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MADRAS RECORD OFFICE.

Government of Madras.

Public works

DEPARTMENT.

G.O. No. 3189.

Press

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286-287.

Dated 15-10-18 67.

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No. 286. Read the following Circular from the Government of India, Public Works Department, (Account—Irrigation,) dated Simla, 21st September 1867, No. 94 :—

Rules for allotting funds raised by loan for the construction of Irrigation Works and for accounting for the same.

Read again the following papers :—

Despatch from Government of India, to Secretary of State, No. 23, dated 7th April 1864.

Despatch from Secretary of State, to Government of India, No. 30, dated 8th August 1864.

Despatch from Government of India, to Secretary of State, No. 23, dated 9th March 1865.

Financial Despatch from the Secretary of State, to Government of India, No. 266, dated 30th November 1865.

Despatch from Government of India, to Secretary of State, No. 112, dated 12th September 1865.

Financial Despatch from Secretary of State, to Government of India, No. 255, dated 23rd December 1865.

Despatch from Government of India, to Secretary of State, No. 48, dated 15th March 1866.

Despatch from Secretary of State, to Government of India, No. 200, dated 23rd August 1866.

Despatch from Government of India, to Secretary of State, No. 178, dated 7th December 1866.

Despatch from Secretary of State, to Government of India, No. 9, dated 17th January 1867.

RESOLUTION.—The Secretary of State having finally sanctioned the proposals of the Government of India relative to the prosecution of Irrigation works on a more extended scale than heretofore, with a view to providing protection from extreme drought so far as is practicable in all parts of the country, it becomes necessary to consider the manner in which the provision of the needful funds shall be regulated, and their application controlled.

2. A reference to the recent correspondence with the Secretary of State on the subject of Irrigation Works, will show the position of the Government of India in respect to this subject.

3. The general principle of supplementing the ordinary resources of the Government by means of loans for the purpose of supplying the requirements of the country for Irrigation works, was admitted by the Secretary of State in his Despatch of 8th August 1864. At the same time he invited the Government of India to suggest practical measures for carrying out this conclusion.

4. The Government of India, in their Despatch of 9th March 1865, forwarded to the Secretary of State a Memorandum drawn up by Colonel Strachey on the general subject, and they expressed their entire approval of the proposals it contained.

5. The reply of the Secretary of State, dated 30th November 1865, gives no precise instructions on these proposals, excepting to reject the idea of binding the Government to raise any specific sum in any particular time. The Despatch dwells strongly on the risk of incurring expenditure from borrowed money on works of

this class, and the necessity for caution in sanctioning and executing them, though the Secretary of State still declares his readiness to provide money by loan when it is shown to be needed.

6. The Government of India, in their reply of the 15th March 1866, after explaining what they consider to be certain misconceptions of the Secretary of State in his last Despatch, conclude by saying that they hope, after these explanations, the proposals before put forward will not be deemed objectionable as a whole, and that they desire to be informed if there are any changes in the general scheme of action proposed, which the Secretary of State would wish them to adopt.

7. The rejoinder of Lord Cranborne, dated 23rd August 1866, declares that he looks upon the rapid and effective prosecution of Irrigation works as of vital importance, and that he will gladly give his concurrence to any well considered proposals which tend to promote that object. He remarks, (paragraph 9,) that "the conditions which must be observed (in carrying out works with borrowed money) are, that the works shall only be undertaken when the estimates shall be thoroughly matured; that they shall be works in regard to which a reasonable expectation may be entertained that they will prove remunerative; and that they shall be executed with a due regard to economy."

8. In a later Despatch Lord Cranborne writes, 10th January 1867, paragraph 3,—"I am prepared to authorize the immediate commencement of any Irrigation works that will satisfy the requirements specified in paragraph 9 of my Despatch in the Financial Department, dated 23rd August 1866," which paragraph is that above quoted.

9. Under these circumstances it has to be considered to what extent the proposals first accepted by the Government of India require modification, before they are adopted finally as the basis for future action. It will be noticed that the Secretary of State has only distinctly directed the introduction of two changes in the original plan—

1st.—That the idea of announcing beforehand that a specific loan will be raised in any particular time or manner shall be dropped, and that money will instead be raised in the way found most convenient, as it is shown to be needed from time to time.

