 and 90 per cent are eliminated in the written section."[8]

MacDonald and Esman continue, "The small group of survivors is further subjected to oral tests in administrative law, Japanese history, and political economy. . . .Ninety per cent of those who pass the written examination survive the oral. From this successful group is

[8] H. H. MacDonald and M. J. Esman, "The Japanese Civil Service", *Public Personnel Review*, Vol. VII (1946), 220 *ff.*

drawn annually the elite of the Japanese civil service."[9] Thus, a certificate of passage of this examination became, in the pre-War period, a symbol of possession of a high degree of intelligence and knowledge, and a membership card for the administrative elite corps —the Imperial higher civil service.

Of the prefectural governors serving in 1960, 12 or 26.4 per cent, had passed the higher civil service examination. Interestingly, when they passed the examination they were between 20 and 29 years old (the average age was 24). Six of the successful candidates majored in Law, and two more studied Political Science. By 1969, the number of prefectural governors who had passed the higher civil service examination rose to 16, more than one-third of the total, and their average age at the time of the examination was only 22. Of the 16, however, 12 had majored in Law, while only four had concentrated their academic efforts in other areas. Moreover, it is specially interesting to note that most of the successful candidates in the examinations had come from the Imperial universities; indeed, well over half of them had graduated from Tokyo Imperial University (*see* Table 10, p. 185). Of those who did not pass (and perhaps never even attempted) the higher civil service examination, many had educational training in fields ranging from Law and Political Science to Civil Engineering. Many also, for whom we have no data concerning their passage or failure of the examination, had a variety of occupational experience. For example, Governor Kinoshida was a member of the Imperial Diet; Governor Iwakami was a lieutenant in the Imperial Navy until Japan was defeated; and Governor Takeuchi was a college instructor in Manchukuo (Manchuria) until 1945. Generally, we have no conclusive information regarding the passage or failure of those governors who were occupied in such fields as medicine, business, education, and journalism.

In Japan, there were and are two distinct branches of civil service in public administration, national and prefectural. In the pre-War period, however, the civil service structure was so monolithic that public servants at the prefectural level could easily be transferred to the national government, and *vice versa*. Yet, as is indicated in Table 11 (p. 185), those who had rendered long service to the prefectural government were elected to the governorship more frequently than those who had served the central government. We may conclude that those who gave long governmental service at the local level had two principal advantages over those who served only the central government. First, although the Professors of Law and Political Science at the colleges and universities undoubtedly gave their students excellent technical preparation

[9] *Ibid.*

Table 10

INSTITUTIONS ATTENDED BY PREFECTURAL GOVERNORS WHO PASSED THE HIGHER CIVIL SERVICE EXAMINATION

Institution	*1960*	*1969*
Keijo Imperial University	1 (8.3%)	1 (6.2%)
Kyoto Imperial University	1 (8.3%)	1 (6.2%)
Tokyo Imperial University	7 (58.3%)	11 (68.8%)
Tokyo Koto Sanshi	1 (8.3%)	1 (6.2%)
Unknown	2 (16.7%)	2 (12.5%)
Total:	12 (100.00%)	16 (100.00%)

in Law, too often the social and economic approaches to the problems of modern prefectural government were ignored or treated only lightly by all. Thus, the men who had served at the local level had come to appreciate more keenly the needs and demands of their prefectures, and to understand the solutions to their problems. Second, their long service to the prefectural government gave them better opportunities to establish their reputation among their prospective supporters, even though they were functioning as agents of the central government.

Table 11

CLASSIFICATION OF GOVERNMENT TO WHICH GOVERNORS RENDERED SERVICE DURING THEIR BUREAUCRATIC CAREERS

Classification of Government	*1960*	*1969*
National government	6 (21.4%)	6 (20.0%)
Prefectural government	14 (50.0%)	17 (56.7%)
National and prefectural governments	7 (25.0%)	7 (23.4%)
No data available	1 (3.6%)	—
Total:	28 (100%)	30 (100%)

FAMILY STATUS

In general, Japanese voters appear to be more attracted by a candidate who is a happily married man. As is revealed below, most of the 46 prefectural governors in both 1960 and 1969 were married, and all of those for whom data were available had children as well. Few had extremely large families; Governor Amano of Yamanashi Prefecture, who held office in 1960, had seven children, the largest number among either group of governors.

Table 12

MARITAL STATUS OF JAPANESE PREFECTURAL GOVERNORS

Marital Status	*1960*	*1969*
Married	44 (95.6%)	45 (97.8%)
Status unknown	2 (4.4%)	1 (2.2%)
Total:	46 (100%)	46 (100%)

Table 13

NUMBER OF CHILDREN OF PREFECTURAL GOVERNORS

Number of Children	*1960*	*1969*
1-2	12 (26.1%)	16 (34.8%)
3-4	19 (41.3%)	14 (30.4%)
5-6	3 (6.5%)	3 (6.5%)
7 or more	1 (2.2%)	None
Unknown	11 (23.9%)	13 (28.3%)
Total:	46 (100%)	46 (100%)

CONCLUSION

What, then, in post-War Japan the average prefectural governor is like? According to the findings of this study, he appears to be a mature man in his late fifties, happily married, with two to four children. He tends to be thought of by his constituents as a 'favourite son' of his prefecture, whether he was born there or not. In his youth he attended the prefectural schools, but he then went on to obtain a degree at one of the Imperial universities. After graduating, he entered the Imperial civil service, serving either the prefectural government or the central government. Generally, he has travelled only to a limited degree outside Japan, perhaps in connection with his bureaucratic duties or as a colonial administrator; principally he has visited nearby Asian countries. On his retirement from the civil service, the typical governor entered politics. If he had served for a long time in the prefecture, he sought the governorship directly; otherwise, he had to establish a political base in the prefecture by seeking election to an office of lesser importance. At any rate, he is highly respected by his people as a mature gentleman with great talent for dealing with the problems of his prefecture.

Is there any significant difference between the average prefectural governor in 1969 and his counterpart in 1960? Generally, they are quite similar; the governor in 1969 is some four years older than the average governor in 1960, but this change is neither drastic nor significant.

On the whole, we may conclude that the Japanese governors are well-educated men, highly competent in the administration of prefectural affairs, but relatively conservative because of their age.

PERFORMANCE BUDGETING IN INDIA
—A REVIEW OF THE DEVELOPMENTS, PRESENT STATUS AND PROSPECTS

S. S. Viswanathan

THE budgetary system in India, as in many other countries, has been designed and developed mainly to facilitate financial and legal accountability of the executive to the legislature, and within the executive, observance of similar accountability on the part of each subordinate agency. The main objective is to ensure that funds are raised and money is spent by the executive in accordance with and within the limits of legislative sanctions and authorizations. Accordingly, the budgets emphasize the financial aspects and do not inter-relate financial outlays with physical targets and achievements. During the past two decades, it was becoming increasingly clear that in the context of a planned economy and the growing size and complexity of governmental activities, there is a need to reorient our budgetary system to the new developmental responsibilities of management in ensuring fulfilment of Plan objectives. It was felt that the budget should help reveal what was proposed to be done in terms of the programmes and activities of Government and how effectively and economically they are realized. In other words, the budget should give a comprehensive picture of the total efforts of government in its functional fields, the economics of the programmes and activities, the results that flow from them and the relationship between inputs and outputs.

IMPORTANT DEVELOPMENTS

It was in the wake of such an awareness that there were occasional demands in India too for performance budgeting—a table given, first of all, by the Hoover Commission[1] of the U.S.A. in 1949.

In the Lok Sabha, a mention about performance budgeting was made for the first time in 1954 during the debates on the Finance

[1] The Commission on the organization of the Executive Branch of the Government (Chairman: Herbert Hoover), *Budgeting and Accounting*, Washington, 1949.

Ministry's control over expenditure. An important development took place later when the Estimates Committee of the Second Lok Sabha in its 20th Report[2] recommended that "performance budgeting should be the goal which should be reached gradually and by progressive stages . . . ". While noting the suggestions of the Committee, the government indicated[3] that the matter was under examination and that the feasibility of the use of the technique would depend on the outcome of the examination. The Committee had also recommended (paras 25-26 of their Report) that industrial undertakings should prepare performance-cum-programme Statements as also business type budgets. These suggestions were reiterated in the Committee's 60th Report.[4] The need for the preparation of performance-cum-programme statements by industrial undertakings was stressed again by the Committee in its 73rd Report[5] on Public sector undertakings. To this, the Government responded by issuing a circular, in June 1961, drawing the attention of the Union Ministries to the recommendations of the Committee and asking them to consider the issue of suitable instructions to the public enterprises. But there was no progress. However, continuing efforts were and are being made by the government in increasing the usefulness of the conventional budgets. Consequently, more data is now available in the Union and State Budgets. For example, the Explanatory Memorandum (parts I and II), Economic and Functional Classification, Notes on Important Projects and Schemes, Plan-Budget link, etc., presented by the Union Government now give valuable additional information.

Though more information is now available in the various budget documents, they do not fully serve to meet the needs of the present day situation. The object-cum-organization classification of expenditures in the budget does not enable identification of programmes and projects. It is not related to the cost-output aspects. The various documents do not also provide information on what Government is doing, how much it is doing, at what cost, and with what results. Though it may be possible to cull out such information from files and various reports, it cannot be directly linked with financial data appearing

[2] Twentieth Report of the Estimates Committee, 1957-58 (Second Lok Sabha) on *Budgetary Reforms*, New Delhi, Lok Sabha Secretariat, 1959, paras 21-22, p. 12.

[3] Ministry of Finance (Department of Economic Affairs), Government of India, O.M. No. 10 (35)B/58 dated 10-9-58.

[4] Sixtieth Report of the Estimates Committee, 1958-59 (Second Lok Sabha) on *Budgetary Reforms*, New Delhi, Lok Sabha Secretariat, 1959, Chapter IV, Items 11, 13 and 14, pp. 34, 35 and 37.

[5] Seventy-third Report of the Estimates Committee, 1959-60 (Second Lok Sabha) on *Preparation of Budget Estimates of Public Undertakings and Presentation of their Annual Reports and Accounts to Parliament*, New Delhi, Lok Sabha Secretariat, 1960, Chapter II, Paras 3 and 4, pp. 3 and 4.

in the budget. Performance budgeting seeks to remedy the defects by highlighting management considerations. It seeks to bring out the economic, financial and physical aspects of each programme and activity. The emphasis in performance budgeting is on the accomplishments rather than on the means of accomplishment, on the precise definition of work to be done or services to be rendered rather than on the money spent on several items. According to the Hoover Commission, "the all important thing in budgeting is the work or the service to be accomplished and what that work or service will cost". Performance budget, in essence, is a financial and work plan in terms of functions, programmes, activities and projects with their financial and physical aspects closely inter-woven in one document. This helps in the establishment of a meaningful relationship between inputs and outputs or costs and results.[6]

INTRODUCTION OF PERFORMANCE BUDGETING

In early 1965, a small unit in the Committee on Plan Projects (COPP), Planning Commission, undertook pioneering case studies with a view to considering the adaptability of the technique of performance budgeting under conditions obtaining in India. These efforts proved useful and the members of the unit were later taken as members of the Working Group on Performance Budgeting, set up by the Study Team on Financial Administration of the Administrative Reforms Commission. Based on the Reports of its Working Group and the Study Team on the subject, the Administrative Reforms Commission (ARC) recommended the introduction of performance budgeting. *The ARC Report on Finance, Accounts and Audit*[7] containing this major recommendation was an important event in the budgetary history of India.

It may be mentioned in this connection that the Working Group had suggested the introduction of the new technique in two or three developmental departments, to start with, and to consider its extension to other departments gradually in the light of experience gained. Thus, while the Working Group appreciated the need for performance budgeting and its early introduction, it had favoured a policy of gradual change, for obvious reasons. The Study Team had also endorsed this approach. But the Commission went further and recommended

[6] For a detailed discussion on the subject, please see Report of the Working Group on Performance Budgeting contained as 'Accompaniment B' in the *Report of the Administrative Reforms Commission's Study Team on Financial Administration*, New Delhi, Manager of Publications, Government of India, 1967.

[7] Administrative Reforms Commission *on Finance, Accounts and Audit*, New Delhi, Manager of Publications, Government of India, 1968. See also Annexure added to this article, p. 197.

that, starting with 1969-70 and ending with 1970-71 budget, performance budgets should be prepared for all developmental departments at the Centre and in the States. Dictated by practical considerations, the Government of India decided against any rigid time schedule, but agreed that performance budgets should be prepared in all developmental departments in a gradual manner.

It will be relevant, at this stage, to take stock of what the ARC had recommended, in what manner the recommendations were accepted, what action was initiated by the government, and what remains to be done. The annexure showing the recommendations of the ARC on performance budgeting, accounting and other related matters and the decisions of the Government of India, is given at p. 197. The statement may give an impression that the needful has either been done or is being done and that it is only a matter of couple of years before performance budgeting is introduced all over the country. From what is discussed below, one could see how far away we are from the goal and how much still needs to be done.

Only a Beginning

Even before the Government of India accepted the ARC's recommendations, a document styled as "Performance Budgets of Selected Organizations 1968-69" covering four Union Ministries/ Departments (16 organizations and Services in all) was prepared by the Ministry of Finance and presented to Parliament in April, 1968, a few weeks after the presentation of the annual budget. This was indeed laudable. The scheme was extended to five more Ministries/ Departments in 1969-70, and two more (seven organizations) were covered in 1970-71. Apart from the inadequacies of data regarding targets, norms and other relevant performance indicators which are inherent in first attempts of this kind, and of which the Government themselves are aware, the question is whether we can say that in the departments and organizations covered so far, performance budgeting has been really introduced. The answer is a definite no. We have only partially succeded in converting the existing Demands for Grants into the format of a performance budget with whatever data that could be had. This does not amount to installing the technique in any sense of the term. Of course, insofar as this helped in familiarizing the technique to a large number of persons both within and outside the concerned departments, it is a welcome and necessary first step. But what about further follow-up action? To what extent have the departments, whose performance budgets have been prepared, taken steps to improve them, make use of them for control, and initiate necessary measures for streamlining their financial and work procedures, evolving suitable work units and work-measurement techniques, or installation of a management oriented information system? It is here that we find the position not very encouraging.

FOLLOW-UP MEASURES

The Central Unit in the Ministry of Finance (Budget Division) which has the overall responsibility in this regard, had issued instructions and guidelines[8] to the Ministries, etc., for follow-up measures. Working Groups were required to be constituted in each Ministry to consider preparation and development of appropriate performance budgets, to arrange for the collection of needed data, to evolve suitable norms for performance appraisal, etc. Most of the Ministries have actually constituted such groups and they even had some deliberations. Welcome as these developments are, one cannot rest on one's oars until the whole department or organization right from the lowest field units is guided and equipped for the employment of this technique. Performance budget has to be built up from below and not imposed from above. This calls for massive efforts in training and orienting the various top, middle and lower level officials and improving the administrative and financial systems.

Need for Training

The ARC has recommended and the Government have accepted the need for a suitable training programme. So far, for the senior and middle level officers of the Union and State Governments, including public sector undertakings, the training or orientation in performance budgeting is being given at the Indian Institute of Public Administration (IIPA). For the Section Officers and Assistants of the Central Ministries/organizations, such training is being given by the Secretariat Training School of the Home Ministry. Eight courses on performance budgeting and five courses on budgeting and financial control (covering performance budgeting) have so far been conducted by the IIPA covering about 380 officers. The seven courses organized by the Secretariat Training School catered to the needs of about 200 government employees. Besides, one special course on performance budgeting for top financial management personnel of public sector

[8] Ministry of Finance (Department of Economic Affairs), Government of India, O.M. No. F1 (11)-B/68 dated 21-3-69, and O.M. No. F1 (3)-PBU/69 dated 28-10-69.

undertakings was also organized in February, 1970, by the IIPA. The coverage of training requires to be extended to many more officers and other employees at the Union and the State levels, including those in the public sector. Particularly, much remains to be done to orient the top executives, such as Secretaries, Joint Secretaries and heads of departments. Unless they are convinced of its utility, not much headway could be made towards the introduction of performance budgeting. The task is indeed stupendous. Efforts need to be intensified.

DEVELOPMENT AND INSTALLATION OF THE SYSTEM

Training of Trainers

Apart from the need for a continuing training programme on a larger and more comprehensive scale by institutions like the IIPA and the Secretariat Training School of Delhi, training courses in performance budgeting at the various training institutions in the country, run by the State Governments or otherwise, have also to be arranged to cover more persons in the States and local bodies. For this, a nucleus of trained persons should be developed at these centres as early as possible. Also, those who have already been oriented to this technique should share their experience and knowledge with others in their respective departments/organizations.

