

CHAPTER XI

NORMS FOR MAINTENANCE OF CAPITAL ASSETS AND PLAN SCHEMES

The poor state of maintenance of capital assets, created at considerable cost to the community, has caused widespread concern in recent years. State Governments had urged before the earlier Finance Commissions that the rates of growth assumed by them as well as the Planning Commission in projecting their requirements for non-Plan purposes generally left them with inadequate resources for maintenance of capital assets leading to their progressive deterioration. It is presumably in view of the accumulating evidence of relative neglect of existing assets that, under para 4(b)(iv) of our terms of reference, we are required to take into consideration, in assessing the needs of States for assistance, the requirements for adequate maintenance and upkeep of capital assets created upto the end of 1973-74.

2. While an explicit mention of the needs of maintenance has been made for the first time in the terms of reference of a Finance Commission, it will not, however, be correct to assume that the earlier Commissions had overlooked the importance of maintenance of assets. The mere adoption of a higher rate of growth or upgradation of the norms for maintenance of assets would not *ipso facto* ensure that provision for maintenance would be made at the desired level and not diverted to other purposes. It is essential to stipulate norms for proper maintenance of capital assets and for provision of funds related to such norms. But there is no escape ultimately from striking a balance between maintenance of existing institutions and services in good condition and expansion of services and creation of new assets so as to serve new areas and new sections of our people.

3. Standards of maintenance vary from State to State and we, therefore, considered it desirable to obtain information from the State Governments on the norms they presently follow and what in their judgment might constitute a reasonable minimum. During our visits to State capitals, we held discussions, among others, with experts in charge of departments such as Irrigation, Public Works, Medical and Public Health and sought their help in evolving such norms. We have also elicited the views of the concerned Ministries of the Government of India. In the light of our study of the problem, we feel that it is possible to lay down norms for maintenance of the following categories of capital assets :

- (i) Irrigation works—major and minor
- (ii) Flood protection works
- (iii) Buildings
- (iv) Roads

4. We have also considered it desirable to review the present norms, if any, for allocation of funds for medicines, hospital necessities and diet charges for patients and have proposed suitable increases. As regards other capital assets for which we have not considered it possible to lay down specific norms, such as vehicles and equipment, the comparatively high rates of growth we have assumed in our estimates of requirements of the States should enable the States to maintain them in a fit and serviceable condition.

Maintenance of Irrigation Works

5. Proper maintenance of irrigation works is absolutely essential for the growth of our agrarian economy. We have sought to evolve norms for maintenance of such works in consultation with the State Governments and the Ministry of Irrigation and Power. The Governments of Manipur, Nagaland and Tripura have not furnished any information on this point, presumably because these States do not have irrigation systems of any significant magnitude. The Governments of Bihar, Jammu & Kashmir, Haryana, Himachal Pradesh, Kerala, Meghalaya, Mysore, Rajasthan, Tamil Nadu and West Bengal have also informed us that no norms as such have been prescribed by them for maintenance of irrigation works and that the annual budgetary allocations are determined on the basis of actual requirements and the availability of funds. However, the Governments of Kerala and Tamil Nadu have indicated the average expenditure incurred by them for the maintenance of irrigation works. Norms for maintenance of irrigation works either in terms of acreage benefited or length of canals have been laid down in eight States, namely, Andhra Pradesh, Assam, Gujarat, Madhya Pradesh, Maharashtra, Orissa, Punjab and Uttar Pradesh. The norms in force in these States vary widely and are not readily comparable. The Union Ministry of Irrigation and Power, whose advice we sought on the question of norms, have informed us that Rs. 10 to 12 per acre might be taken to represent a reasonable limit for maintenance of irrigation works. Having regard to the present level of expenditure in many of the States, we also feel that the provision of Rs. 10 per acre for maintenance would assure the States adequate resources. We have accordingly worked out the requirements of States for maintenance of irrigation works at the rate of Rs. 10/- per acre irrigated by Government sources of irrigation, whether canals, tanks or Government wells including tubewells. Statewise figures of areas under irrigation from Government sources and the provision for maintenance at Rs. 10 per acre or Rs. 24.71 per hectare, as computed by us, have been indicated in Table 1 in Appendix XI. In most of the States, namely, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Kerala, Maharash-