2nd.—That the Government of India may at its discretion, without reference to the Secretary of State, authorize the immediate commencement of any works which satisfy the conditions of paragraph 9 of the Despatch of 23rd August 1866.

10. The Governor General in Council observes that it was the original intention of the Government that the funds required for the object in view, should be procured from the ordinary revenues to such extent as they might be available, and that any further sums that might be required would be obtained from loans raised for the purpose.

11. This view the Government of India continue to hold. Money may properly be obtained by loan when necessary to carry out great works of irrigation with that energy which it would be impossible to reckon upon if the funds were altogether dependent on the available yearly revenue. But such loans must not be

allowed to become the indirect cause of a general increase of the public expenditure. The average annual outlay for some years past, on new Irrigation Works and Maintenance, has been about £ 500,000, and such a sum at least should continue to be given from the year's revenue, the necessary additional sum only, in excess of this amount, being supplied by loan. It is obvious that if the practice of providing for all new Irrigation works from the loans be adopted, it will virtually amount to the transfer of the charge for new works, which formerly was met from the revenues, to the loans, and admitting an increased expenditure from revenue for other purposes to a like amount. This sum will not be much less than £ 250,000 yearly.

12. But besides these reasons for continuing the grant of a yearly sum from the revenues, there are others no less cogent. First, it is very expedient to be able hereafter to say exactly what has been done with the money raised by loan. It is most important to shut from the first every door against the loose application of money thus got. Every rupee of it that is spent involves a burden on the resources of the country, until a surplus income is realized from the works. Therefore funds obtained by loans should only be applied to works of the larger sort, which will have a definite, permanent, and separate character; and minor new works, and minor additions to existing works, as well as all works not of a thoroughly permanent nature, should be provided from the grant from the revenues, and not from the loans.

13. Further, it appears necessary to declare that no works shall be constructed with borrowed money, unless they be of a nature which will admit of the exhibition of the return derived from them, in the form of a cash account of profits on the capital invested. The primary ground on which the State assents to the application of money got by loan to these works is, that they will at least not be unprofitable; and to secure the attention to this principle which seems essential, the rendering of distinct annual accounts of profits is indicated as being a *sine qua non* for all works constructed, or added to, by help of borrowed money.

14. The limit of entire cost of any work to be aided by loan may, the Governor General in Council considers, be fixed at 1,00,000 Rupees, at all events for the present, without unduly burdening the annual grant from the revenues, which may be reckoned at twenty-five lakhs.

15. The Secretary of State having delegated full authority to the Government of India to determine the works to be carried out from borrowed funds, it further becomes necessary to consider carefully how appropriations shall be regulated, and how the character of the works to be undertaken shall be tested.

16. On this point the Governor General in Council remarks, that it is of the greatest importance to adopt all precautions which will tend to prevent the risk of precipitate and inconsiderate expenditure, which, without any question, is very greatly increased by the grant of money for expenditure freely and in large sums. The Governor General in Council participates in the fullest manner in the opinions that were expressed by the Secretary of State in his Despatch of 30th November 1865, as to the necessity for great caution in allowing public works to be undertaken from borrowed funds; and His Excellency fears that if the utmost strictness is not enforced in the grant of money borrowed for Irrigation works, serious dis-

order and disappointments may arise, the probable result of which might be the putting an end to the liberal policy which has now been adopted. This policy having originated with the Government of India, and having been consistently pressed on Her Majesty's Government for several years past, until its propriety has been universally accepted, the Governor General in Council hopes that he will not be misunderstood when he thus strongly declares his convictions as to the importance of proceeding with much caution in taking the first steps in the undertaking of great Irrigation works with borrowed money. So long as the public expenditure is limited by the annual revenue, the danger of profitless outlay is greatly lessened. With restricted funds the tendency to economical expenditure is strengthened, and thriftless outlay from income is no more than money in possession lost, and profit not made. But to borrow and waste is, not only loss in this sense, but to cause a permanent loss of resources for all future time.