Active State Governments

Already, some of the State Governments and their training institutions have taken initiative in the matter. Special training courses were organized for the Andaman and Nicobar Islands Administration, and Nagaland and Rajasthan Governments by the IIPA. The faculty for some of these courses included an officer of the Union Finance Ministry concerned with performance budgeting. More States are thinking of similar courses. Some had brief orientation courses or special talks which, to some extent, helped in explaining the technique. A few States have also decided to make a modest beginning by introducing the new technique in a few departments. Punjab was the first State to present early in March, 1970, performance budgets for three of their departments for the year 1970-71. Tamil Nadu has also presented performance budgets of two departments for 1970-71. Uttar Pradesh is another State which has prepared performance budgets for three departments for 1970-71. Maharashtra is yet another State which has come out with performance budget for one department. These performance budgets are more or less on the pattern set by the Government of India and suffer from various deficiencies. With more States expected to follow, it is necessary to chalk out a planned training programme to cover the States effectively.

To supplement the efforts of the Ministry of Finance in the field of performance budgeting, a Study Group has been set up in the Financial Management Unit of the IIPA for helping the Union and State Governments and public-sector undertakings in the installation of performance budgeting. Government of India has fully supported this move. The Unit would consist of about 10 senior officers with the required skill and experience in areas of Government accounting and budgeting, public finance, economics, modern management techniques, such as PERT/CPM, cost accounting and so on. These officers are being drawn from the Union and State Governments as well as from Universities/Research Institutions. The idea is to have an inter-disciplinary team approach.

A Depth Study of the Central Public Works Department

The primary task of the Study Group in the IIPA is to take up select Union Ministries/departments and later department in the States for intensive studies of the organizations concerned and to guide their officers in the installation of the new technique in an effective manner. Some public-sector undertakings are also to be taken up in due course. To begin with, the Central Public Works Department (CPWD) has been taken up for a depth study of the administrative and financial management systems and procedures in vogue, delegation of powers and other related aspects with a view to considering their improvement or adaptation for performance budgeting. Since such a study has to be comprehensive and as performance budgets have to start from the roots, the lowest executive unit, *i.e.*, a Division in the CPWD, has been taken up and four representative divisions in Delhi are proposed to be covered. Work in this regard is in progress. The idea is to bring out model performance budgets, with the help of the concerned officers of the divisions to be studied, for the guidance of the other divisions in the Department. With necessary guidance, training, seminars and discussions, it is hoped that the Department will, in due course, be in a position to build up the necessary structure for performance budgeting and develop the necessary norms and cost-output data. A practical manual on performance budgeting for the Department is also to be drawn up after the studies in one circle are completed and the results discussed. A similar study is also proposed to be started

soon in respect of some projects of the Ministry of Irrigation and Power.

The main emphasis in the task taken up by the Study Group is to help the organizations in developing and installing an adequate performance budgeting system. Training and orientation courses are incidental to this important work of installation which needs to be stepped up.

A reference was made earlier to the setting up of working groups in the Union Ministries/Departments to prepare and pursue performance budgets. A number of departments have prepared performance budgets, though with inadequacies. They have to be actively helped in improving the quality of the documents, adjusting the financial management systems and evolving suitable work-load factors, norms and standards. The Central Unit in the Budget Division of the Ministry of Finance has been doing this job. Some of the Ministries have not shown any keenness to appreciate the utility of the technique and to make improvements in the performance budgets prepared. This is largely due to the lack of understanding, support and the necessary motivation at various levels. Vigorous and urgent efforts are needed to convince them of the advantages of performance budgeting as a valuable aid in management.

PROSPECTS

The Government of India have committed themselves to performance budgeting. It is, therefore, very necessary that adequate top-level support is provided in full measure. Without the active backing from the top, the results are bound to be disappointing. Parliament has been informed of the Government's acceptance of the recommendations of the ARC on performance budgeting and allied issues. The movement will get a fillip, if Parliament and its Committees evince keen interest in the implementation of the relevant recommendations. Perhaps, a seminar for a day or two for the benefit of interested parliamentarians and particularly the members of the Estimates Committee may help the cause of performance budgeting a good deal.

Some of the recommendations of the ARC on accounting and connected matters that have a vital bearing on the success of performance budgeting, have been referred to a Team of Officers. The Annexure (p. 197) indicates the items referred to the Team. One of their important tasks is to streamline the accounting heads to suit the needs of performance budgeting. The Team has made some progress and it has recently circulated some proposals on accounting reforms for the comments of Union Ministries and State Governments. The work involved is complex in nature. Unless it is completed early and rational heads of account evolved, performance budgeting cannot be sustained. The important question of adequately equipping the accounts and finance cells of the departments and organizations also remains to be properly solved.

The role of initiator, coordinator and trainer—rightly given to the Ministry of Finance—calls for a strong enough cell there to discharge these functions effectively. At present, the Central Unit in the Ministry has only one Deputy Secretary and one Research Officer. This seems to be hardly adequate for the job involved in coordinating the efforts of various organizations. Though in the last couple of years, the Unit has helped the Ministries in preparing performance budgets, it could contribute more, if it is adequately staffed.

It is gratifying to note that considerable interest has been shown by State Governments in the technique of performance budgeting. The interest needs to be stabilised and the utility of the technique demonstrated. The introduction of such a technique involving some fundamental changes in the procedures and systems has necessarily to be on a gradual basis, but there should be clear evidence of a determined and planned approach to reach the goal. The Ministry of Finance has to play a more positive role in the installation process both at the Union level and in the States. Greater emphasis should be laid on improving the quality of the performance budgets prepared rather than on additions to the list. It would be even desirable to halt the process of mechanical conversion of the existing budgets which does not serve much purpose. Intensive efforts are needed to make the performance budgets—already prepared— meaningful, useful and operational documents. For this, much needs to be done to improve the financial management practices prevailing now. In particular, the Departments need to be helped in developing a proper reporting system. Priority should be given to the preparation of performance budgets for capital projects with supporting planning and scheduling net-work (PERT/CPM). In the area of public-sector projects, there is urgent need for proper planning, programming, budgeting, reporting and appraisal to ensure their timely, efficient and economical implementation. Therefore, training for public-sector personnel should be conducted in a big way and the enterprises helped to develop appropriate performance budgets as early as possible.

Annexure

Statement Showing the Recommendations of the Administrative Reforms Commission on Performance Budgeting, Accounting and Allied Matters and the Decisions of the Government of India

Chapter II—The Budget

Recommendations

1. (1) The departments and organizations which are in direct charge of development programme should introduce Performance Budgeting. This should be done both at the Centre and in the States.

(2) The performance budget documents should be prepared in the following manner. A programme and activity classification should be made for each department or organization selected for the purpose of performance budgeting. Besides presenting the financial needs of these 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 work-load 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.

Action Taken

Government accept these recommendations. Performance budgets in respect of four Ministries and some organizations under them for the year 1968-69, in the manner recommended, were prepared and presented to Parliament in April, 1968. It is proposed to extend the scheme to as many organizations and Ministries as possible for the year 1969-70.

Recommendation

1. (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.

Action Taken

Government accept the recommendation subject to the modification that an officer of the Audit Department need not be associated with the team, but where necessary the Audit Department will be consulted in evolving the programme/activity classification.

Recommendation

1. (4) In the Departments and organizations 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.

Action Taken

Government accept this recommendation and the implementation has begun under the revised system of financial control.

Recommendation

1. (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.

Action Taken

Government accept this recommendation and have already started implementing it.

Recommendation

1. (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.

Action Taken

Government accept the recommendation.

Recommendations

1. (7) In as many as possible of the departments and organizations 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.

Action Taken

In view of the problems involved in the introduction of this technique, Government consider that the scheme will have to be introduced in a gradual manner.

As regards preparation of performance budgets at the state level, it is primarily a matter for the State Governments to consider, but any assistance the States may require will be made available to them in this regard.

A copy of the performance budget document already prepared has been forwarded to the State Governments who are also being addressed in this matter.

Recommendations

2. (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 the departments and organizations where performance budgeting is sought to be introduced should be clearly identified and the minor heads connected with these programmes suitably recast so as to reflect these activities.

(3) Representatives of the Comptroller & Auditor General, 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).

Action Taken

A Team of officers consisting of the Deputy Comptroller & Auditor General, the Joint Secretary (Budget) of the Finance Ministry and a representative of the Planning Commission is being set up to undertake a review of the Heads of Accounts and the Heads of Development adopted for Plan purposes. An officer of comparable level of the concerned Administrative Ministry will be co-opted wherever necessary.

Recommendation

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.

Action Taken

Government accept the recommendation. The Plan Schedule in respect of each Demand for Grants presented to Parliament is being amplified in order to show the Heads of Development linking them with the Heads of Accounts.

Recommendations

12. (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 organize well-equipped internal Finance Branches. For this purpose, it will be necessary to : (*i*) ensure proper training of the junior officers, (*ii*) to provide suitable opportunities for officers in the middle levels to acquire varied experience and knowledge of public administration.

Action Taken

Government accept these recommendations. The orders already issued by Government regarding financial control provide for the strengthening of the Finance and Accounts Branches of the Ministries.

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Recommendation

16. 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 measure:

(*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 break-down for smaller schemes involving an expenditure of say, less than Rs. 5 lakhs may not be provided in the budget papers.

Action Taken

This recommendation is closely allied to recommendation No. 2 relating to the revision of the Heads of Accounts and the Heads of Development and will be entrusted to the Team of Officers being set up to review the Heads of Accounts.

Recommendations

18. (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 organization for internal audit as well as the employment of modern

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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.

Action Taken

Government accept these recommendations. It is proposed to refer the practical aspects of these recommendations to the Team of Officers referred to earlier.

UNION-STATE FINANCIAL RELATIONS

J. Shivakumar

THE financial basis of the relationship between the Union and the States has been the subject-matter of a serious debate during recent years, particularly after the emergence of several non-Congress State Governments in 1967. This is hardly surprising, when we recognize that most of the problems which the States encounter can be ultimately traced to inherent deficiencies in the constitutional provisions which regulate the financial relationship between the Union and the States. For instance, it has been clearly established that the overdrafts problem and the mounting indebtedness of States are typical consequences of such an unsatisfactory arrangement. But it cannot be said that the States alone have suffered in the process. The Union too has borne its share of the problems that have been posed. One of the major weaknesses in our Plans has been our failure to siphon off an adequate share of the additional incomes generated in the agricultural sector for investment in Plan schemes—a lapse for which the States are almost entirely to blame. Likewise, the absence of an arrangement which recognizes and gives credit to States which have prudently managed their affairs has encouraged irresponsibility among the States in the form of wasteful and avoidable expenditure, which, in due course, is invariably loaded on to the nation's tax-payer through the mechanism of the Finance Commission. Even in regard to investments, returns —both in the economic as well as financial senses—have often been ignored while taking decisions, since mere availability of resources for a particular activity is often the sole basis on which the path of an activity is guided. Again, the absence of a critical and searching review of the needs of the Union, while assessing the competing needs of the States, has given rise to a virtually uncontrolled growth of bureaucracy at the Centre. All these drawbacks and failings are but symptoms and inevitable consequences of the basic deficiencies in the pattern of Union-State financial relations enshrined in our Constitution.

CONSTITUTIONAL PROVISIONS

We shall now refer to some of the detailed provisions of the Constitution. Articles 268 and 281 of the Constitution deal with distribution of revenues between the Union and the States. In the Seventh Schedule, Items 82 to 92(a) in the Union List, and Items 45 to 63 in the State List refer to the sources of taxation. The taxes included in the Union List can be broadly classified as follows : (*i*) *Taxes which wholly accrue to Union Government and no portion of which is assigned to State* : Under this head, duties of customs, including export duties, corporation taxes and taxes on the capital value of assets, exclusive of agricultural lands of individuals and companies, have been included; (*ii*) *Taxes which are levied and collected by the Union and which are compulsorily shared between Union and the States*: Under this head, tax on income other than agricultural income finds a place; (*iii*) *Taxes which are levied and collected by the Union but may be shared between the Union and the States* : Duties of excise on tobacco and other goods manufactured in India, except alcoholic liquors and narcotic drugs, come under this category; (*iv*) *Taxes which are levied and collected by the Government of India but which are wholly assigned to the States* : Article 269 lists seven taxes which come under this category. These are estate and succession duties in respect of properties other than agricultural land, terminal tax, tax on railway fares and freights, tax other than stamp duties on transactions in stock exchanges and future markets, tax on sale or purchase of newspapers and on advertisements published therein and tax on sale or purchase of goods other than newspapers where such sale or purchase takes place in the course of inter-State trade or commerce; and (*v*) *Taxes which are levied by the Union but collected and appropriated by the States* : Stamp duties and duties of excise on medicinal and toilet preparations are included under this category.

With respect to all items included in the State List, the State has the sole jurisdiction to levy tax and the proceeds can be wholly utilized by the States. The most important items are land revenue, duties of excise on alcoholic liquors and narcotic drugs, general sales tax and sales tax on motor spirit, stamps and registration, entertainment taxes, electricity duties, tax on motor vehicles, tax on agricultural income, and estate duty on agricultural land. Apart from this, the States' powers also extend to taxes on lands and buildings; taxes on entry of goods into local area of consumption, use or sale therein; tolls; taxes, on animals and boats; and taxes on professions, trades, callings, and employment. In practice, however, most of these items have been exploited by the local bodies in the States rather than the State Governments themselves.

The framers of the Constitution recognized that the pattern of sharing of taxes envisaged by them would not be adequate to cater

to all the needs of the States. Article 275(1) of the Constitution, therefore, provides for Parliament to determine by law the grants to be paid to such States as may be in need of assistance. While the first proviso of this Article enables the Government of India to make grants for promoting welfare of scheduled tribes, etc., the second clause is important which states that until Parliament provides grants by law, the power of making grants shall be exercisable by the President by order and the President shall make such an order only after considering the recommendations of the Finance Commission. The Parliament has so far not made any law under Article 275(1) but convention has it that the Finance Commission makes specific recommendations regarding the grants to be paid to the States and these are invariably accepted by the Union and approved by Parliament. Apart from the statutory grants visualized under this Article, the Constitution, under Article 282, empowers the Union or the State to make grants for any public purpose even though the purpose may not be within the legislative jurisdiction of Parliament or State Legislature. This grant has been brought under "Miscellaneous financial provisions"; but in practice, this Article has been mostly used for making plan grants to the States. A more detailed analysis of the operation of these Articles will be attempted later.

The constitutional provisions regarding revenue resources have so far been touched upon. Turning now to borrowings, while Article 292 empowers the Union to borrow within the territory of India upon the security of its Consolidated Fund within such limits, if any, as may, from time to time, be fixed by Parliament and confers the power to extend guarantees within limits. Articles 293(1) confers similar powers on the States, subject to the limits set by the State Legislatures, if any. Clause (2) of Article 293 enables the Government of India to give guarantees in respect of any loans raised by the State, once again subject to limits laid down by Parliament, if any. Article 293(3) sets a further limitation on the borrowing powers of the States inasmuch as it prescribes that no State can borrow without the consent of the Union so long as it has debt obligations towards the Centre to discharge, while Article 293(4) clothes the Union with powers to impose conditions while according consent under Article 293(3). Borrowing from outside the country is an exclusive privilege of the Union Government and so also deficit financing since these items figure in the Union List. The Union also has a commanding position in respect of the resources available with the banking system since banking figures in the Union List. From the foregoing it is clear that the most important feature of the Indian Constitution is the pronounced bias it has towards the Union. This is evident from the size and content of the Union List, the supremacy which the Union enjoys in matters included in the Concurrent List and the wide residuary and emergency powers conferred on the Union.

FINANCE COMMISSIONS

Article 280 of the Constitution lays down that, by order, the President shall, within two years from the commencement of the Constitution and thereafter at the expiration of five years or at such earlier time as the President considers it necessary, constitute a Finance Commission. It shall be the duty of the Commission to make recommendations to the President as to:

(*a*) the distribution between the Union and the States of the net proceeds of taxes which are to be or may be divided between them and the allocation between the States of the respective shares of such proceeds;

(*b*) the principles which should govern grants-in-aid of the revenues of the States out of the Consolidated Fund of India; and

(*c*) any other matter referred to the Commission by the President in the interest of sound finance.