tra, Mysore, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal, the existing level of maintenance, as is evident from the actuals of 1971-72, is higher than the norm adopted by us. It will not be practicable for these States to reduce the present level of expenditure on maintenance. We have, therefore, allowed these States provision for maintenance on the basis of the actuals recorded in 1971-72. Prescription of higher norms for maintenance of irrigation works will, however, have no financial implications so far as major and medium irrigation projects are concerned, because we have suggested elsewhere that the States should raise gross receipts from such works at least to the extent of full recovery of their maintenance charges. In other words, our suggestion implies that the States where the level of expenditure on maintenance is lower than the norms, should strike a balance between gross receipts and maintenance charges at a higher level than the present. This would enable the works to be maintained upto a more satisfactory standard and at the same time ensure that there is no additional burden on the general tax payer. But in the case of minor irrigation works, there will be some financial gain to the States because they are being required to fill the gap between receipts and maintenance charges only to the extent of 50 per cent on the deficiency in 1973-74.

Maintenance of flood protection works

6. As regards flood protection works, Assam, Bihar, Orissa and Uttar Pradesh have supplied us information on the norms now followed by them for maintenance of flood embankments. Governments of Assam, Bihar and Uttar Pradesh have suggested that expenditure on flood protection works should be fixed as a percentage of the capital cost, while Orissa has indicated that it should be in terms of the length and the type of embankments. There is also wide disparity between

the States in the standards of maintenance. Expenditure varies from 1.2 per cent of capital cost in Uttar Pradesh to 5 per cent in Bihar and Jammu & Kashmir and to 6 per cent in Assam. The Ministry of Irrigation & Power, whom we consulted, have indicated that annual maintenance on flood control works during the Fifth Plan period may be provided at 5 per cent of the investment at the end of the Fourth Plan. They have observed that this suggestion is based on the recommendations of the Ministers' Committee on Floods and Flood Relief. The Ministers' Committee is reported to have been of the view that although the maintenance expenditure would depend upon factors like the height of the embankment, its importance and vulnerability and the year of construction, as a rough guide, maintenance expenditure could be taken at 4 to 5 per cent of the capital cost. We have also ascertained from State Governments their figures of cumulative investment in flood control works.

7. Keeping in view the present level of maintenance of flood protection works and the constraint of resources, it would be adequate if provision for maintenance of flood protection works is made at 4 per cent of the capital cost for the works as estimated at the end of the Fourth Plan. As in the case of irrigation works, we have allowed the expenditure actually incurred in 1971-72 where this was found to be more than the provision arrived at on the basis of norm. The State-wise figures of investment in flood control works as anticipated at the end of the Fourth Plan and the provision for maintenance at 4 per cent of the capital cost as allowed by us in reassessing the forecast of the State Governments are indicated in Table 2 in Appendix XI. The table below indicates the provision allowed by us for irrigation and flood protection works on the basis of norms or the actual level of expenditure in 1971-72 whichever was higher :

Provision for maintenance of irrigation and Flood Protection Works

States	(Rs. crores)					
	Irrigation Works			Flood Protection Works		
	Actuals 1971-72	Annual Provision	Provision for five years	Actuals 1971-72	Annual Provision	Provision for five years
1	2	3	4	5	6	7
1. Andhra Pradesh	7.78	11.21	56.05	0.07	1.06	5.30
2. Assam	0.50	0.51	2.55	4.97@	4.97	24.85
3. Bihar	8.81	8.81	44.05	0.38@	2.75	13.75
4. Gujarat	4.26	4.26	21.30	0.13	0.13	0.65
5. Haryana	3.70	3.70	18.50	0.17	0.74	3.70
6. Himachal Pradesh	0.21	0.21	1.05	NA	0.01	0.05
7. Jammu & Kashmir	0.94	0.94	4.70	NA	0.79	3.95
8. Kerala	2.18	2.18	10.90	0.06	0.13	0.65
9. Madhya Pradesh	2.09	2.63	13.15	..	0.03	0.15
10. Maharashtra	5.90	5.90	29.50	Neg.	0.02	0.10
11. Manipur	0.01	0.03	0.15	0.06	0.06	0.30
12. Meghalaya	..	..	..	..	..	..

