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GOVERNMENT OF INDIA
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EXPERT COMMITTEE ON EFFICIENT MANAGEMENT OF PUBLIC EXPENDITURE SUBMITS RECOMMENDATIONS

September 02, 2011

The High Level Expert Committee constituted by Planning Commission under the Chairmanship of Dr. C Rangarajan on Efficient Management of Public Expenditure has recommended removal of plan and non-plan distinction in the budget. The report submitted to the Planning Commission also suggests that the process of preparing Five Year Plan may be continued. Other recommendations of the group include:

- The annual budgetary component of the plan of the Centre and States will have one-to-one correspondence with Government budgets of the Centre and States respectively
- There should be shift in budgeting approach - from a one year horizon to a multi-year horizon and from input based budgeting to outputs and outcomes.
- The shift to holistic view of expenditure would require changes in organizational structure, mandates and processes as well as appropriate interventions in human resource development, information technology, etc.
- Broad definition of the role of Ministry of Finance, Planning Commission, Administrative Ministries and the State Governments has been outlined.
- Planning Commission made responsible for consolidation of the Five Year Plan over all services based on the inputs from the Ministry of Finance.
- Ministry of Finance made responsible for the preparation of Annual Budget based on the inputs from Planning Commission.
- The committee recommends changes in Annual Budget process

Comprehensive Framework of Transfers to States

- The various problems/issues in the current budget and accounting classification in presenting comprehensive view of central transfer to States may be addressed through the new multi-dimensional budget and accounting classification by a Committee headed by CGA.

- The proposed classification should provide uniform codes for central programmes, sub programmes and schemes being implemented in the States.
- The Central Plan Scheme Monitoring System (CPSMS) should be extended to enable tracking of expenditure for all central schemes using both treasury route and society route. This may require interface of CPSMS with core banking solution of banks and Systems of State Treasuries and AG offices.
- The citizen can also be empowered with information on flow of resources and utilization through a portal thereby promoting transparency and accountability.

Accounting Concerns arising from Direct Mode of Transfer

- The treasury mode of transfer of Central Plan fund is recommended.
- A suitable accounting methodology to be worked out by CGA and CAG to distinguish between final expenditure and transfer and to enable to view a final expenditure through the books of account,
- The switchover to complete treasury mode may be made from 12th Five Year Plan for all new schemes.
- A short transition period is required to allow for necessary adjustments for the existing schemes.
- Till complete switchover is done, accounting and submission of utilization certificate under society mode should be rationalized.

Revenue Capital Classification

- Revenue Capital Classification should continue. Capital expenditure should relate to creation of assets and be determined by ownership criteria,
- While all transfers should be treated as revenue expenditure in accounts, the merit of classifying revenue expenditure by end use is also considered for FRBM compliance and grants for creating assets may be classified as capital grant,
- An adjusted revenue deficit is recommended only for the purpose of FRBM compliance. FRBM may require some amendments to allow for Adjusted Revenue Deficit.

Scope of Public Sector Plan

- The Central or State Plan should continue to include investment outlays (funded by IEBRs) of CPSEs and SPSEs respectively. Consolidated information on the resources and expenditure of rural and urban local bodies may be provided as special supplement of the Budgets,
- The budgets and accounts of the implementing agencies should be shown as supplement to the Budgets till funds are transferred through direct route,

- As regards PPP, the annuity commitments may form a part of committed
- expenditure of the Budget of the concerned Ministry/Department and annuity payments may be treated as capital expenditure,
- Viability Gap Funding is a grant provided to concessionaire of the PPP projects and may be treated as capital grant,
- There should be supplements to the budgets providing project-wise, Ministry-wise and Sectoral-wise information on the PPPs.

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