The succeeding Article lays down that the President shall cause every recommendation made by the Finance Commission under the provisions of the Constitution, together with an explanatory memorandum as to the action taken thereon, to be laid before each of the Houses of Parliament. It is evident that the makers of the Constitution recognized that any pattern of sharing of resources between the Centre and the States would have to be flexible enough to meet the needs of changing times. It is with this view that provisions regarding the setting up of an unbiased and high-powered body to decide over the competing and conflicting claims of the Union, the States and the States *inter se* were framed. Whether the Constitution could be made even more sensitive and responsive to the changing circumstances through appropriate amendments to its substantive provisions at convenient intervals is a matter on which various views are possible. It was the view of the Sarkar Committee, which went into the financial provisions of the Constitution, that the Finance Commission should take upon itself the role of suggesting changes in the constitutional provisions. It is, however, unfortunate that all the five Commissions which have so far been set up have been precluded from taking on this rather important study, since this has been kept outside their terms of reference. In theory, the Finance Commissions have considerable powers to carry out radical changes in the apportionment of revenue resources between the States and the Centre. But by their very composition, Finance Commissions have tended to lean more heavily on a conservative approach rather than on innovations and the reports of the five Commissions have shown that these Commissions are averse to proposing any large-scale changes in federal fiscal arrangements. The short intervals between two successive Finance Commissions has in effect tended to make their recommendations transitory rather than lasting. While this gives a much-needed measure of flexibility, it also results in the main issues being evaded. The weaknesses of the financial provisions of the Constitution, and suggestions regarding how they can be remedied have been left to individuals to point out and, no matter how outstanding they may be, their views would hardly command the same amount of authority which any recommendations made by a Presidential Commission would carry. The Tamil Nadu Government has recently set up a three-man Committee headed by Dr. P. V. Rajamannar to study this position and the final outcome of such study can, at this stage, be only eagerly awaited.

While the Constitution makes it obligatory for the Finance Commissions to give specific recommendations regarding the taxes which are to be or may be distributed among the Union and the States and also regarding the grants-in-aid payable to the States, the freedom of the Finance Commissions in arriving at such recommendations has, in practice, been considerably fettered by the terms of reference prescribed for them. The terms of reference are unilaterally drafted by the Union Finance Ministry and it is common knowledge that there is no institutional arrangement by which the President makes an independent appraisal of the suggested terms of reference. An arrangement by which the States are consulted beforehand would be a step in the right direction but so far this has not been attempted. The result is that the Finance Commission is considerably crippled while making recommendations within the narrow limits prescribed for its activities. For instance, the Commissions are compelled to take into account certain factors which they may have, on their own volition, chosen to ignore. As an illustration, the terms of reference of the Fifth Finance Commission make it obligatory for the Commission to reckon the levels of taxation reached by a State in the year 1968-69. If, in the judgment of the Finance Commission, certain measures of additional taxation deserve to be left out of account while computing the gap of a State and resources made available to the State for financing the Plan, the Commission is powerless to do so in view of the specific directions in its terms of reference. Likewise, if the Finance Commission feels that its purpose could be better served if it made as searching a study of the finances of the Central Government as it does of the States, it is not encouraged to do so, as this has been left out of its terms of reference. Therefore, when criticism is levelled against the Finance Commission that it has failed to rise up to the expectations of the Constitution-makers, the blame cannot be wholly laid at the door of the Finance Commission. The responsibility will have to be shared by the Union Finance Ministry which has so far been quite adept at defining the terms of reference of the successive Commissions with its own interest foremost in mind.

The job of the Finance Commission is a thankless one and involves translating the competing claims of various States and the Union on the available resources into a basis for distribution of Central taxes, and the determination of the quantum of special statutory grants to be paid to States. The procedure followed by the Commission so far has been to take, as the starting point, figures of receipts and expenditure of the various States based on existing levels of taxation and commitments, and then project these for the quinquennium under review. This enables the likely gaps on the non-Plan account to be computed. Simultaneously, the pattern of sharing of Central taxes to be distributed among the States is finalized. The amount accruing to each State, as its share, is taken into account and the residuary gap is then estimated and is generally made good through grants under Article 275(1) of the Constitution. While carrying out these exercises, the first Finance Commission recognized the inherent defects in such a procedure and advocated prescription of certain uniform standards, such as level of services extended, tax effort, degrees of economy in expenditure and weightage for the peculiar problems of certain States. But though conversion to a common standard appears perfectly logical and reasonable, it did not lend itself to efficient implementation due to inadequacy and more often unreliability of statistical data. The hard choice before a Finance Commission is really between adoption of sound principles for the allocation of resources between the States and the Centre which do not lend themselves to equitable and uniform application when quantification is attempted and the adoption of distinctly less scientific and acceptable principles which nevertheless have the advantage of being amenable to precise and unquestioned transformation into reliable figures. The Finance Commission has to satisfy the States for whom justice should appear to have been done. The result has been that the States, however dissatisfied they may be with the awards, have been unable to substantiate any specific charges of unfairness on the part of the Finance Commissions, and have to rest content with loud outbursts against the

"raw deal" meted out to them, being unable to substantiate in more detail where and how they have lost. After all, the arithmetic of the Finance Commission is unassailable. The States are, however, left with a genuine grievance that the federal principles have not really been transformed into reality by the successive Finance Commissions.

So long as the computation of arithmetical deficits forms the basis for the Finance Commission awards, there is a factor which is more important than perhaps any other single factor, determines the response which a State Government receives from the Finance Commission. This factor has so far not been given the prominence it merits. It is the skill with which a State Government prepares its forecast and presents its case to the Finance Commission. Calculated steps are taken to see that taxes are not energetically collected in the base year so as to depress the base for projections for future years. All arrear payments and non-recurring payments relating even to future years are hastily settled to boost up figures of expenditure. Items hitherto classified under capital are dextrously transferred to the revenue heads. The committed component of Plan expenditure is very carefully manipulated, the State generously giving itself the benefit of doubt at every point. The base year figures are further tailored to the advantage of the State on dubious grounds, like elimination of non-recurring items under receipts, and the loading of additional commitments on the expenditure side. Serious arguments are raised in justification of patently unrealistic growth rates. The taxes suddenly cease to show buoyancy, but expenditure commitments merrily mount. There are hundreds of heads in any Finance Commission's forecast statement and if only the procedures indicated above are adopted with meticulous care, it is possible to boost up a State Government's deficit on non-Plan account to an almost absurd extent. These are the skills which a State Government has to possess if they are to secure what they consider to be a fair share of the national kitty. No doubt, the Finance Commissions are also adept at this but this results in few realistic forecasts, which uninitiated States submit, being drastically slashed. Even a cursory study of the forecasts submitted by State Governments, and the actuals of the concerned years, clearly establishes the unreliable nature of the forecasts prepared. This is one of the strong arguments against the present procedures of carrying out arithmetical projections of the needs of the States.

Another major drawback in the functioning of the Finance Commissions lies in the manner in which additional taxation is reckoned for the purpose of computing the non-Plan gap. We have already mentioned that on account of its terms of reference, Finance Commissions are compelled to take into account all additional taxation measures during the quinquennium preceding the period covered by the report. This may not have large impact on the States which are surplus but on the States which are eligible for deficit grants, this has an adverse impact. There is no incentive at all for such a State to tax because if it refrains from imposing taxes, it could pass on its burdens in due course to the national tax-payers, rather than impose levies on its own tax-payer. A possible solution for this problem is to permit States to retain, for financing their Plans, receipts from additional taxation measures enforced by them for atleast a period of ten years. Unless this is done, one cannot blame the States for their reluctance to levy taxes. The States have several formidable hurdles to cross when they decide to tax, and if the benefit of such taxation is not enjoyed by the State for an appreciable period, it is not surprising that even the permanent civil service in such States should dissuade their political masters from embarking on taxation measures.

On the expenditure side too, a major defect in the procedure followed by the Finance Commissions is that of reckoning all commitments taken on up to a certain prescribed date. Shri Bhabatosh Dutta, Member of the Fourth Finance Commission drew pointed attention to the unedifying spectacle of States racing against time to issue orders entailing large commitments. In this case, it is not the terms of reference which prevent the Finance Commissions from taking a realistic view, but the hope that atleast the Fifth Finance Commission would deviate from its predecessor in this regard has been belied. To cite an example, it has now become the fashion for the State Governments to announce Pay Commissions in advance of a Finance Commission so that the entire commitment arising therefrom could be met from the national pool of resources. If only Finance Commissions adopt certain standards in cases like this and provide for a measure of pay revision for States which have not taken such steps, it is quite possible that pay revisions could be postponed by a few years and in the process, larger resources released for development. However, the Fifth Finance Commission has, in para 6-13 of its report, taken cognizance of only pay revisions already implemented. As a result, States which have prudently deferred pay revision have been penalized. Likewise, a uniform policy regarding returns from public-sector undertakings too would help in better financial management by the States. For example, so far as Electricity Boards are concerned, no uniform principles have been followed. Some of the Finance Commissions have underwritten financial losses by these Boards; others have not. Again, financial losses by thesmselves are not sometimes relevant. For example, there may be an electricity system which has a very low capital base on

account of its stations being set up many years ago. There may be another which, on account of predominance of the thermal component, has to run at a loss since it cannot jockey up its rates in view of competition from a neighbouring predominantly hydel State. In such cases, it would not be proper to merely underwrite the loss or to expect the State to make up the loss. A comprehensive and searching review of the tariff structure should be made. It is heartening to find that the Fifth Finance Commission has made an attempt in this direction and has recognized the inherent impossibility of Rajasthan and Assam raising their tariffs further, even though they are unable to earn full interest. But the Finance Commissions can go still further. For example, if we consider the case of Tamil Nadu and Mysore, even if the Mysore Electricity Board is able to break even, a Finance Commission having regard to the higher tariffs in Tamil Nadu and Andhra, could take credit for further increase of tariffs or the levy of consumption tax at least to a small extent in Mysore. Such a step would eliminate unhealthy competition between States in the matter of attracting new industries and would also subserve the national objective of strengthening the resources base of the country as a whole.

Another area where the Finance Commissions have so far been singularly ineffective is in its role in reducing disparities in development among the regions of the country. There is a close nexus between the Governmental investments which have flowed into a region and the advancement attained both agriculturally and industrially. It is common knowledge that even in regions where natural obstacles are formidable or where natural resources are scarce, significant development has taken place on account of well-planned investments. On the other hand, several richly endowed regions have not progressed at all due to lack of wise investment policies. The problem of agricultural backwardness will have to be tackled only through measures for incremental development implemented through the Five Year Plans. Industrial backwardness has to be tackled in two stages; the first, through creation of suitable infrastructure in the form of power facilities, roads, educational facilities, hospitals, etc.; the second stage will entail larger investments in industry itself in these areas. Both these stages will have to be implemented only through the Plan. The Finance Commissions' terms of reference and perhaps also a rigid interpretation of grants which they are empowered to make under Article 275(1) of the Constitution forbid them from going into the capital needs of the various States. The only role which the Finance Commissions have in regard to investment programmes is in providing revenue resources for meeting interest charges and amortization. It will, therefore, be pointless in the present circumstances for a Finance

Commission to take upon itself the task of eliminating regional disparities. It should instead concentrate on the absolute needs of the States with reference to the levels already reached and leave it to the mechanism of the Plans to eliminate regional disparities. While the Finance Commissions should ensure that advanced States are not prejudiced, there is need at the same time to ensure that they are not unduly benefited by taking into account interest charges and amortization in full while working out the necessary devolution. Some Commissions have been guilty of this. Interest charges arise on account of borrowings which are primarily used for investments through the Plan. On one hand, it can be argued that inasmuch as cash inflow on account of these investments are taken into account by the Finance Commission while working out the deficit, it is but logical and proper that interest and amortization charges too should be reckoned as a legitimate item of expenditure. On the other hand, however, there is more substance in the veiw that the incidence of debt servicing on account of borrowings which enable larger investments should really be met by additional burdens on the tax-payers who directly derive benefit from such investments rather than the national tax-payers. It is perhaps time that the Finance Commissions devise a system by which part of the burden of debt servicing is compulsorily met during the quinquennium covered by the Finance Commission by additional resources to be raised by the State which has benefited. If only this is done, there will be less demands on the national pool of resources from advanced States and this would automatically make available more resources with the Centre for investment in the backward States, not through devolution by the Finance Commission but as part of the Plan.

The scheme of devolution recommended by the successive Finance Commissions have generally resulted in large surpluses for certain States. These surpluses have been growing with time and according to the estimates of the Fifth Finance Commission, the surplus for seven States during the quinquennium 1969-74 is likely to be of the order of Rs. 1,270 crores as against the total surplus of Rs. 373 crores estimated by the Fourth Finance Commission for the quinquennium 1966-71. The Finance Commission has no doubt made recommendations that these surpluses should be taken into account while finalizing the Plan; but the Union has not been able to take the stand that, to the extent these surpluses have accrued, there should be reduction in the central assistance for the surplus States, even though this is a perfectly logical position. After all, these surpluses are unintended benefits for these States and will have to be regarded as a flow of resources from the Centre to the States over and above the legitimate needs of these States. Examined from another angle, had only the

base of devolution been lowered and larger recourse taken to Article 275(1) of the Constitution, this surplus could well have been eliminated and, in fact, replaced by *ad hoc* grants for all States except perhaps Maharashtra and Punjab—the non-Plan account of these States were covered even without taking into consideration their share of central taxes. Such a decision would automatically have increased the central assistance for all the States over a thousand crores of rupees. This would have enabled the backward States to have more viable Plans. Such a step alone would make for a measure of uniformity in the levels of development of the various regions in the country.

THE PLANNING COMMISSION

The role of the Planning Commission *vis-a-vis* Finance Commission has come in for considerable criticism during the past decade or so. Strong views have been expressed regarding the encroachments made by the Planning Commission, which is an extra constitutional and non-statutory body, into fields which some regard as sole preserve of the Finance Commission. There is no dearth of opinion on the conversion of the Finance Commission into a permanent body, or on whether the Planning Commission should be periodically converted into a Finance Commission. Another is that the Planning Commission should be accorded a formal statutory status and its field clearly demarcated. Most of the arguments raised in this connection are legalistic and theoretical. The nation would be well-served if an arrangement could be devised whereby the Finance Commissions provide adequately for the absolute needs of the States on the revenue account while the Planning Commission makes objective assessments of the Plan revenue and capital needs, and provides the framework and funds for incremental development in the States. The Planning Commission, as it is presently placed, cannot function with the same objectivity as the Finance Commission. There has, so far, been no instrument through which the competing claims of the Union and the States on the capital resources available at the national level can be settled. The Finance Commission's role could have covered this, but the official interpretation so far has been that Article 275(1) of the Constitution refers only to revenue resources. The terms of reference of the Finance Commission have, from time to time, restricted the scope of enquiry of the Finance Commission to recommendations regarding the quantum of revenue devolution. No doubt, certain subjects like indebtedness of the States and the overdrafts problem have been referred to the Finance Commission "in the interests of sound finance", but the Commissions have not so far been asked to make specific suggestions for the apportionment capital of resources available in the country between the Centre and the States. The Finance Commissions' field, therefore, has been confined to the revenue account of the States. Generally, the revenue component of the Plan does not exceed about 30 per cent of the total annual outlay and, therefore, the Finance Commissions have little positive impact on the Plan. Since the Finance Commissions have been merely balancing the non-Plan account, except in the case of surplus States, the entire revenue component of the Plan has had to be covered through additional taxation by the States as also discretionary grants from the Centre as assistance for the Plan. The question arises as to whether a more meaningful role should be assigned to the Finance Commission. In answer, it has to be pointed out that there is a basic difference in the approach that would have to be adopted between a body providing for absolute needs at existing levels, and incremental needs on a planned basis. This basic conflict in approach will severely cripple the functioning of any body to which both these roles are assigned. It seems desirable that the role of the planning which requires a totally different approach should be assigned to a body other than the Finance Commission.

The next issue which has to be examined is the selection of a suitable organization to take on the role of planning for the nation. The criticism levelled against the Planning Commission regarding its impartiality as well as its status cannot be brushed aside. Planning finds a place in the Concurrent List of the Constitution and is, therefore, a joint responsibility of the Centre and the States. In practice, however, on account of the political set-up in the States till 1967, planning in the country had become almost the exclusive privilege and responsibility of the Central Government; the result has been the development of the Planning Commission as a limb of the Government of India. Placed as it is, it enjoys little freedom of action and, therefore, plans for the States only on a residuary basis. It has no powers to make an independent and final assessment of the resources at the command of the Centre. It has an insignificant role in determining and controlling the levels of non-Plan spendings of the Government of India, particularly in regard to defence expenditure. The role assigned to it has degenerated into one of distributing central assistance arrived at on residuary basis among the competing States and simultaneously determining the size of the State Plans, entirely on an arithmetical exercise of the resources available. If planning is to be really effective and if accepted priorities are to be enforced, there should be a planning organization whose writ runs through not only the State Governments but also the Central Government. The manner in which this can be achieved is by according a statutory or constitutional status to the

Planning Commission and taking it outside the control of the Government of India. In this connection, it may be mentioned that Article 263 of the Constitution visualizes the setting up of an Inter-State Council and it should be possible, if necessary through a minor amendment to the constitutional provision, to set up a national body for planning of which the Planning Commission can be an executive organ. Such a set-up would ensure that the States participate in crucial decisions regarding the resources available for the Plan, the size of the Plan and the sectoral allocations. So far, there has been a measure of rigidity regarding the size of the Union and State sectors. The priority accorded to a particular scheme should be made independent of the sector in which it figures; it should be subject only to the overall priorities of the Plan. Such a national planning organization can have at the State level, its branches in the form of State Planning Boards which perform not only the role of a limb of the National Planning Organization, but could also advise the States on matters concerning planning.