1	2	3	4	5	6	7
13. Mysore	6.70	6.70	33.50	..	..	..
14. Nagaland	..	..	..	..	..	..
15. Orissa	2.73	2.73	13.65	1.74 ^g	1.74	8.70
16. Punjab	3.40	6.13	30.65	0.50	1.22	8.60
17. Rajasthan	3.89	3.89	19.45	NA	0.59	1.55
18. Tamil Nadu	8.06	8.06	40.30	..	0.02	0.10
19. Tripura	0.17	20.5	1.25	NA	0.06	6.30
20. Uttar Pradesh	21.75	21.75	108.75	0.19	1.47	7.35
21. West Bengal	2.29	2.29	11.45	2.32 ^g	2.32	11.60
TOTAL	85.37	92.18	460.90	10.59	18.41	92.05

NA.—Not available.

N/—Not available.

^gExcludes expenditure on restoration of flood damage.

*Takes into account transfer of flood control portion of Hirakud Project.

Norms for maintenance of buildings

8. In regard to the maintenance of buildings too, all the State Governments have represented that the existing provisions are woefully inadequate and that the Commission should, therefore, assess the requirements of the States on the basis of scientific norms. Most of the State Governments have also referred to the serious consequences which neglect of maintenance of permanent assets would entail in the long run. State Governments, however, have assumed widely varying norms for maintenance of buildings in the forecast submitted to us.

9. We felt that in regard to the needs of maintenance of buildings, there cannot be any wide divergence between the requirements of State Governments and those of Central Public Works Department. In fact, in certain States the actual work of maintenance of buildings borne on the registers of the Central Public Works Department is entrusted to the State Public Works Department on an agency basis at approved rates. We, therefore, asked the Ministry of Works and Housing to furnish us with complete information on the norms for maintenance followed by the Central Public Works Organisation in respect of buildings located in different States. Central Public Works Department has laid down the norms for maintenance of buildings with reference to (i) capital outlay on the buildings, and (ii) the age of different buildings. Certain special rates have also been prescribed for secretariat blocks and temporary buildings. Excluding these special categories, the norms laid down by the Central Public Works Department are as in the Table below :

Maintenance norms of Central Public Works Department buildings as percentage of capital cost.

	Buildings Constructed		
	From 1-4-1942 to 14-8-1947	From 15-8-1947 to 31-3-1962	After 1-4-1962
1. Residential buildings (permanent)			
1. Ordinary Repairs	3.20	2.20	1.90
2. Special Repairs	1.20	0.73	0.63

1. Residential buildings (permanent)

1. Ordinary Repairs	3.20	2.20	1.90
2. Special Repairs	1.20	0.73	0.63

II. Non-residential buildings (permanent)

1. Ordinary Repairs	2.80	1.10	0.95
2. Special Repairs	1.20	0.73	0.63

III. Electrical Installations

A. Residential

1. Annual Repairs	9.00	8.00	5.60
2. Special Repairs :			
(a) with fans	3.50	3.25	3.00
(b) without fans	2.00	1.75	1.50

B. Non-residential

1. Annual Repairs	2.75	1.75	1.05
2. Special Repairs	1.00	0.75	0.50

10. Having regard to the basis now being followed by the Central Public Works Department for determination of maintenance expenditure on buildings, we thought it would be useful to obtain information from the State Governments also on the progressive capital outlay on buildings and their age composition. State Governments were, therefore, requested to furnish capital outlay on buildings classified into three categories according to the age of the buildings, viz. (i) those constructed upto 31-3-1948 (ii) those constructed from 1948 to 1962 and (iii) those constructed after 1962. The information regarding capital costs of buildings of different age groups and maintenance norms has been furnished by all State Governments.