17. The Government of India therefore concludes that, before money is provided from loans for any Irrigation work, it should be specially approved by the Governor General in Council as having satisfied the conditions laid down by the Secretary of State already referred to, and the other conditions as to the character of the work which have been explained in the foregoing paragraphs. This will not interfere with the existing powers of Local Governments to authorize expenditure from grants of revenue, and is only intended to restrict the application of the money obtained by means of loans.

18. If it be asked why the Government of India will be a better judge of such matters as it now reserves for its decision, than the Local Government which has a far closer knowledge of the facts, the reply is that in this very proximity the danger lies. The Government of India may be mistaken in the direction of caution, but it has much less risk of being carried away by over-sanguine expectations. A government is not a passionless abstraction. Its acts are those of individual men who are liable, as all experience shows, to excitement from contact with enthusiastic projectors, and just so much the more liable to this excitement as the prospect of the realization of their favorite schemes appears to be placed near by the free supply of the great necessary—money. Having these opinions, the Government of India before contemplated the expediency of obtaining the previous sanction of the Secretary of State to projects to be carried out with borrowed money; but this precaution having been regarded as needless, the responsibility put on the Government of India becomes all the greater.

19. On these considerations His Excellency the Governor General in Council has been pleased to lay down the following rules for the assignment of grants for Irrigation works undertaken from funds supplied by loan, and the accounting of expenditure incurred in their construction:—

I.—The Government of India will continue to appropriate from the ordinary revenue a reasonable sum for new Irrigation works, so that a fair share of the outlay on such works shall fall on the current income, and that proper provision shall be made for that class of works which is excluded from receiving grants from the Loan Fund.

- II.—No appropriations from the Loan Fund shall be made for works estimated to cost less than 1,00,000 Rupees, unless they be works forming part of a system. The same rule to apply to additions to existing works.
- III.—No appropriations will be made to cover charges for any works other than those of a permanent character; or for the maintenance of works in actual operation, or for establishments employed upon them.
- IV.—No appropriation will be made to any work, the returns derived from which will not be of a nature to admit of the rendering of a revenue account showing the profits derived from the capital laid out upon it in a distinct form.
- V.—No appropriation will be made for any works in regard to which there shall not be a reasonable expectation that they will be remunerative.
- VI.—No appropriation will be made for any work, the designs and estimates for which shall not have been thoroughly matured and regularly passed by proper authority.
- VII.—Nor for any work for which there shall not be sufficient security that it will be executed with a due regard to economy.
- VIII.—The appropriations will be limited to irrigation works and any navigation works immediately connected with them, and to works of drainage and embankment immediately connected with irrigation works, or essential for the protection of the agriculture of the country.
- IX.—The charges for executive establishments and contingencies incurred on works constructed from the Loan Fund, will be considered as a portion of the capital outlay on them. A fair sum may also be thus charged for superior establishments, and the preparation of accounts.
- X.—The appropriations for works from the Loan Fund will be made by the Governor General in Council.
- XI.—No work can be put forward for an appropriation, until it shall have been specially approved by the Government of India as having satisfied the conditions laid down in Rules IV., V., VI., and VII. This will not interfere with the existing powers of Local Governments and Administrations to pass finally estimates for works to be carried out from the ordinary Budget grants from current revenue, and applies only to works for which funds are needed from the loans.
- XII.—The appropriation from the Loan Fund will be made in the form of special annual grants, in aid of the ordinary Public Works grants to Local Governments, to be applied exclusively to the special class of Irrigation works as defined in Rule VIII.
- XIII.—The appropriations thus made will be treated in the Public Works Accounts, as though they were parts of the ordinary yearly grant, and the expenditure from them will be treated in like manner.
- XIV.—No transfers of appropriations from the Loan Fund from one work to another, will be permitted without the special sanction of the Government of India; nor will any transfer from the Irrigation grant

*Proceedings of the Madras Government, Public Works Department,
15th October 1867.*

in the ordinary Budget be allowed to any other head of service, so long as any works are in progress from funds supplied by loan. Also, any surplus remaining from the ordinary grant for irrigation works after having provided for the expenditure on the works, the wants of which it is designed to meet, shall be held to be applicable so far as it goes to the special class of work; and in the final accounts, only the excess of the whole outlay on both classes of works over the entire ordinary irrigation grant, shall be allowed to appear as a charge against the loans.