CENTRAL ASSISTANCE FOR STATES

The question of apportionment of central assistance among the States has been the subject of debate for quite some time. The emphasis has recently shifted from the employment of population as the main criterion to certain other indicators like per-capita tax effort, backwardness, special problems, spill-over outlay on irrigation schemes, etc. But the formula now evolved can hardly be considered as satisfactory. Central assistance for the State should logically have a bearing on the resources available with the States including devolution through the Finance Commission, the resources that the State can reasonably be expected to raise having regard to current levels of taxation and scope for additional mobilization, and also the minimum Plan that will be necessary for the State not only for the purpose of its development but also having regard to the need to achieve national objectives and attain a measure of harmony over the levels of development in the various regions of the country. The present formula for the distribution of central assistance almost totally ignores all these factors, and will, therefore, not subserve the objectives of the Plan. No doubt, some attempts were recently made to enable viable Plans for certain States by channelizing Central assistance "through the backdoor" in the form of re-scheduling of debts to States which have non-Plan capital gaps. But this step has been looked upon with suspicion and has not helped in placing the relationship between the Union and the State on a sound basis. By far, a more desirable process for planning would be for the State Planning Boards, under the guidance of the

National Planning Organization, to prepare Plans based on national objectives and with a bias towards equalization of developmental levels and for the national organization then to assess resources available with the States and settle central assistance. Under the present arrangements, this is not practicable since the political Governments of the States would not desist from alleging discrimination so long as the distribution of central assistance is done by a limb of the Government of India. But once a constitutional status is accorded to the Planning Commission and the Government of India's hold over the Commission weakened, a measure of acceptability will immediately be accorded to any recommendations by the Planning Commission. This is a step which is long overdue and in the context of the present phase of Union-State relationship cannot brook further postponement.

DISTRIBUTION OF CAPITAL RESOURCES AMONG CENTRE AND STATES

If the Constitution is heavily weighted towards the Centre in the matter of distribution of revenue receipts, it is even more so with regard to capital resources. As already indicated, the powers of borrowing by the States are severely limited by restrictions imposed by the Central Government. The Central Government has access to the most fruitful sources of capital, like foreign aid, the resources available in the banking system and, of course, deficit financing. While much thought and effort has gone into the working of the Finance Commissions in their role of apportioning revenue resources, what has been lost sight of is the absence of similar arrangements for the equitable distribution of the capital resources available at the national level among the States. Bulk of the flow of resources from the Union to the States is through the mechanism of the Plan, either as central assistance for the State Plan or as assistance for centrally-sponsored schemes. Of late, there has also been an increase in the flow of institutional resources with the Industrial Development Bank of India, Agricultural Refinance Corporation, Life Insurance Corporation of India and the commercial banks to the States. The present arrangements are most unsatisfactory. They result in a larger flow of such capital resources to the advanced States which have already developed not only the infrastructure to absorb them but also the necessary expertise and experience in banking procedures to enable ready access to such sources. In contrast, the flow of resources to the backward States which are in dire need of investments has been insignificant. This has stood in the way of the development of infrastructure, and poor progress of industrialization. In the matter of open market borrowings too, the lion's share goes to the forward States. Again, under central assistance too, loans advanced to the States, as has already been pointed out, is not

scientifically correlated to the relative needs of the States. Incremental development is largely enabled only through investments of capital nature and while the Finance Commission merely touches the fringe of the problem of allocating some additional revenue resources on the basis of backwardness, any serious efforts to surmount the problem will have to be in the direction of providing a device through which adequate capital resources can flow to the backward States. It is to subserve this objective that there is a felt need to set up a national organization to determine allocations of capital resources between the Union and the States and between the States *inter se*. A suggestion has already been made that some sort of autonomous banking organization could be set up, which would regulate the flow of credit to the States. This is indeed a welcome suggestion, because not only would it enable objectivity to be brought to bear on decisions regarding the apportionment of limited resources but also because this would enable a more careful investigation to be made of the purpose for which investments are proposed, with reference to the economic and financial criteria. Hitherto, investments have been guided almost solely with reference to the availability of resources for financing such investments, rather than the priority that should be accorded to the purpose of such investments in the national context or with reference to returns they fetch. There is, therefore, a good case for having an autonomous body independent of the Government of India to settle, on an annual basis, atleast broad allocations of resources between Union and the States. A suitable relationship can be evolved between such a body, and the constitutional planning organization suggested. What deserves to be highlighted is that it should not be left to the Union Finance Ministry to provide first for all the needs of the Union Ministries, and then arrive at a figure for Union assistance to the States on a residuary basis. This results in a scheme of higher priority in the State sector being dropped to give way to less important schemes included in the Union sector, distorting in the process the priorities of the Plan.

CERTAIN REMEDIES FOR PRESENT ILLS

The Indian Constitution has been amended on several occasions since 1950. But it is significant to note that not a single amendment has been made to the provisions of the Constitution relating to Union-State financial relations, even though there has been a felt need for such changes. Corporation tax, for instance, would hardly have been left outside the shareable pool had only the framers of the Constitution foreseen that it would yield much more than Rs. 45 crores which it yielded when the Constitution was framed; but while there has been considerable criticism from various sources regarding the defects in the constitutional provisions, no concerted attempt has so far been made to suggest suitable amendments. The Government of India is naturally averse to any changes in favour of States. The initiative in the matter cannot, therefore, be expected to be taken by the Government of India. The State Governments have been raising their voice in protest over the step-motherly treatment given to them under the Constitution. But no State Government has so far made concrete suggestions on how comprehensive amendments to the Constitution should be made. As pointed out earlier, the Finance Commissions have not been asked to comment on changes necessary in the constitutional provisions, even though the Sarkar Committee, which examined the financial provisions of the Constitution, felt it desirable that the Finance Commission should make such a review. The constitutional provisions have resulted in injustice among the States *inter se* and have reduced the States more or less to the status of supplicants to the Government of India. There is, therefore, an urgent need for a high-powered expert body to go into the working of the financial provisions of the Constitution.

We shall now briefly discuss the broad directions in which the constitutional provisions may be recast. There may not be a *prima facie* case for enlarging the number of shareable taxes since income tax as well as excise duty, when pooled together, would yield more than adequate resources for catering to the revenue needs of the States. But, at the same time, widening of the base of devolution with corresponding reduction in the size of the shareable pool would give both the Centre and the States a greater sense of participation in the taxes which are shared. On the balance, therefore, there seems to be a case for including wealth tax, gift tax as well as corporation tax in the list of taxes shareable with the States. The inclusion of these taxes will not bring about a sufficient improvement in the level of equalization achieved when the shares are apportioned, but nevertheless a larger number of taxes with lower shares would be desirable, since it would enable some evening out of disparities arising from distribution formulae adopted, and would make for flexibility. There are strong grounds for transferring tax on agricultural incomes and estate duty on agricultural land to the Union since the States have shown that they do not have the necessary political courage to tap resources from this sector. Unless the additional incomes in this sector are siphoned off and used for financing a larger Plan, the nation as a whole suffers. This is the basis for the suggestion that these fields should be transferred to the Union. This would incidentally confer the advantage of a common system of income tax being levied on agricultural and

non-agricultural incomes. So far as the mode of distribution of revenue resources among the States is concerned, a more equitable sharing formula can be arrived at even within the existing constitutional provisions by widening the scope of the Finance Commission enquiry to cover the needs of the Centre as well. The present practice of the central needs not being gone into in the same detail as the needs of the States should cease. The techniques adopted for the purpose of evaluating the needs of the States could be refined. But, as pointed out earlier, by far, the most important step that would be necessary to resolve Union-State tangles would be the setting up of a constitutional body independent of the political Government at the Centre to decide on all issues connected with planning as well as investment policy. Unless these functions are taken outside the direct purview of the Government of India, planning for the States would always be on a residuary basis. An amendment to the Constitution to enable the setting up of a National Planning Organization on the lines of an Inter-State Council with a permanent Secretariat that can well be the Planning Commission and the establishment of subsidiary Planning Boards at the State level, are the *sine qua non* not only for the successful implementation of planning but also for the healthy development of federalism in the country.

RATIONALE OF THE INDIAN FINANCIAL YEAR

K. L. Handa

THE Administrative Reforms Commission* in their report on Finance, Accounts and Audit have recommended a revision of our financial year. This change has been advocated by a body especially constituted for the purpose of suggesting reforms in the public administration of the country. It is not, however, for the first time that such an issue has come up for consideration before the Government of India. This topic has been a subject of controversy for over a century. At different times, different suggestions have been made by different parties. In this article, an attempt has been made to trace the history of the controversy for a change in the financial year. Pros and cons of the various alternatives suggested from time to time have also been discussed. Further, efforts have been made to analyse the implications of discarding the present financial year, with a view to arriving at a balanced and well-considered conclusion.

HISTORICAL PERSPECTIVE

Pre-Independence Period

The rationale of our present financial year has been a subject of debate ever since it was adopted by the Government of India in 1866†. In 1869, at the instance of the Secretary of State, the question of making the financial year coterminous with the calendar year came up for consideration before the Government of India. In view of the anticipated inconveniences and difficulties involved in such a change, the Government decided against any revision of the financial year. The question of a change was mooted again by Welby Commission* in 1900 and by Maharaja of Darbhanga in 1908. On both the occasions, the Government of India decided to retain the *status quo*.

The issue was raised again in 1914 by Chamberlain Commission†. While referring to the difficulties of accurate budgeting in India, the Commission pointed out that the then existing financial year was not a suitable period for preparing budget estimates. It suggested that the financial year should commence on the 1st of November or the 1st of January. No action could, however, be taken by the Government of India on the recommendation of Chamberlain Commission owing to outbreak of First World War in 1914. The Government, therefore, postponed consideration of the matter. Later, in 1921 the question of revision of the financial year was raised by Sir Dinshaw Wacha who suggested calendar year for adoption as the official budget year‡. This time the Government of India referred the matter to Provincial Governments, the Chambers of Commerce and some other professional bodies in the country to elicit their views and suggestions.

While an overwhelming majority of Provincial Governments were opposed to any revision of the financial year, the commercial opinion in the country was divided on the issue. After considering the various viewpoints on the subject, the Government of India decided against any revision of the budget year. Again the question of a change in the financial year became live for a while in March 1926

The Author is grateful to Prof. M.J.K. Thavaraj, Head of the Financial Management Unit, I.I.P.A., for the highly useful discussions he has had with him on the subject. The responsibility for the views expressed is, however, that of the author only.

*The Administrative Reforms Commission was set up through a Government Resolution dated 5th January, 1966, to examine the public administration of the country and to make recommendations for reforms and reorganization where necessary.

†Till then the financial year followed by the Government of India commenced on 1st May and ended on 30th of April. This was probably to suit the commercial considerations of the time when the commencement of the South-West monsoon would bring to a close, on the 30th of April, the shipping season in India. In their report of the 7th of September, 1864, the Commissioners of Inquiry into Indian Accounts considered, *inter alia*, the question of fixing a suitable date for the commencement of the Indian financial year. In addition to the official budget year, there were at that time a number of other financial years being followed by various sections of the community in India. The Bengal Year commenced in the middle of April, the Fusli Year commenced around the 10th of June, the Madras Fusli Year commenced around the 1st of July and besides, there were some other traditional years. Some of the princely states had their own budget years, *e.g.*, Travancore-Cochin had the Malayalam Year commencing around August/September and Hyderabad the Fusli Year commencing around the 1st of October. Also, the calendar year and the British practice of following a budget year from April 1 to March 31, were known. However, the consideration of having uniformity between the Indian and British Accounts weighed heavily with the Commissioners of Inquiry. They also favoured fixing a financial year which should be for universal adoption throughout India. The Government of India, after considering the various alternatives, decided on a budget year from April 1 to March 31, in conformity with the British practice.

*Royal Commission on the Administration of the Expenditure of India, otherwise known as the Welby Commission.

†Royal Commission on Indian Finance and Currency, popularly known as the Chamberlain Commission.

‡Sir Dinshaw Wacha in his letter of April 15, 1921, addressed to Sir William Winston, Member of the Viceroy's Executive Council, made a suggestion that the Government of India should adopt the calendar year for closing of accounts as was the practice prior to 1861.

when Sir Arthur Froom made a suggestion in the Council of State that the budget year should be coterminous with the calendar year. The Government of India, however, preferred to continue with the existing system. In 1927, the matter was reconsidered at the suggestion of Shri Vidya Sagar Pandya, a member of the Central Legislature, when again the Government of India decided in favour of retaining the existing financial year.

Post-Independence Period

The issue of revision of the financial year remained dormant thereafter till it was revived after Independence by some influential persons and public bodies. Shri Yodh Raj, the then Chairman of the Punjab National Bank, suggested in 1952 that the budget year should commence from the 1st of November.* He thought that the results of the south-west monsoon, which was the dominant factor in the economic situation of India, could be gauged better after October. The then Finance Minister of the Government of India, however, felt that there was no sufficient justification for a change. Later, a non-official resolution, brought before the Indian National Congress session at Kalyani in 1954, sought a change in the financial year. It suggested that it might be helpful to have it from 1st of July. Such a financial year, according to the resolution, would provide a better understanding of the effects of south-west monsoon before passing the budget. Also, it would be suitable to the members of legislatures who would find it convenient to tour their constituencies before the rains. The then Prime Minister of India, Shri Jawaharlal Nehru, took personal interest in the matter which was carefully considered by the Union Cabinet. The Cabinet, however, came to the conclusion that there was no need for a change in the financial year. The question cropped up again at the meeting of the National Development Council held on the 21st of January, 1956, when the Government explained the case in detail. This development was followed up immediately by the Chief Minister of U.P. who suggested a revision of the financial year to October-September period and made a reference on the subject to the Union Finance Minister in May 1956. The Chief Ministers of West Bengal and Kerala, who also wanted a change in the budget year, raised the issue in 1968. They wanted the year to commence from the 1st of October. The whole matter, therefore, was reconsidered by the Government of India. As a result, the Union Finance Minister sent a note, in May 1958, to all Ministers of Finance in the States, discussing the matter in all its aspects and suggesting that in view of the anticipated difficulties

*Shri Yodh Raj made this suggestion in his speech accompanying the balance sheet and profit and loss account of the bank for the year ending 31st December, 1951.

and dislocations involved in such a change, the balance of advantage would be in maintaining the *status quo*.

The Estimates Committee (1957-58) in their 20th report[1] pointed out various defects of the present budget year. According to them, the existing budget period was responsible for the late start of public works. Under the present arrangements, soon after the expenditure sanctions reached the executing agencies, monsoon would break in most parts of the country rendering it difficult to start construction of the budgeted works. These works could be started only after the rains were over. The Estimates Committee recommended a re-examination of this matter and suggested that the various difficulties could be overcome by changing the financial year to commence on the 1st of October. The Government of India, however, thought that the time was not opportune for making a change in the financial year. The matter was subsequently pressed by the Finance Minister of Assam in his reference to the Union Finance Minister in October 1959, when he stressed the need for changing the financial year. He wished the year to commence on the 1st of July. The Union Finance Minister, however, repeated the earlier argument by saying that the time was not opportune for such a change. Four years later, the Panel on Public Works Administration of the Committee on Plan Projects took up the issue in their report[2] and stated that the commencement of the budget year on the 1st of April affected the speed of works because of the monsoon season coming in immediately after the preparatory work for works projects was complete. They recommended that with a view to ensuring a more even distribution of works throughout the year, the budget year should be changed to commence on the 1st of July. This suggestion was submitted for consideration to the Committee on Administration[3] which in February 1964 came to the conclusion that on balance there would be no advantage in making a change in the existing financial year.

Some other critics of the present financial year also say that the delayed execution of public works under the existing system results in rush of expenditure towards the end of the year leading to surrender of sizable funds and stoppage of work at the close of the financial year. They, therefore, advocate suitability of the 1st of July as a date for the commencement of the budget year on grounds of efficacy of

[1] Cf. Estimates Committee, 1957-58 (Second Lok Sabha), *20th Report on Budgetary Reforms*, New Delhi, Lok Sabha Secretariat, paras 36-40.