11. As already indicated, the standards of maintenance considered appropriate by the State Governments vary widely. The divergence in the estimates

proposed by the States will be apparent from the following Table :

State norms of maintenance as percentage of capital cost.

States	Buildings constructed		
	Upto 31-3-1948	From 1-4-1948 to 31-3-1962	From 1-4-1962 to 31-3-1974
Andhra Pradesh	8.00	4.00	3.00
Bihar	3.50	2.50	2.00
Gujarat	3.50	2.50	2.50
Haryana	4.00	4.00	2.00
Jammu & Kashmir	10.00	6.00	2.50
Kerala	3.00	2.00	1.50
Madhya Pradesh	4.00	3.00	1.50
	to	to	to
	18.00	13.50	6.75
Maharashtra (R)	9.30	4.50	3.50
(NR)	6.80	4.00	3.00
Mysore	*1.50	1.50	1.50
	*3.00	3.00	3.00
	(Revised)		
Nagaland	5.00	5.00	3.00
(T)	10.00	10.00	7.00
Orissa (P)	5.00	4.00	2.50
(T)	6.00	5.00	3.00
Rajasthan	3.75	2.50	1.75
Tamil Nadu	3.00	1.50	1.50

*3.00 for buildings constructed upto 1940
 *4.00 for buildings constructed upto 1940
 (P) Permanent buildings
 (T) Temporary buildings
 (R) Residential buildings
 (NR) Non-residential buildings.

While the norms proposed by Kerala, Mysore and Tamil Nadu are among the lowest, those sought by Maharashtra, Madhya Pradesh and Jammu & Kashmir are *prima facie* high. It is also seen that while generally no separate norms have been laid down for different categories of buildings such as administrative buildings, hospitals, schools and colleges, some of the State Governments, for example Maharashtra, have provided separate norms for residential and non-residential buildings. The Government of Rajasthan have contended that the ordinary norms for maintenance would be inadequate for medical and educational buildings and that for such buildings a 50 per cent increase over the normal provisions should be conceded. Working on this basis, they have pleaded for an additional allocation of Rs. 35 lakhs in the revised forecasts for maintenance cost of buildings. The norms suggested for educational buildings and hospitals and dispensaries by Madhya Pradesh are also high ranging from 8 to 18 per cent in the case of buildings constructed upto 31-3-1948 as against their normal rate of 4 to 6 per cent for other buildings. Some of the State Governments have also proposed a different set of norms for maintenance of electrical installations. Table No. 3 in Appendix XI shows the capital outlay on buildings in various States and the cost of maintenance of buildings on the basis of Central Public Works Department norms.

12. Some of the States Governments have taken into account also the expenditure needed for the maintenance of buildings to be constructed during the course of the Fifth Plan period. We have disallowed this provision as we are required, under our terms of reference, to provide only for maintenance of capital assets created upto and inclusive of 1973-74. An annual growth rate varying from 5 to 10 per cent has also been taken for the forecast period by some of the State Governments. As the requirements have been assessed on the basis of norms, the question of further annual increase on the base year's provision does not arise. Likewise, the clearance of arrears of maintenance for which Madhya Pradesh has proposed an additional provision of Rs. 889 lakhs does not merit consideration, as maintenance requirements have been worked out with reference to certain norms. Any major programme of reconstruction of buildings, due to prolonged neglect, should necessarily be treated as involving capital outlay and accommodated within the Plan.

13. We have not considered it necessary to prescribe higher standards of maintenance for medical and educational buildings particularly as the higher rate of growth conceded for these two sectors—6 per cent per annum—should take care of all reasonable needs arising in these two sectors including proper upkeep of buildings.

14. The norms proposed by the State Government vary widely. It is not easy to reduce them to a comparable basis. Even otherwise, we do not see any strong grounds for prescribing more liberal standards of maintenance than considered appropriate by the Central Public Works Department. We have accordingly worked out the provisions to be made for maintenance of buildings, keeping in view the maintenance norms followed by the Central Public Works Department.