XV.—A yearly account of the actual expenditure incurred on all irrigation works specially sanctioned for construction from the Loan Fund, shall be prepared by the Accountant General, Public Works Department, on the principles laid down in these rules.

XVI.—A separate revenue account, in a form to be hereafter laid down, will be prepared for every work constructed, either wholly or in part, from funds obtained by loan. In any work which has been partly constructed from grants from the ordinary revenues, and partly from loan, the capital shall include the entire outlay on construction from whatever sources provided, and the income shown in the revenue account will be the whole proceeds of the entire work.

XVII.—In the case of systems of small works, such as tanks or minor water-courses from small streams, for which it may be thought legitimate to give funds from the loans, but for which it would be inconvenient to render separate revenue accounts, a joint revenue account of several of such works will be accepted, subject to the special approval of the Government of India.

20. Under these rules Irrigation works will be divided into two classes, viz.,—

A.—Works chargeable to the revenues of the year. The grants and charges for these works will continue to be exhibited separately from those for establishments, as at present.

B.—Works chargeable to loan. For works under this head, the due proportion of establishment charges and tools and plant will have to be met from the loan grants, the necessary amount being given under each head, so as to admit of the accounts being rendered in the existing form.

21. In making up the accounts of expenditure incurred on Irrigation works in any year, the first charge against the grant from revenue will be the outlay on Class A., viz., works excluded from the loan grants; if there be any residue, after providing for all the works in Class A., that have to be brought forward, it will be available for loan works B.; and as far as it goes, its application to these works will be regarded as imperative, so as to reduce the charge against loan as much as possible.

22. Further instructions will be issued hereafter as to the manner in which the revenue derived from Irrigation works should be recorded in the Public Works Accounts, and the precise way in which the capital account of each of those works should be made up.

*Proceedings of the Madras Government, Public Works Department,
15th October 1867.*

23. In conclusion, the Governor General in Council observes that, so far as the various Provincial Public Works Budget Estimates are concerned, no separation will have to be made between the grant from revenue and loan. All that is required is to mark the loan works in that estimate in a manner which will distinguish them, and to note in a clear manner the total estimated sums chargeable to the loan works on account of establishments and tools and plant. The distribution of these charges to the several loan works in the estimate is not necessary. Care should be taken to attend to these points in the Budget Estimate of 1868-69, and future years.

ORDER.—Ordered that the foregoing Resolution be forwarded to all Local Governments and Administrations for information and guidance.

Ordered, also, that a copy be forwarded to the Accountant General, Public Works Department, for the issue of the necessary subsidiary instructions to give effect to the rules now laid for the adjustment of expenditure on Irrigation works.

Ordered, further, that a copy be sent to the Financial Department for information.

(Signed) C. H. DICKENS, Colonel, R. A.,
Secretary to the Government of India.

To the Secretary to the Government of Madras, Public Works Department.

No. 287. ORDER THEREON, 15th October 1867, No. 3,189.

IRRIGATION, No. 10.

Communicated to the Officers concerned for information and guidance.

(True Extract.)

Colonel, R. E.,
Secretary to Government.

To the Superintending Engineers.
To Captain Kennedy.
To the Controller of Public Works Accounts.
.. Revenue Department.

Ed. S. T. Augustin.

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Received for information and guidance
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GOVERNMENT OF INDIA.
PUBLIC WORKS DEPARTMENT.

Account-Irrigation.

To 3782

CIRCULAR NO. 94 PUBLIC WORKS.

Dated Simla, the 21st September 1867.

Received. 5. Oct.

Rules for obtaining funds raised by loan for the
construction of Irrigation Works and for account-
ing for the same.

No 3189-15-October 1867
W. H. A. B. S.