[2] Report of the Panel on Public Works Administration, 1963.

[3] Committee on Administration, (composed of senior Government of India Officials) Minutes of the Meeting held on the 3rd of February, 1964.

performance. Under the suggested system, they argue, the expenditure sanctions for works projects would percolate down to the field authorities sometime by August. The executing agencies would take further time for completing the formalities, like calling for tenders, approval of contracts, ordering of stores, purchases, so on and so forth, and would be ready by the end of September for starting the construction. They would thus have utilized the rainy season for going through the various formalities associated with works projects and could launch upon the execution part of it by October. Therefore, on starting the construction, the executing agencies would have uninterrupted working period, extending from October to May or June, at their disposal, which at present is broken up by the existing budget year resulting in dislocation of work.

The Planning Commission in their Draft Outline of the Fourth Five Year Plan have suggested reconsideration of the matter and have observed as follows:

> "In this connection, the bearing of the present fiscal year on the annual budget and the annual plan may also be mentioned. The fiscal year ends before the agricultural picture for the preceding year as a whole can be gauged. Work on the annual plan has to be undertaken before the outlook for the *Kharif* harvest can be assessed. It would be useful to examine afresh in the light of present needs suggestions made on several occasions in the past for a review of the existing fiscal year."[4]

Recent Developments

The Administrative Reforms Commission constituted by the Government of India and its Study Team on Financial Administration have, in their reports, dwelt at length on the subject of revision on the Indian financial year. The Study Team, which had the benefit of the views of a good number of senior officers from Union and State Governments and of knowledgeable persons from outside Government, came across sharply divergent views on the issue of changing the financial year. Those in favour of retaining the *status quo* thought that there was no particular advantage to be gained by disturbing the existing arrangements. Others wanting a change, could not agree on any one alternative date which would best suit Indian conditions. They were, however, unanimous in holding that the budget year adopted should be uniform both for the Union and the States. Different

[4] Planning Commission, *Fourth Five Year Plan—A Draft Outline*, New Delhi Manager of Publications, Govenment of India, 1966, p. 156.

sections amongst them advocated different dates for the commencement of the financial year, namely, the 1st of July, the 1st of October or the 1st of November, and the 1st of January. After analysing the various suggestions, the Study Team came to the conclusion that none of the solutions offered would reconcile all the criteria mentioned for better budgeting, *i.e.*, the budget having : (*i*) accuracy of revenue estimates, (*ii*) accuracy of expenditure estimates, (*iii*) efficacy of performance, and (*iv*) budget timing to suit convenience of legislators and administrators. The Study Team, therefore, observed:

> "Since no one solution reconciles all these, what particular balance of advantage should be regarded as justifying a disturbance of the *status quo* with its attendant disadvantages? We have considered these questions and feel that, if the *status quo* is to be changed, the balance of advantage would lie in favour of 1st October, more especially from the point of view of performance on which we lay emphasis throughout this report."[5]

The Administrative Reforms Commission, which subsequently considered the matter was somewhat categorical in their recommendations. They observed as follows:

> "The Financial Year starting from the 1st of April is not based on the customs and needs of our Nation. Our economy is still predominantly agricultural and is dependent on the behaviour of the principal monsoon. A realistic financial year should enable a correct assessment of revenue, should also synchronize with a maximum continuous spell of the working season and facilitate an even spread of expenditure. For centuries, people in India have become accustomed to commence their Financial Year on the *Diwali* day. This practice has its roots in their way of life. The business community and other sectors of society start on the *Diwali* day with the feeling that they have finished with the old period of activity and have embarked upon a new one. It is, therefore, appropriate that the commencement of the Financial Year should be related to *Diwali* and, in order to prescribe it in terms of a fixed date, we have recommended that the 1st of November should begin the Financial year."[6]

The Commission also thought that a budget year commencing on the 1st of November would be better suited for the transaction of parliamentary business.

[5] Administrative Reforms Commission, *Report of the Study Team on Financial Administration*, New Delhi, Manager of Publications, Government of India, 1967, p. 21.

[6] Administrative Reforms Commission, *Report on Finance, Accounts and Audit*, New Delhi, Manager of Publications, Government of India, 1968, p. (ii).

Others who advocate the 1st of October or the 1st of November for commencement of the financial year argue that the effect of south-west monsoon which is responsible for over 90 per cent of the total annual rainfall in India would be known by September, providing a good picture of the coming *Kharif* crop. Also, this knowledge would facilitate an intelligent guess of the effects of the rainfall on the *Rabi* crop. A budget commencing on the 1st of October or the 1st of November, therefore, would reflect a realistic picture of the coming agricultural production and of the industrial and commercial activities dependent thereon. Also, the government staff engaged in the preparation of budget would find the monsoon months comparatively easier for this type of work than the preceding hot summer months.

The issue of revision of the financial year was also considered by the National Development Council at its meeting held in April 1969. The Council was generally in favour of retaining the *status quo*. The matter was thereafter considered by the Government of India, which decided to continue with the existing financial year.

FINANCIAL YEARS OF SOME OTHER COUNTRIES

It may be of interest to talk at this stage about the financial years followed by various countries of the World. The practice of having the budget year coterminus with the calendar year is followed by:

> Algeria, Argentina, Austria, Belgium, Bolivia, Brazil, Bulgaria, Cambodia, Chile, Colombia, Congo, Costa Rica, Cuba, Cyprus, Czechoslovakia, Dominican Republic, Ecuador, El Salvador, Finland, France, Federal Republic of Germany, German Democratic Republic, Greece, Guatemala, Guyana, Honduras, Hungary, Iceland, Indonesia, Jordan, Lebanon, Liberia, Malawi, Malaysia, Mexico, Morocco, Netherlands, Nicaragua, North Korea, North Viet-Nam, Norway, Paraguay, Peoples' Republic of China, Peru, Poland, Portugal, Rumania, Singapore, South Korea, South Viet-Nam, Spain, Syrian Arab Republic, Switzerland, Trinidad and Tobago, Tunisia, Uruguay, U.S.S.R., Venezuela, Western Samoa, and Yugoslavia.

There are other countries which, like India, follow a budget year from 1st of April to 31st of March. These are:

> Barbados, Botswana, Canada*, Denmark, Iraq, Ireland, Israel, Jamaica, Japan, Kuwait, Lesotho, Libiya, Malta, New Zealand, Nigeria, South Africa, Swaziland, and the United Kingdom.

*In Canada, the date for commencement of the financial year has undergone successive changes from the 1st of January to the 1st of July. It is now the 1st of April.

The following are some other countries which follow a budget year from the 1st of July to the 30th of June:

> Australia, China (Taiwan), Ghana, Italy, Kenya, Laos, Mauritius, Norway, Pakistan*, Philippines, Sierra Leone, Sudan, Sweden, Tanzania, Uganda, the United Arab Republic, the United States of America, and Zambia.

There are some countries which have their budget year commencing on the 1st of October. They are:

> Burma, Ceylon, Haiti, and Thailand.

There are still some other countries which have different periods for their budget years, namely:

> Afghanistan (the 21st of March to the 20th of March); Ethiopia (the 8th of July to the 7th of July), Iran (the 21st of March to the 20th of March), Nepal (the commencement date is around 16th July), Turkey (the 1st of March to the 28th of February), and Saudi Arabia (the 15th of October to the 14th of October).

It is, thus, apparent that the practice regarding the budget year varies widely amongst the various countries of the world. There does not seem to be anything like a principle which can be deduced from the practice in other countries. It appears more a matter of historical development than anything based on definite criteria.

Incidentally, it may be mentioned here that the United Nations Organization has adopted the calendar year for its financial year.

A CRITIQUE OF THE VARIOUS ALTERNATIVES

From the study of the history of suggestions for revision of the financial year, it appears that the Government of India have been favouring the *status quo* all along. On the other hand, suggestions for a change in the budget year have almost been coming up throughout the last century. These suggestions contained a few alternatives for overcoming the difficulties said to be inherent in the present budget

*Pakistan changed its financial year to July-June in 1962. Till then its budget year commenced from the 1st of April like that of India.

period. These alternatives were that the financial year should commence from : (*i*) the 1st of July, (*ii*) either the 1st of October or the 1st of November, and (*iii*) the 1st of January. It may, however, be noted that the advantages claimed in favour of each of these alternatives have been vigorously disputed.

The view that a budget year commencing on the 1st of July would enable to have better knowledge of the prospects of south-west monsoon, has been seriously contested. It is said that in this case the budget would be presented to the legislatures sometimes towards the end of May or in early June. To keep to this timing, the budget will have to be prepared in the months preceding June. It would, thus, not be possible to know the behaviour of the south-west monsoon at the time of preparing the budgets. The south-west monsoon breaks over the Arabian coast about the beginning of June (say in the first week) and reaches West Bengal by about the 10th of June. Other places in Western and Northern India get monsoon rains still later. There is, therefore, hardly any question of gauging the effects of south-west monsoon on *Kharif* crop before presentation of budget. Moreover, the States in southern India, like Tamil Nadu, would have objection to the adoption of any budget year which does not take into account the North East monsoon, extending from October to December, the knowledge of which is important for their revenue estimation. Also, legislators may not relish such a change as otherwise they would have to transact legislative business relating to budget during the hot months of May to July. Moreover, it would mean a lot of inconvenience to the Government staff engaged in the strenuous work of budget preparation because such work in that case would have to be done during the months of April to June—the hottest months over the greater part of the country.

The gains enumerated in commencing the financial year on the 1st of October or the 1st of November have also been disputed. It is maintained that the detailed budget processes would remain the same whatever be the date for the commencement of the budget year. If the financial year starts from the 1st of October, the budget would have to be presented to the legislature a month before, *i.e.*, by the end of August or beginning of September. The work of bugdet preparation would be carried out in the months still preceding, *i.e.*, July and August. Therefore, at the time of framing the budget, the south-west monsoon would not be over, and the amount of rain yet to fall in the later period would not be known. It would, thus, be comparatively difficult to assess correctly the prospects of *Kharif* crop and to make realistic estimates of revenue. Even if the commencement

date for the budget year is pushed by one month to the 1st of November, the position would not be very much different. In this case, the budget would be presented to legislature towards the end of September and prepared a couple of months before that. Therefore, at the time of formulation of the budget, behaviour of the late monsoon, especially the rains of the crucial month of September, would not be known.

There is another factor militating against the choice of either the 1st of July or the 1st of October or the 1st of November as the commencement date for financial year. A large number of companies have their accounting years coterminous with the calendar year. Many others follow the official budget year (April to March) as their financial year. The existing taxation laws relate the assessment of the present year to the income of a company's current accounting year. Those companies which have already coincided their accounting years with the official budget year find it easier to know about their tax liability at the very start of their accounting year. Many other companies which have their accounting years coterminous with the calendar year come to know of their tax liability soon after the start of their accounting period. If the commencement date for the official budget year is shifted to the 1st of July or the 1st of October or the 1st of November, the corporate sector would remain in suspense for a longer period regarding their tax liability. In such a situation, companies might find it necessary to change their accounting years to synchronize with a change in the official financial year. This would involve lot of complications for the corporate sector.

Those who advocate the 1st of January as the most suitable date for commencement of the budget year argue that under such a system it would be possible to incorporate in the budget complete information about the results of *Kharif* crop. Also, bulk of winter rains would have fallen by that time indicating the prospects of *Rabi* crop thereby further facilitating estimation of revenues. It is further argued that since most of the companies have their accounting years starting from the 1st of January, making the official budget year coterminous with the calendar year would be found suitable by the corporate sector. But there are equally strong arguments against adopting the 1st of January as the date of commencement of financial year. It is not correct, it is argued, that such a budget year would allow an accurate assessment of revenues from *Rabi* crop dependent on winter rains extending from October onwards. The budget in this case would be prepared during October and November and presented towards the end of November, by which time the character of winter rains would not be fully known. Such a change would also result in losing a considerable portion of the best working season in communicating expenditure sanctions to the field authorities after the passing of the budget, and a further loss of time by these authorities in completing the preparatory work connected with the execution of the projects. It has further been argued that such a change would make the budget year end in the middle of busy working season. This may cause dislocation and inconvenience to the Public Works and Survey Departments as such a system would divide their expenditure into two financial years right in the middle of their outdoor operations.

Evaluation

It was a matter of historical development that the present financial year came to be adopted in conformity with the British practice. Whatever may be the rationale behind the British practice,* we have to consider the contemporary conditions and needs of our country while thinking of an alternative budget year. The considerations of better predictability of revenues, sound estimation of expenditure, efficacy of performance, convenience of legislators and government staff, etc., are all important. However, we have, at the same time, to keep in view that a revision of the budget year would involve many difficulties and dislocations in the existing arrangements. Prudence, therefore, demands that in whatever we decide and act upon, the balance of advantage should be in our favour.

As is clear from the earlier paragraphs, no one alternative suggested for the commencement of the financial year, *i.e.*, the 1st of July, the 1st of October or the 1st of November and the 1st of January, ensures fulfilment of all the desired criteria, even if such an alternative is considered from the point of view of any one particular State. Considering alone the criterion of predictability of revenues, we find that no single alternative budget year allows the various states a realistic assessment for both *Kharif* and *Rabi* crops. If a particular budget year makes it possible to know about the behaviour of south-west monsoon before framing estimates of revenues, it may not do so for the winter rains leaving the estimates of revenues from *Rabi* crop to a complete guess work. It may be relevant to point out that *Rabi*

*The earliest available British financial records reveal that till 1751-52 each year's public accounts were made up to September 29 and thereafter till 1800 they were made up to October 10. The Finance Accounts of 1800-1 were prepared up to January 5. In the Year 1832, the annual supply grants began to be voted for the year ending March 31 and the budget was presented for the year up to April 5, 1833. The Finance Accounts were, however, made up to January 5th, till 1854. In 1854, the Public Revenue and Consolidated Fund Charges Act directed that the Finance Accounts should in future be made up to 31st March each year. The date of 31st march has since then remained as the end of financial year in the United Kingdom.

crop is financially more important for some of the states in northern India.

Whereas the behaviour of monsoon is of vital interest to most of the States, it may not be so for Assam, where rains are relatively assured and what concerns the State most is the occurrence of floods both from the point of view of estimating revenues as also framing estimates of expenditure. For such a State, therefore, that budget year might be more suitable which allows sufficient knowledge of the extent of floods (ranging from May to the end of October) for making realistic assessments of revenues and of demands for expenditure for relief and rehabilitation works consequent on the devastation caused by floods. It would, thus, be difficult to reconcile the interests of the various States of India on any one alternative date suggested for the commencement of the budget year. But, for obvious reasons, we must have a uniform financial year for the Union Government and the State Governments.

Again, knowledge of the behaviour of monsoon in the estimation of revenues, though important, has assumed a different complexion in the present times. It is true that despite the construction of a number of major and minor irrigation projects, generation and distribution of increasing amounts of electricity for energising tubewells and introduction of fertilizers, the role played by rains is still very important in our agricultural situation. Also, the important bearing the agricultural production has upon industrial and commercial activities cannot be denied. Nevertheless, we cannot, at the same time, ignore taking cognizance of the dwindling significance of land revenue in State budgets and of the pattern of taxation at the Centre. Also, economic activity is developing more and more around industries other than those agro-based, which account for a good portion of State revenues.

It may be urged that any change in the existing budget year would upset past accounts and vitiate all statistical comparisons. The resulting confusion would necessitate increase in staff to cope up with the extra work. Also, it may become necessary to revise the various codes, manuals, rules and forms which would entail a considerable strain on the administrative machinery. A change in the financial year may also necessitate breaking up of the annual periods of the current Five Year Plan which is likely to result in considerable confusion. The example of the partition of the country, in August 1947, may be cited to indicate how the break-up of one financial year into two accounting periods created such difficulties which took many years to clear. Also, the accounts of a number of States were thrown into confusion at the time of the reorganization of states which took effect in November 1956 during the course of the financial year.