15. We had collected from the State Accountants General the information regarding progressive capital outlay on buildings to end of 1972-73. These differ from the progressive outlay indicated by the State Governments in most cases. The variations were explained by the State Governments to be due to exclusion by the Accountants General of the outlay on building, expenditure on which is most from the revenue budget and partly exclusion of certain other Government buildings not maintained by the State Public Works Departments. The variations in the case of Bihar, Punjab and Uttar Pradesh were found to be very large. Applying the C.P.W.D. maintenance norms to the capital outlay indicated by the Governments of Bihar and Punjab, the maintenance provision would work out to three times the present level of maintenance expenditure. In the case of Uttar Pradesh, it would be about eight times. In the case of Punjab, the variation appeared to be mainly due to adoption of figures of the capital outlay of buildings of composite Punjab as this has not yet been allocated between Punjab and Haryana. The maintenance provision for Punjab as now constituted could not therefore be related to progressive capital outlay on buildings. Accordingly, we took the provision arrived

at for Haryana on the basis of Central Public Works Department norms and determined the provision of Punjab at proportionately higher level in relation to its population. Government of Uttar Pradesh had indicated capital outlay on buildings department-wise and as information in regard to several departments was not available, they suggested an *ad hoc* addition of 25 per cent for the remaining departments. In the case of Bihar, the variation seemed to be mainly due to the State Government adopting the present value of buildings. In Assam, Gujarat, Manipur, Meghalaya, Tamil Nadu and West Bengal we found that the present level of expenditure on maintenance of buildings was more than the provision required on the basis of norms. In these, and also in the case of Bihar, we took the latest available actuals as the basis for allowing maintenance provisions. For Uttar Pradesh, an annual provision of Rs. 3.50 crores has been allowed as the actuals were found to be inexplicably low. In all other States provision for maintenance has been made on the basis of norms of the Central Public Works Department. The provision allowed by us for the maintenance of buildings for different States is indicated in the Table below:

(Rs. crores)

States	Actuals 1972-73	Provision for	
		1974-75	1974-79
1. Andhra Pradesh	0.97	1.55	7.75
2. Assam	1.05	1.05	5.25
3. Bihar	1.45	2.23*	11.15
4. Gujarat	2.69	2.69	13.45
5. Haryana	0.79	1.23	6.15
6. Himachal Pradesh	0.56	0.86	4.30
7. Jammu & Kashmir	0.55	0.82	4.10
8. Kerala	0.54	1.91	9.55
9. Madhya Pradesh	2.13	3.31	16.55
10. Maharashtra	2.41	2.94	14.70
11. Manipur	NA**	0.28	1.40
12. Meghalaya	0.19	0.19	0.95
13. Mysore	1.39	2.17	10.85
14. Nagaland	NA	0.67	3.35
15. Orissa	1.70	2.10	10.50
16. Punjab	1.09	1.66	8.30
17. Rajasthan	0.80	2.24	11.20
18. Tamil Nadu	1.96	1.96	9.80
19. Tripura	0.45	0.45	2.25
20. Uttar Pradesh	1.67	3.50	17.50
21. West Bengal	3.15	3.15	15.75
Total	24.94	36.96	184.80

*Based on average of actual expenditure for 1971-72 and 1972-73.

**Actual for 1971-72 was Rs. 28 lakhs.

Norms for Maintenance of Roads

16. In reassessing the forecasts of State Governments, we have deemed it necessary to allow adequate provision for proper maintenance of roads. We were, however, faced with difficulties in evolving both the norms for maintenance and verifying the information furnished by State Governments particularly regarding roads reported to be maintained by local bodies and village roads. A Technical Group appointed by the Ministry of Transport had recommended in 1969 specific norms for the maintenance of National Highways. They had suggested that the same norms could be applied to the State Highways