This is, however, not to make out that the problems and difficulties associated with the revision of the financial year are insurmountable. We have had in the recent past the decimal system of coinage and the metric system of weights and measures introduced in our country. The difficulties of the transitional period have been met successfully. Similarly, it should be possible to overcome the difficulties and dislocations in the accounting, statistical, and administrative fields, which may be caused by a revision of the financial year. But the pertinent question is, whether all the trouble taken would be worth the advantages expected from such a change? The present financial year which has the merit of long usage may not be discarded merely on academic arguments. Instead, account has to be taken of practical considerations. It may be mentioned that accurate budgeting and its efficient execution may not flow only from the period of the budget year. The principles of performance budgeting, if properly observed, may help in curing many of the existing maladies. The system of performance budgeting makes it imperative that the administrative authorities, before preparing the budget estimates, plan their activities efficiently in the light of their organizational goals and objectives. The activities are budgeted not on *ad hoc* basis but on proper phasing and scheduling of work. There exist proper norms, yardsticks and standards, evolved on realistic parameters to facilitate framing of estimates. In the budget implementation stage, account is taken not only of the progress of expenditure but also of physical achievements which are systematically reported upon and reviewed for deciding the future course of action. A performance-oriented system of financial control and delegation of powers may also play an important role in timely, economical and efficient execution of projects. Therefore, the present-day difficulties arising because of loose budgeting and inefficient post-budget implementation may not be ascribed to the period of the budget year.

Moreover, in certain respects, the criticism against the present budget year has been overdone. It is not quite correct to say that the existing period of the budget year is entirely responsible for lapse of funds and stoppage of work on the closing of the financial year. It is well known to the executing authorities that provision for works in progress would invariably be made in the budget for the ensuing financial year. There should, therefore, be no question of such works being stopped on the last day of the financial year.

In the case of new schemes, however, it is a matter of administrative efficiency that they are incorporated in the budget after proper preparation and due scrutiny, and expenditure sanctions are conveyed to the concerned authorities expeditiously to enable them to start execution of works without loss of time. If, on the other hand, such schemes are put in the budget without adequate details and without the required pre-budget scrutiny, some time is bound to be lost in going through the various formalities of getting expenditure sanctions for starting execution of works. Also, the criticism against the present budget year that it does not permit a realistic assessment of *Kharif* revenues has to be moderated by the fact that it does provide a good indication of revenues from *Rabi* crop. Regarding the needs of the legislators to tour their constituencies before the rains, it should not be difficult to make adjustments in the existing budget session so as to leave sufficient fair-season period, before the monsoon, free to the legislators to go around in their constituencies.

CONCLUSION

A revision of the present financial year is beset with dislocations in statistical, accounting and administrative fields. Though these difficulties are not insurmountable, the advantages to be gained from any such change may not compensate for all the troubles taken and the problems faced. Moreover, different States of India view differently the suitability of various alternatives to their respective climatic and other conditions. It is not possible to reconcile the interests of all the States to any one alternative budget year. It is, however, accepted by all concerned that we should have a uniform budget year both for the Union and the States. In the circumstances, therefore, the best course to yield optimum results would be to retain the existing financial year.

COMMENTS

[In this feature we give comments received from the readers on the articles published in the previous two issues of the Journal. The comments should be critical and thought-provoking, and should be confined to the major points made by the author(s), inadequacies in reasoning of data, or any new solution to the problem which suggests itself to the reader. They should not normally exceed 1,500 words.—Ed.]

PROFESSIONALISM IN CIVIL SERVICE*

Rejoinder by the author

I am not quite sure if Shri Singhvi's comments are strictly speaking on my article, and do not really constitute an independent follow-up process, by way of extending some of the latent lines of my arguments. Shri Singhvi's blueprint is his own, and does not strictly and fully flow from my theme. Merits of his model, therefore, go wholly to him, just as its demerits are no extension of my thesis. Perhaps my contribution to Shri Singhvi's design is by way of provoking him to think on the subject and to build up a particular model. Indeed, I did not have the space to elaborate my own scheme of methodology for induction of civil servants and their subsequent training and development. I personally feel that our recruitment and selection techniques are based on negative philosophy and not geared positively to 'attract' (the term used advisedly) really brilliant and creatively sensitive people from diverse sources. We congratulate ourselves on our being able to continue to tap, through a clumsily worded, stereotyped advertisement couched in thoroughly uninspiring English, only one source—graduate candidates belonging to a not-so-mature age-group for highly responsible jobs in the civil service. Prospecting unconventional methods, exploiting hitherto untapped sources or even throwing open the gates of civil service to maturer people who have distinguished themselves in other walks of life, appear to be anathema to our policy makers. Even one of the most commendable and very sound recommendations of the Second Pay Commission for lateral recruitment was ultimately not accepted by Indian genius. Why? We should better not discuss reasons! It seems that we are interested in multiplying 'types', and not certainly in locating specific talent and 'wooing' it into our services. In a country of continental dimensions where standards of education are different, quality and comprehension levels among students vary rather violently, it is futile to conduct one single academic-type examination, itself more or less a repetitive and duplicative exercise of university examination, and expect effective results. If the system has continued, it

*The original article of this title by Shri B. K. Dey was published in the Journal in Vol. XV, No. 4 (Oct.-Dec.), 1969.

only proves that line of least resistance is still the better part of bureaucrats' valour and inertia is considered to be more virtuous than innovation. Is it not surprising that we have not so far been able to describe, classify and evaluate, with some measure of specificity, the various positions and job contents of different sectors of our service so that we can prescribe corresponding qualifications and identify really suitable and qualified persons. Even in our society, which progresses only slowly towards technological sophistication, though the signs of change are unmistakably evident, we should not merely go by a kind of 'omnibus' general qualification for distinctive compartments of administrative assignments. For in live situations, academic qualifications up to the level of graduation/ post-graduation, in any case before taking the competitive examination, are matters of no great moment or significant relevance for the due discharge of post-entry functions if only the jobs are not of high technical variety. At this rate, perhaps even for technical services, we may not insist on pre-entry technical/professional qualifications. Has not time come when we should prescribe different qualifications for different services even at the combined competitive level? Must we necessarily continue with one combined examination? How long do we continue to base our allotment to the various services on criteria not relatable to the functional requirements but on the basis of rank (obtained often through accidents) and preference (oftener exercised not so rationally)? Cannot the allotment to the various services wait till the candidates have done at least one to two half years of service through training, till they themselves know something of the government jobs and their aptitudes become sharper, and personality integration more stable?

Unless we have corrected our recruitment policies properly and evolved our training programmes according to the functional contents of particular areas of administration, I am afraid, it is not possible to start our professionalization exercise. In fact, the first pillar of professionalism may have to be laid on the foundation of better brand of recruits, search for whom should start in a much more methodical manner, sooner than later. Otherwise, we shall have to hide our head, ostricth-like into the sand of unreality and yet think that we have weathered the storm of desirable change.

About training, I have merely to say that it should cease to be a 'ritual' that we have made of it! Not merely the contents of the training syllabus are jejure and deficient, they suffer, in a very vital sense, from a lack of correlation between what the job demands and what the training offers by way of expertise and skill. The training paraphernalia does create—I suspect to some extent intentionally—and nurture certain wrong kinds of attitudes in the trainees instead of creating the infrastructure for professionalization. It should be one of the important purposes of training to 'debrief' the trainees properly of their angular notions before plunging 'in the service of the people', as it is often professed, and not implicitly encourage them to harbour the mistaken belief of belonging to 'ruling class'. Why should we not honestly admit that our training programme has not so far succeeded in building up adequate management expertise (are not our Plan failures indicative?) while being successful in furthering the yawning hiatus between administrators and the administered?

Shri Singhvi's blueprint is good in its way but I am not so sure if 'Master of Government Administration' can be developed as a distinct discipline for professionalization. It is also not quite clear how Shri Singhvi structures his concept of 'administration in action'. I am equally not certain that international affairs should force its entry into one of my 'new frontiers', because, conducting foreign affairs has of late developed so much that it requires a high level professional expertise and different skill-drills, but they are not for all administrators of seventies but only for some. Law is, of course, an important attribute, training in which is even now imparted to those who are required to apply it. My only fear is that over-emphasis on law may make bureaucrats more rule-bound and regulation-oriented and not what La Palombara would call 'more free wheeling'!

—B. K. DEY

PERFORMANCE APPRAISAL & PROMOTION SYSTEM*

The feeling that unmerited advancement or recognition of undeserving persons in our present administrative system is the order of the day cannot be dismissed as baseless. But the way to eradicate such a feeling is not easily attainable. Looking from one angle, it is a pathological symptom of our ailing political system. Looking from another angle, complete objectivity is an impossible achievement in a human world, for the laboratory atmosphere cannot be created in a volatile world of human beings. What is necessary, however, is to give a man his due.

The assessment of Government servant's performance for enabling him to advance careerwise must be viewed from the above standpoint. "The primary aim of the appraisal", as Shri Govind Narain has rightly pointed out, "is to obtain a balanced evaluation of employee's strength and weakness in the light of the requirements of the situation and towards the fulfilment of the desired objective" (p. 2). But it will not be possible to define every job in the logical sense with connotation and denotation. What we can do is to describe the broad functions of a particular post or position. This will enable the position-holder to know what is the minimum expected of him. This will also enable him to suggest any improvement in his role.

The present system of assessment, as seen from the form prescribed, provides only qualitative assessment of a person working under Government†. Such assessment is bound to be subjective to a considerable degree. It is, therefore, imperative to add a quantitative assessment of a person's performance to it so that in any given situation, the qualitative aspect can be easily judged from the quantitative assessment. The suggestion of Administrative Reforms Commission that a resume from the officer should form a part of the assessment is a good idea. But it should be specifically suggested that the quantitative account of his performance should also form a part of the resume.

Generally, an adverse remark made by the reporting officer is communicated to the person reported upon so that he can explain his conduct so far

*The original article of this title by Shri Govind Narain was published in the Journal in Volume XVI, No. 1 (Jan.-March), 1970.

†For forms and details regarding writing of confidential reports, *see* Kailash Prakash, "The Annual Assessment and Promotion System in Indian Bureaucracy" *IJPA*, Vol. XII, No. 4 (Oct.-Dec.), 1966.

as a particular remark is concerned. However, in the existing system, if a person gets an "average" remark, he will not know whether he is still to improve upon his work. It will, therefore, be better if the reporting officer's remark, adverse or otherwise, were communicated to the person reported upon. If the ARC's recommendation is accepted, we can only make three types of remarks, namely: (1) Fit for promotion out of turn, (2) Fit for promotion, and (3) Not yet fit for promotion. Here, adverse remark ceases to exist and no communication needs be made to the person reported upon. I feel that the complete report, including a remark on resume, should be communicated to the person concerned. At the same time, he should also be permitted to explain anything if he so likes.

In a system of assessment where the individual way of looking at a situation is bound to prevail, this will also enable the reviewing officer to know both sides before recording his final impression. It need not be feared that this open reporting system will compel the reporting officer to give only good reports as regards subordinates. This can also be checked by the reviewing officer. It may, on the other hand, enable officers to have better understanding of the roles-relations so far as superior and subordinates are concerned. It will also encourage the superior in cultivating the necessary boldness which is expected of him in tackling the staff under him.

It will further be necessary that an administrative tribunal should examine from time to time, the reports made on individual officers and reviews thereof. The tribunal may, if necessary, interview concerned officers and give suitable instructions to reporting and reviewing officers to modify their views or express contrary opinions giving reasons thereto. This will be another safeguard for the officials working under Government. Based on its experience, the tribunal may suggest improvement in the report-review system.

The tribunal should be statutory, consisting of judicial and administrative officers who are experienced in the field of public administration. They should be appointed for a fixed term and there should not be a reappointment in order to ensure impartiality. An open reporting system with provision for review by such a body will enable Government servants to render free and impartial advice when asked for and to carry out their duties without fear or favour. These safeguards are very much necessary in a system where personal considerations and political victimizations are felt to be at a premium. This will also enable the concerned officers to know their deficiencies and make honest efforts to remove them. This will also help the Government to weed out inefficient people if the tribunal proposed will be made competent to point out such cases.

To raise the morale of public administrators at various levels, it is necessary that the Administrative Reforms Commission's suggestion and the additional measures suggested above should be implemented forthwith.

—P. K. DAS

INSTITUTE NEWS

Shri L. P. Singh, ICS (Home Secretary to the Government of India) has laid down the office of Editor, IJPA, w.e.f. June 30 after a term of over 12 years. During this period the Journal grew from strength to strength. The Director, *Dr. J. N. Khosla*, has been appointed the Editor of the Journal.

Similarly, there has been a change at the Assistant Editor's level. *Shri V. M. Kulkarni* is officiating as Assistant Editor in place of *Prof. B. S. Narula*.

A National Convention on Union-State Relations was organized from April 3 to 5 under the joint auspices of the Institute of Constitutional and Parliamentary Studies, IIPA, and the Indian Law Institute.

Inaugurated by *Shri G. S. Pathak*, Vice-President of India, the Convention had four business sessions on: (1) General Issues, (2) Functional Relationship, (3) Financial and Planning Relationship, and (4) Political and Administrative Relations. *Dr. B. N. Ganguli*, *Dr. C. D. Deshmukh*, *Shri A. K. Chanda*, and *Dr. L. M. Singhvi* respectively presided over the sessions. The concluding session was addressed by *Shri Asoka Mehta*.

The participants mainly were distinguished public men, Members of Parliament, eminent jurists, academicians, and senior government officials—both serving and retired. The basic working paper for the cenvention was prepared and presented by IIPA.

A two-day Seminar on "Creation of Proper State Machinery for Municipal Supervision" was organized by IIPA's Centre for Training & Research in Municipal Administration on May 7-8. The Seminar examined the problem of building up a suitable State machinery for framing long-range strategic policies on municipal government as well as ensuring improvement in the operational efficiency of the municipal bodies.

The areas of discussion were: legal basis of municipal government, state level organization, administration and finance, state functional departments and municipal bodies, and district administration and municipal government.

Besides the faculty members of IIPA, the Seminar was attended by 25 participants from various academic institutions—such as National Academy of Administration, Indian Law Institute, Public Administration Departments of Lucknow and Panjab Universities, etc.—State Government departments and others.

Shri Hans Raj Gupta, Mayor of Delhi, addressed the valedictory session.

The Institute organized the Seventh Course on Performance Budgeting for 32 middle-level officers engaged in budgetary, finance and accounting work in: Departments

and Ministries of the Government of India (14); State Governments (9); Union Territories (2); Office of the Comptroller & Auditor General of India (2); Planning Commission (1); National Cooperative Development Corporation (1); Indian Oil Corporation (1); Office of the Controller of Defence Accounts, Southern Command (1); and Damodar Valley Corporation (1).

This 11-day course commenced on April 20.

* * *

IIPA has set-up a Pay Research Cell to undertake research studies for the Third Pay Commission appointed by Government of India in April, 1970.

The Cell is headed by *Shri A. V. Seshanna* (till recently Deputy Secretary, ARC) whose services have been loaned to the IIPA by the Government of India.

* * *

The subject for this year's Special Number of IJPA is "Union-State Relations—Administrative Aspects". The Special Number will be published in October at the time of the Institute's General Body Meeting.

The following three subjects were announced for the IIPA's Annual Prize Essay Contest 1970: (1) Role of Civil Service in Indian Political System; (2) Administrative Challenges of the 1970's; and (3) Administration in the Universities.

* * *

On May 26, *Mr. Angus Maddison*, who is on the staff of Harward University's Centre for International Affairs, gave a talk at the Institute on "The Planning and Bureaucracy in Pakistan".

Mr. J. Douglas Hoff, Director, International Visitor Office, U. S. Service Commission, paid a visit to the Institute on May 8. Earlier *Dr. Soiji Iijima*, President of Hiroshima University, Japan, had paid a visit to IIPA on March 13.

On May 19, a party of 15 officers drawn from the Industrial College of the Armed Forces of the United States visited the Institute.

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The following joined the Financial Management Unit during the quarter:

(*i*) *Shri P. N. Balu*, IAS (Deputy Secretary, Government of Punjab) as Programme Consultant (State Budgets);

(*ii*) *Shri B. N. Gupta* (of Madhya Pradesh Education Service) as Reader in Financial Management; and

(*iii*) *Shri A. V. Chaturvedi* (Assistant Executive Engineer, C.P.W.D., Calcutta) as Technical Associate.

Dr. S. P. Verma, till recently Analyst in Consultancy Division has now been appointed Reader in Personnel Administration. Dr. Verma is currently attached to the IIPA's recently set up Pay Research Cell.

Shri Mohit Bhattacharya, Lecturer in Municipal Administration, has been promoted as Reader in Municipal Administration in the IIPA's Centre for Training and Research in Municipal Administration.

The following lectures were organized at IIPA Regional/Local branches:

Branch & Date	*Subject*	*Speaker*
LOCAL BRANCH		
Ajmer (March 17)	Crisis of Values	*Prof. Sidheshwar Prasad*, Union Deputy Minister of Irrigation & Power. (*Shri Anil Bordia*, Collector of Ajmer, presided.)
REGIONAL BRANCHES		
Maharashtra (Bombay, March 17)	Data Processing for Public Administration	*Shri V. V. Gokhale*, Deputy Secretary, Deptt. of Rural Development, Government of Maharashtra. [*Shri B. A. Bambavale*, ICS (retd.), presided.]
Madras (March 3)	Centralization *vs* Decentralization	*Prof. Northcote Parkinson*, British Political Scientist.

The new book entitled *Administering Agricultural Development (Co-ordination, Initiative, and Communication in Three North Indian States)* by Dr. A. P. Barnabas and Dr. Donald C. Pelz was published by IIPA during the quarter. This 156-paged book is priced at Rs. 10.00 (postage extra).

RECENT DEVELOPMENTS IN PUBLIC ADMINISTRATION

The Administrative Reforms Commission (ARC), which was set up by the Government of India in January 1966 wound up its business on June 30, 1970, after submitting 20 reports to the Government of India on various subjects, containing 537 recommendations.

At the time of its setting up, the ARC was requested to consider, in particular, the following areas: (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.

The first chairman of ARC was *Shri Morarji Desai*, M.P., who, on entering Union Cabinet, was succeeded by *Shri K. Hanumanthaiya*, then senior most member of ARC. As originally constituted, the Commission comprised of Shri Morarji Desai, Chairman, and Shri K. Hanumanthaiya, Shri H. C. Mathur, Shri G. S. Pathak, Shri H. V. Kamath—all M.Ps.—as Members, and Shri V. Shankar was the Member Secretary. Later, when Shri Morarji Desai and Shri G. S. Pathak took up Central Cabinet portfolios, Shri Debobrata Mookerjee, M.P., and Shri V. Shankar were appointed as members. The responsibilities of the Member-Secretary were assigned to Shri V. V. Chari. The vacancy caused by the death of Shri H. C. Mathur was filled by Shri T. N. Singh, M.P. On November 24, 1969, Shri N. S. Pandey, Joint Secretary in ARC took over charge of Secretary, ARC, from Shri Chari.

In all, the Commission set up 20 Study Teams, 13 Working Groups and one Task Force. The 206 persons who served on these bodies, represented a cross section of distinguished persons, such as Ministers of Central Government and Chief Ministers; Vice-Chancellors and University Professors; Scientists and heads of national laboratories and institutes; executives from public and private sector industries and commerce; and Attorney General, a High Court Judge, eminent lawyers, etc.

The ARC also farmed out some studies to professional organizations, like IIPA, National Council of Applied Economic Research, and Universities. The IIPA conducted the following four studies: (1) Control of Panchayati Raj Institutions, (2) Experience of Citizens with Regard to Administration, (3) Union-State Relations in Urban Development, and (4) Relations between Ministers and Civil Servants. In addition, the IIPA carried out 25 background studies for the use by various ARC Study Teams. Prof. B. S. Narula, till recently Assistant Editor of IJPA, also served as full-time Special Assistant to the Chairman of ARC for 3 years.

The ARC submitted the following 20 reports to the Government: (1) Problems of Redress of Citizens' Grievances (Interim); (2) Machinery for Planning (Interim); (3) Public Sector Undertakings; (4) Finance, Accounts & Audit; (5) Machinery for Planning (Final); (6) Economic Administration; (7) The Machinery of the Government of India & its Procedures of Work; (8) Life Insurance Administration; (9) Central Direct Taxes Administration; (10) Administration of Union Territories & NEFA; (11) Personnel Administration; (12) Delegation of Financial & Administrative Powers; (13) Centre-State Relationships; (14) State Administration; (15) Small Scale Sector; (16) Railways; (17) Treasuries; (18) Reserve Bank of India; (19) Posts and Telegraphs; and (20) Scientific Departments.

Besides these reports, an ARC Study Team Report on Defence Matters, and an ARC Working Group Report on Defence Production, were also finalized.

A digest/summary of the reports mentioned at serial numbers 1-7, 11-14 and 17 were given in the issues of IJPA from time to time. Summaries of the two reports at serial numbers 19 and 20, submitted during the quarter under review, are given at pp. 252 and 260.

The ARC made extensive inquiries and gathered direct evidence on its own, apart from the examination of specific subjects conducted by its Study Teams and Working Groups. It held its sittings in most of the State capitals, spread over a period of a year and a half. At the invitation of the ARC, evidence was also given by high functionaries like Central and State Ministers (including Chief Ministers), Chairman of Union and State Public Service Commissions, Members of Parliament and state legislatures, leaders of political parties, vice-chancellors, prominent industrialists and businessmen, trade union leaders, professional men, civil servants, etc. The purpose of the Commission's tours and sittings all over the country was to gain a feel of public opinion *vis-a-vis* the administrative machinery, to take counsel from experienced and knowledgeable persons and to appreciate the shortcomings of the administration as they are seen by the administrators as well as the 'administered'.

In making its 537 recommendations, the Commission, according to a review of the functioning of ARC published by ARC itself, was guided by the following considerations: the intensity or magnitude of the administrative system of procedure to the demands of developmental functions or tasks; the viability of the proposed reforms in terms of administrative, social and political challenges; the need for improving efficiency, effecting economy and raising administrative standards; the need for maintaining a balance between administrative innovation and change and administrative stability; the need for improving the responsiveness of the administration to the people; the urgency for reform; and, the demands of the present and the needs of the future.

* * *

The new State 'Meghalaya' described as "a new constitutional experiment", came into existence on April 2. Carved out of Assam, the State will consist of three districts. It will have a total area of 8,666 square miles and an estimated population of 733,000. The three districts in the State have matriarchal societies.

* * *

In order to secure greater coordination, economy and efficiency, the Government of *Maharashtra* has

decided to unite the Medical and the Public Health Departments w.e.f. May 1. As a first phase of integration of the Departments, the existing posts of: (*i*) Director of Public Health, and (*ii*) Surgeon General in the Government of Maharashtra are being abolished.

The Director of Health Services with headquarters at Bombay will be assisted by two Joint Directors of Health Services with headquarters at Poona, one dealing with Health Services and the other with Hospitals, excluding teaching hospitals. At the Divisional level, in place of the existing four Deputy Directors of Medical Services and four Deputy Directors of Public Health, incharge of the four Divisions into which the State is divided, there will be seven Deputy Directors of Health Services, each incharge of three to four Districts, with supervisory duties covering both the Medical and the Public Health Services.

A post of Director of Medical Education and Research has been created to look after all aspects of medical education including dental education, along with hospitals attached to the teaching institutions, training of medical and para medical personnel and all activities pertaining to research.

The Director of Medical Education and Research will have headquarters at Bombay. He will be assisted by a Deputy Director.

The Government of *West Bengal* has set up a Bureau of Investigation in the Finance Department for the purpose of investigating cases of evasion of sales tax as well as malpractices connected therewith. The Bureau will have a Special Officer of the rank of Superintendent of Police, who will have jurisdiction over the entire State. Some other officers and staff will assit him.

* * *

The Government of India has appointed a five-member Third Pay Commission for Central Government employees. The Commission is headed by *Mr. Justice Raghubar Dayal*, ex-Judge of the Supreme Court, and its members are: *Dr. Nihar Ranjan Ray*, Director, Indian Institute of Advanced Studies, Simla; *Prof. A. K. Dasgupta*, Director of A. N. Sinha Institute for Social Studies, Patna; and *Dr. V. R. Pillai*, ex-Professor and Head of the Department of Economics, Trivandrum. *Shri H. N. Ray*, ICS, is the Member-Secretary for the Commission.

The terms of reference of the proposed Commission are considered to be very comprehensive as compared to the scope of enquiry of the last Pay Commission. The Commission's report will cover: (*a*) personnel of the all-India services; (*b*) defence combatant personnel, and (*c*) the employees of the Union Territories. The Commission, which will make its recommendations "as soon as practicable", has also been asked to consider, if need be, the demand of interim relief on account of increased cost of living index. 'Need-based minimum wage' (reference recommendations of the 15th Indian Labour Conference), and 'death-cum-retirement benefit' are the other two important questions which have been specifically referred to the Commission.

Considering the onerous responsibilities of Chief Secretaries to the State Governments in the present set-up, the Government of India has decided to raise the pay of Chief Secretaries and bring it on a par with that of Secretaries in the Government of India. In addition, the Government also considers that for a proper hierarchical formation of the cadre structure, there should be one or two posts of the rank of Additional Secretary to the Government of India, in each State. It is proposed to give effect to these changes from March 1, 1970.

The Union Government has raised the minimum limit of selection grade posts of IAS under State Governments from 5 to 15 per cent (with retrospective effect from March 1, 1970) in order to attract bright university graduates in adequate numbers. The need to amend the rules was felt because at the present rate of recruitment (which has, of late, been stepped up considerably) the prospects of new recruits' moving into the selection grade will begin to deteriorate.

The Government of *Madhya Pradesh* has created a Selection Grade for Deputy Collectors in the scale of pay: Rs. 900—50—1000—60—1360 (earlier pay scale was Rs. 700—700—30—850—EB—25—950). The strength of the selection grade has been fixed at ten per cent of the permanent posts in the cadre of Deputy Collectors. On initial appointment to the selection grade post, the pay of Deputy Collector will be fixed in such a manner that he will get a minimum increase of Rs. 100 p.m. in his pay. The posts of Selection Grade Deputy Collectors have also been declared as Class I posts.

A high-power Committee to go into the grievances of gazetted and non-gazetted employees of the Telengana region has been set up by the Government of *Andhra Pradesh*. The Committee, headed by *Shri Nasir Ullah Beg*, ex-Chief Justice of Allahabad High Court, will also advise the Government on the steps to redress the complaints.

Ad hoc increments to Class III and IV Railway employees, who have been stagnating on the maximum of their pay scales, have been sanctioned by the Government of India. The question of extending this concession to other Central Government employees is now under consideration.

The Government of *Orissa* has (w.e.f. April, 1969) sanctioned, to the State Government employees, dearness allowance equal to the rates allowed at present to the Central Government employees. The State Government has, however, deffered the revision and rationalization of scales of pay of its employees, as recommended by the State Pay Commission which submitted its report in 1969, till the recommendations of the recently appointed Central Pay Commission are known.

The pay ceiling for admissibility of house rent allowance, paid to the Central Government employees, has been raised from Rs. 500 to Rs. 620, inclusive of dearness pay. The new limit comes into effect from February 1, 1969.

The Government of *Madhya Pradesh* has enhanced the maximum pay limit of the State Government servants for admissibility of house rent allowance from Rs. 190 p.m. to Rs. 280 p.m. This enhancement was necessitated to rectify an anomaly caused by the issue of earlier orders (in February, 1969) of the State Government regarding treatment of a portion of dearness allowance as pay for certain purposes.

Pensioners of the *Mysore* Government will receive increased pension from April 1 this year. The minimum pension inclusive of dearness allowance, has been raised from Rs. 30 to Rs. 40 p.m. A similar rise in pension has also been granted to *Rajasthan* Government employees from March 1.

The Government of *Uttar Pradesh* has extended the facility of pro-rata pension and death-cum-retirement gratuity to such State Government employees as were permanently absorbed in public sector undertakings on or before Septemer 15, 1969. Rules governing eligibility and calculation of the pension and the gratuity have been specified in the orders of the State Government on the subject.

A study made by the Union Ministry of Home Affairs has revealed that the number of candidates who appeared in the IAS, etc., examination has dwindled from 6,572 in 1959 to 5,165 in 1967 notwithstanding the fact that during the period the turnout of graduates from the universities has increased considerably. The number of first class graduates turned out by the universities increased from 6,434 in 1959 to over 11,000 in 1967, against which the number of first class graduates who competed at the IAS, etc., examination decreased from 818 in 1959 to 604 in 1967. Thus, in 1967, only an average of 6 first class graudates competed for a vacancy in the Indian Administrative Service as compared to an average of 11 in 1959. This has affected the quality of recruitment inasmuch as the percentage of first class graduates appointed to the IAS, has declined from 52 in 1959 to 36 in 1967.

After their re-examination in the light of the comments received from the various State Governments, the draft rules/regulations concerning the constitution of the Indian Service of Engineers have now been referred to the Union Public Service Commission for their advice. In the meantime, the State Governments have been requested to compile the service particulars of the State Engineering Service officers who satisfy the conditions of eligibility for appointment to the ISE at its initial constitution.

According to an ordinance (April 26) of the *Kerala* Government, all appointments in the State Financial Corporation, the State Warehousing Corporation and other Government companies have been brought under the purview of the Kerala State Public Service Commission. Government companies are defined as those in which not less than 51 per cent of the paid up share capital is held by the State Government.

The Scientific Adviser to the Defence Ministry will, henceforth, enjoy the status of a Secretary to the Government of India.

The Government of *Maharashtra* has set up a Committee, with the Chief Minister as its Chairman, to study the various problems facing women employees particularly in rural areas. The Committee would recommend what steps the Government should take to create an atmosphere of proper security so as to enable women employees in the rural areas to work and tour freely and safely within their spheres of jurisdiction.

In view of the current financial difficulties and the need to release resources for development, the Government of *Tamil Nadu* has set up a high level Committee which will examine the question of reorganization of functions and re-distribution of staff. The Committee consists of Chief Secretary, Additional Chief Secretary, and Finance Secretary. It will go into the existing sanctions of staff in various departments with a view to effecting economy through suitable proposals for rationalization. The Committee's analysis will proceed independently of the proposals received currently for their continuance. It will concern itself, in the first instance, with the following Departments: (*a*) Agriculture; (*b*) Health Services and Family Planning; (*c*) Food; and (*d*) Rural Development.

As recommended by a Committee, set up under the chairmanship of the Union Home Minister to review the performance of the Ministries/Departments concerned in recruitment of Scheduled Castes/Tribes in the different services, the Government of India have asked all the Ministries and Departments to set up 'Cells' to secure proper enforcement of orders providing reservation of posts for them. Each Cell would be under the direct control of the Liaison Officer of the respective Ministry or Department.

The Government of *Uttar Pradesh* will make (w.e.f. April 25, 1970) two per cent reservation in Government employment to persons belonging to Scheduled Tribes; the maximum age for recruitment in their case will be relaxed by five years. The fees to be charged from these candidates for competitive examinations/interviews conducted by the Public Service Commission will also be one-third of the normal fees.

Further, in the case of non-availability of suitable candidates of Scheduled Tribes in adequate numbers for the reserved vacancies, such vacancies shall be treated like non-reserved vacancies and recruitment made accordingly, but those vacancies will be carried forward on subsequent occasions for recruitment. Thus, vacancies reserved for candidates of Scheduled Tribes will be made available to them for a period of five years, and thereafter such vacancies will be treated like non-reserved ones.

Delivering judgment on a writ petition, on April 14, the *Andhra Pradesh* High Court observed that the Constitution provided only reservation of certain posts in favour of Scheduled Caste candidates at the initial stage of appointment. This provision, the Court held, did not mean that Government could give preference to them in the matter of seniority.

A *Maharashtra* State Government servant, Gazetted or non-Gazetted, who takes earned leave for a period of not less than 30 days, will now be allowed, subject to certain conditions, to surrender the balance of earned leave (or any portion thereof) to his credit on the date of commencement of leave, at his option, subject to a maximum of 30 days and will be granted leave salary, dearness allowance and compensatory local allowance (and non-practising allowance where admissible) for the period of the leave surrendered. The leave salary will not be liable to any deductions. A Government order to this effect was issued recently.

Grouping them into convenient zones, the Government of *Tamil Nadu* has staggered working hours of the Government offices and educational institutions in the Madras city in view of the difficulty experienced by Government servants in reaching the places of work, during peak traffic hours in the morning and returning therefrom in the evening.

* * *

A Committee of three judges, headed by the Chief Justice of India, has undertaken a study of arrears of cases in the High Courts. The Committee, in its report, would also suggest remedial measures.

The Government of *Himachal Pradesh* has appointed an 18-member State Advisory Board to supervise and suggest improvements in the administration of jails.

The Board, which is headed by

the Chief Minister, will also advise the Government about prevention, control and treatment of crime and delinquency besides suggesting means for the rehabilitation of offenders.

A Law Commission, with *Shri J. K. Tandon*, retired Judge of the U.P. High Court, has been appointed by the Government of *Uttar Pradesh*. The Commission will inquire generally into the system of administration of justice in this State and make recommendations mainly pertaining to simplifying the processes of law and thus, bringing justice within the reach of the common man expeditiously and at less expense.

* * *

The Government of India, in consultation with the State Government of Assam, has set up a nine-member Brahmaputra Flood Control-Board under the chairmanship of the Union Minister for Irrigation and Power. The Board will help in preparing and implementing an integrated plan to tackle the flood, erosion and drainage congestion problems of the State in order to ensure a reasonable amount of protection to the people of Assam from the recurring damage by the floods in Brahmaputra. It will also help in ensuring close cooperation between the Central and the State Governments and facilitate prompt and effective action in the formulation and implementation of a comprehensive and coordinated plan for flood control.

The Government of *Assam* is to set up a whole-time organization called the "Brahmaputra Flood Control Commission" for preparing a comprehensive plan of the flood control in the valley and for execution of related works. The Chairman of the Commission will be an *ex-officio* member of the Brahmaputra Flood Control Board. A Board of Technical Consultants will also be created to review the work of the Commission and to advise on the problems that may arise during planning, designing and execution of the flood control schemes.

Government of *Kerala* has issued an Ordinance (April 28) creating agricultural courts to settle agricultural disputes, including payment of prescribed wages to agricultural workers.

The Government of *Maharashtra* has decided to grant all available waste lands to landless persons without further delay and in any case, not later than January 31, 1971.

The Government had earlier (in April, 1969) appointed district committees under the chairmanship of the presidents of zilla parishads for carrying out surveys of Government lands in the charge of Revenue Department, forest lands under the Forests Department and also lands set apart for grazing. These committees have been instructed to submit their reports by July 31, 1970.

To complete the distribution of all the available waste and forest land within this schedule and to enable the allottees to bring the lands under cultivation during the 1971-72 season, the Government has directed the Collectors of all districts to take immediate steps to distribute all available waste land without submitting proposals to the Government. Further, the Collectors have also been authorized, subject to strictly following the procedure and priorities laid down in the Waste Lands Disposal Rules, to delegate the powers of disposal of lands to Tahsildars, under Section 31 of the Maharashtra Land Revenue Code, 1966.

The Government of *Mysore* has set up a Water Resources Development

Organization headed by a Director/Chief Engineer. The Organization will function on a continuous basis with specially trained personnel as repository of all information on river valleys in the State, and deal with inter-State problems on the Krishna, Cauvery and Godavari basins. It will keep and publish record of accurate river gaugings, investigate projects thoroughly, and keep "Water Account" of river flows in general.

In the interest of social justice as well as agricultural production, the Government of *West Bengal* has introduced a number of land reform measures. Some of the important reforms are: (*a*) District Officers will take immediate action for taking over all lands which are vested in the State and for the distribution of such lands among the eligible agriculturists of the locality, namely, landless agricultural labour, landless sharecroppers or 'bargadars' and small farmers holding below two acres of land. The distribution, on annual licences, will be made in consultation with the Gram Sabhas, the local Member of the Anchal Panchayat, local representatives of peasants' organizations, and other responsible persons of the area and on the advice of Block Level Land Reforms Advisory Committee with the Sub-Divisional Officer as Chairman, the Junior Land Reforms Officer as Secretary and with the Block Development Officer, the Agricultural Extension Officer, the Sub-Divisional Land Reforms Officers and the local Camp Officer of the Settlement Directorate as Members; (*b*) The Directorate of Land Records and Surveys has been asked to expedite the proceedings and intensify the drive for the detection of lands held in excess of the statutory ceiling or under malafide or fictitious transfer (Benami). Government will take immediate possession of all lands which vest in the State as a result of these proceedings and distribute the lands among people of the locality who belong to the eligible categories specified above; and (*c*) Necessary legislation for imposing a ceiling on the aggregate holding of agricultural lands on a family basis instead of individual basis, as at present, will be initiated. The land in excess of the new ceiling will be taken over on payment of compensation under the West Bengal Estates Acquisition Act, and will be distributed among the eligible landless people of the locality.

* * *

The Monopolies and Restrictive Trade Practices Act, 1969, came into force from June 1, 1970. The legislation seeks to ensure that the operation of the economic system does not result in the concentration of the economic power to the common detriment, and provides for the control of monopolies, prohibition of monopolistic and restrictive trade practices and other connected matters.

The Act, among other things, empowers the Central Government to establish a Commission known as the 'Monopolies and Restrictive Trade Practices Commission'.

Under the Act, prior approval of the Central Government would be necessary for: (*i*) substantial expansion of undertakings to which Part 'A' of Chapter III of the legislation applies; (*ii*) establishments of a new undertaking which, when established, would become an inter-connected undertaking of an undertaking to which clause (*a*) of section 20 applies; and (*iii*) certain schemes of merger; amalgamation, acquisition by purchase, take-over, etc. The Act empowers the Central Government to regulate interlocking of directors or partners of undertakings to which Part 'A' applies. Government can

also order division of undertakings covered by Part 'A' of Chapter III of the Act.

On matters relating to concentration of economic power, the Commission will advise the Central Government on the cases which may be referred to it.

The Bill to replace the Ordinance for regularising the re-nationalization of 14 major commercial banks became law on March 31, 1970, when the President of India accorded his assent to it.

The Government of India have set up a 14-member Research Programme Committee in the Department of Company Affairs, to advise the Ministry of Industrial Development, Internal Trade & Company Affairs on matters connected with economic policies bearing on industrial development, with particular reference to the operation of the corporate sector in the country.

The Committee, with *Shri R. Prasad* (Secretary, Department of Company Affairs), will, among other things, assist in conducting suitable research studies in the Department of Company Affairs and in the preparation of research studies to be taken up either in the Department or by the members themselves. The Committee, has been appointed for a period period of two years.

Sixty-Second Report of the Committee on Public Undertakings (Fourth Lok Sabha) on Central Road Transport Corporation, Ltd., recommends for the winding up of this Corporation as early as posible.

The Committee came to this conclusion because there have been various financial and administrative lapses on the part of the Corporation and also because the Ministry of Transport has failed to put it on a commercially sound footing during the course of last six years. During the period of its working, the entire investment in the undertaking amounting to Rs. 34.01 lakhs as paid up capital and Rs. 1.24 lakhs in the shape of reserve and surplus, have been practically consumed.

The Parliamentary Committee on India Tourism Development Corporation Ltd. (ITDC), has noted in its 70th report that all the four Government-run hotels in Delhi namely, Ashoka, Janpath, Lodhi and Ranjit, cater to the needs of higher class and upper middle class tourists and no provision has been made to cater to the needs of the lower income groups of tourists, both Indian and foreign. The Committee has recommended that ITDC, being a public utility undertaking, should endeavour to cater to the needs of different income groups instead of confining its activities to meeting the requirements of the tourists coming from affluent societies alone. The Corporation should, therefore, set up hotels in Delhi and elsewhere to meet the requirements of lower income groups.

The Committee has noticed a tendency on the part of the Government to identify ITDC as an agency of Government for promotion of tourism which it highly disapproves. The Committee has reiterated that the overall development of tourism should be the exclusive responsibility of the Government and not of the ITDC. Moreover, according to the Committee, ITDC may not be able to handle the entire tourist traffic of the country owing to its limited resources and experience. This will naturally involve the participation of other public sector undertakings like Air India and private sector undertakings in the rendering of services to the tourists for the time being.

In order to ensure timely completion of public sector projects, the Bureau of Public Enterprises in the Ministry of Finance, has drawn up guidelines based on the 'Network Technique' for construction, planning and scheduling of projects.

Known also as Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) the Network Technique is a recent development which provides an integrated construction management for projects of complex nature.

All public sector projects with an investment of one crore of rupees and above are already required, according to a Government directive issued some time ago, to have complete master plan of construction based on the Network Technique. The new guidelines will serve as framework for detailed plans which may be drawn up by the undertakings.

The University Grants Commission (Amendment), Bill 1970, adopted by the Lok Sabha and the Rajya Sabha on May 15 and 18 respectively, provides for reorganization of the Commission. It seeks to strengthen the Commission so that it might better discharge its function of overseeing standard of education in the universities, the number of which has been steadily increasing over the years.

According to the Act, among other changes, membership of the Commission would now be raised from nine to twelve and the chairman of the Commission would be chosen from among the persons who are not officers of the Central Government or any State Government.

* * *

The University Grants Commission has appointed two committees to consider issues relating to governance of universities and colleges. The terms of reference of the Committee on Governance of Universities are to consider the structure of universities; functions, responsibilities and powers of the statutory bodies; conditions of service of staff; and student participation and related matters.

The Committee on Governance of Colleges will go into relationship of colleges with universities, conditions of affiliation, procedure of selection and conditions of service of teachers, constitution and powers of governing bodies, university representation, student participation and related matters.

The Government of India has approved a scheme for subsidizing production or re-production of low-priced editions of standard educational materials by Indian authors. The scheme, which is called "Subsidized Publication of University-Level Books in English" would include textbooks, reference books or other reading material. The Ministry of Education and Youth Services has entrusted the implementation of the scheme to National Book Trust.

The Centre, in cooperation with the States, will soon undertake a crash programme to evaluate all the textbooks used in the States from the standpoint of national integration. About 6,000 textbooks on languages, social studies and other subjects for standards I to XI are expected to be examined for weeding out material on untouchability, casteism, communalism, religious intolerance, linguism and regionalism.

The Government of *Mysore* has created a Special Cell for studying the problem of educated unemployed persons in the state as a whole, evolving a suitable programme for

mitigating the problem and ensuring that it is correctly implemented by the different Departments. The rm of the Cell, in the first instance, ill be one year.

* * *

As follow-up to an Ordinance, issued by the Government of *Rajasthan*, a Housing Board consisting of 10 members will start functioning soon. It will take up such housing schemes as it deems necessary. The Board will also have powers to undertake land development, general improvement, slum-clearance and subsidized industrial housing plans.

DIGEST OF REPORTS

INDIA, REPORT OF THE ADMINISTRATIVE REFORMS COMMISSION ON POSTS AND TELEGRAPHS, New Delhi, Government of India, 1970, pp. 154 (mimeographed).

The Administrative Reforms Commission (ARC) gave its Report on Posts and Telegraphs to the Government of India on May 15, 1970. This Report is based on the Report of an ARC Working Group on the subject which comprised Comrade Ram Kishan (chairman), Shri S. M. Joshi, M.P. and Shri N. R. M. Swamy.

A summary of the recommendations made in the Report is given below:

Organizational Set-Up

1. (*i*) 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.

(*ii*) 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

2. (*i*) The existing P & T Board should be reorganized 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.

(*ii*) The Overseas Communications Service 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.

(*iii*) 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.

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

(*a*) Finance,

(*b*) Telecommunications Operations,

(*c*) Telecommunications Development,

(*d*) Postal Services, and

(*e*) 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.

(*ii*) 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.

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

(*iv*) 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.

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

(*vi*) 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.

(*vii*) 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, thematter should be brought to the notice of the Minister.

4. (*i*) 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.

(*ii*) 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.

(iii) The existing Postal and Telecommunications Sub-Boards must be activised. They should be reconstituted on the lines suggested in para 19 and empowered to take final decisions on matters 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.

5. (i) The P & T budget should be separated from the general budget.

(ii) 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.

6. 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

7. 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.

8. 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.

9. 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.

10. (i) 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.

(ii) 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.

(iii) Economies should be affected in the postal branch by reducing the expenditure on items, such as over-time payments, re-imbursement 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.

11. 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.

12. (i) 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.

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

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

13. 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 organizations or zones if the nature and volume of work clearly warrant such an appointment.

Field Organization

14. (i) 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.

(ii) 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.

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

15. The reorganization of the P & T circles and postal divisions and rationalization of their areas/jurisdictions should be taken up for study and examination in the context of the present circumstances including the trend, momemt and volume of traffic on account of increasing urbanization / industrialization. This task should be taken up by the P & T Board itself.

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

(*a*) studying the economics of rail/air transportation of mails *vis-a-vis* road transportation of mails;

(*b*) 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

(*c*) 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.

17. A Mechanization Research Cell on the postal side should be established in the P & T Board to examine the feasibility of mechanization 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 mechanizing the operations. The design and manufacture of the required equipment should be undertaken in the country to the maximum possible extent.

18. (*i*) 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 circles, 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.

(*ii*) 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.

19. 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

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

21. (*i*) 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.

(*ii*) 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.

22. 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.

23. 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.

24. 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.

25. (*i*) 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.

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

(*iii*) 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.

(*iv*) 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.

26. (*i*) The Department should take steps to control their inventory holdings by better organization in materials management and by adopting modern techniques in this respect.

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

(*iii*) 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

27. 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.

28. (*i*) 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.

(*ii*) For the clerical and allied cadres, a knowledge of the language or languages officially recognized 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.

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

(*a*) Each circle should have a postal training centre;

(*b*) Refresher courses should be organized for serving personnel, technical as well as non-technical; and

(*c*) For management training, the Department should utilize fully the services of the existing professional institutions of all-India importance.

30. (*i*) 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 deputationists provided they have the requisite qualifications and experience.

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

Relations with the Public

31. (*i*) In the P & T Board the work relating to complaints should receive the first attention, and enjoy overriding 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.

(*ii*) 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.

32. (*i*) 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

scrutinized regularly by all inspecting officers.

(*ii*) 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.

(*iii*) While certain categories of individuals and organizations 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.

33. The advisory bodies that exist at different levels in the department should be utilized 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 utilized more purposefully.

34. (*i*) 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.

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

INDIA, REPORT OF THE ADMINISTRATIVE REFORMS COMMISSION ON SCIENTIFIC DEPARTMENTS, New Delhi, Government of India, 1970.

The Administrative Reforms Commission (ARC) gave its twentieth and last Report on Scientific Departments to the Government of India on June 30.

A summary of recommendations made in the report is given below:

Machinery at Supra-Ministerial Level

1. (*i*) Arrangements should be made for ensuring co-ordinated 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.

(*ii*) 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.

(*iii*) 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.

(*iv*) 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.

(*v*) The major scientific organizations 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.

2. 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.

3. (*i*) The supra-ministerial level organization in the Central set-up should consist of the following two institutions:

(*a*) 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 utilization of national scientific resources and manpower. It should be a compact body of not more than nine persons consisting mainly of eminent scientists/technologists.

(*b*) A Coordination Committee under the chairmanship of the Cabinet Secretary, consisting of the heads of five major scientific organizations and 6 or 7 other persons selected on their individual merits.

(*ii*) Both these organizations should be served by a scientific cell in the Cabinet Secretariat.

(*iii*) 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.

4. (*i*) The allocation of financial resources within the scheme of priorities for the plan period should be

settled by the proposed Cabinet Committee on Science and Technology in consultation with the Planning Commission.

(*ii*) An annual review of the country's progress in scientific research should be prepared by the Co-ordination 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.

5. 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 Organizations and Isolated Scientific Departments

6. (*i*) 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.

(*ii*) A scientific organization 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 organization dealing with related matters.

(*iii*) 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.

7. (*i*) 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.

(*ii*) Pending such reorganization, 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.

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

8. (*i*) The constitution of Indian Council of Agricultural Research should be formalized and it should be reorganized on the pattern of the Atomic Energy Commission.

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

(*iii*) 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.

9. (*i*) **The Defence R. & D. Organization 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.

(*ii*) 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 utilized for serving civil needs as well.

10. (*i*) 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.

(*ii*) 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.

(*iii*) 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.

11. Research institutions

under the major scientific organizations and isolated departments should continue to have their present link and association with the organizations/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, (*a*) geo-sciences, (*b*) bio-medical sciences, (*c*) natural resources, and (*d*) 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.

12. 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.

13. (*i*) An Executive Council should be provided at the level of the laboratory/institution 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.

(*ii*) 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 affect the working of the institution.

14. (*i*) 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.

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

(*iii*) 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.

(*iv*) 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

15. (*i*) The Council of Scientific & Industrial Rsearch 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.

(*ii*) The scientific personnel of the Council of Scientific & 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.

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

16. (*i*) Industries should be encouraged to set up their own research laboratories for dealing with the specific problems.

(*ii*) 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.

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

(*iv*) 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 group of members but which are considered necessary in the interest of technological improvements in the industry as a whole.

17. 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.

18. 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.

19. 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.

20. (*i*) In addition to research laboratories in the public sector units, there should also be a Central Research and Development Organization 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 interplant nature.

(*ii*) These research units should maintain close liaison with the appropriate national laboratories and other research organizations.

Personnel

21. (*i*) 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 organizations 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.

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

(*iii*) 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.

22. The Directors of 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.

23. (*i*) 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.

(*ii*) 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.

24. (*i*) 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 organization/department.

(*ii*) 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.

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

26. An All-India Scientific Civil Service is not desirable.

27. (*i*) 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.

(*ii*) 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 organization 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 & Procurement of Stores

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

29. (*i*) Scientific organizations should be empowered to purchase for themselves such special equipment and stores as may be peculiar to their needs.

(*ii*) 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.

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

(*iv*) A Standing Committee on

which the scientific organizations/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.

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

31. (*i*) Scientific organizations/departments should, to the extent feasible, be provided with adequate allocations of foreign exchange for meeting their requirements of equipment and stores.

(*ii*) Rules governing the utilization of foreign exchange should permit maneuverability in their utilization on alternative requirements.

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

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