also. We sought the assistance of the Roads Wing in the Ministry of Shipping and Transport in prescribing similar norms for maintenance of other categories of State roads also. The Roads Wing informed us that the maintenance costs of State roads would depend upon classification of the roads, namely, State Highways, Major District Roads, Other District Roads or Village Roads and other factors such as width of carriage-way, type of surface, whether black top, cement concrete, water bound macadam, gravel or earth, intensity of traffic, the terrain and rainfall conditions and cost of stone aggregates. The Roads Wing further indicated that detailed studies on norms of maintenance of various categories of State roads have not been carried out so far. They, however, felt that broad guidelines could be laid down for evaluating maintenance needs on the basis of work done by the Technical Group and other information available in the Roads Wing of the Government of India. The norms for maintenance of State Highways, Major District and Other District Roads and other roads separately for each zone, as indicated by the Roads Wing, are set out in Table 4 in Appendix XI. In arriving at these norms, the Roads Wing has taken into account the price escalation since 1969.

17. In the light of the guidelines proposed by the Roads Wing of the Government of India, we asked the State Governments to let us have details of the road lengths separately for State Highways, Major District Roads, Other District Roads and Village Roads classifying them on the basis of traffic intensity, type of surface and width of carriage-way. While the road lengths of various categories of roads have been indicated by all States Governments, several of them could not furnish information classified according to the criteria prescribed by us. Some of the State Governments also drew our attention to the length of the roads maintained by the Local Bodies and urged that this should be taken into account by us. The other State Governments, who had not earlier indicated length of roads maintained by Local Bodies in their States were, therefore, requested to supply the information so that provision for maintenance of roads could be made on a uniform basis. Despite this specific request, complete information in regard to Local Body roads could not be furnished by some of the State Governments. Table 5(i) and (ii) in Appendix XI indicate respectively the kilometrage of Government roads and roads of local bodies.

18. Available information on present level of expenditure on maintenance of roads confirmed that the expenditure of State Governments on maintenance of Village Roads was not of any significant magnitude. Our study of the material furnished by the State Governments also indicated wide variation in the length of Village Roads which could not be explained in terms of factors such as area of the State and past investments in construction of village roads. We, therefore decided to exclude Village Roads for the purpose of computation of cost of maintenance on the basis of norms. As regards Local Body roads, it was clear that some State Governments had sought to include even unsurfaced roads

maintained by Local Bodies in the category of Other District Roads. Moreover, the present liability of the State Government in regard to the maintenance of Local Body roads is significantly low compared to the length of roads. It is only reasonable to expect that the Local Bodies should raise part of the resources for maintenance of assets transferred to them. Having regard to these factors, we concluded that it would be proper to allow only 50 per cent of the provision needed on the basis of norms for maintenance of roads entrusted to local bodies.

19. As already explained, the information furnished by the State Governments in regard to classification of roads was not on a uniform basis. In working out the cost of maintenance of roads, we, therefore, took the average cost as indicated by the Roads Wing for each category of roads, after excluding the Village Roads and limiting the provision needed for Local Body roads to 50 per cent. In the case of Manipur, Nagaland and Tripura, we found that the maintenance cost, as worked out on the basis of norms, was very low compared to the level of expenditure in Assam and Meghalaya. High level of expenditure in Assam is evidently due to difficult terrain and other special factors in regard to maintenance of roads. As conditions in Manipur, Nagaland and Tripura are similar to those in Assam, we have raised the maintenance provision on the basis of norms for these States by 100 per cent. We further observed that in certain States, namely, Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Meghalaya and West Bengal, the present level of expenditure on maintenance of roads was higher than the provision arrived at on the basis of norms. It may be difficult for these States to reduce the present level of expenditure on maintenance of roads. We have, therefore, adopted the actual expenditure in 1971-72 in these States as the basis for future projection. We have also allowed for all the States a growth of 2 per cent per annum during the forecast period to cover the possible additional costs on account of increase in the intensity of traffic. The provision for maintenance of roads, worked out on the lines discussed above, for each State for the five year period ending 1978-79 is indicated in the Table below:

(Rs. crores)

States	Actuals 1971-72	Provision for	
		1974-75	1974-79
1. Andhra Pradesh	8.87	13.76	71.61
2. Assam	7.45	7.90	41.11
3. Bihar	9.80	10.40	54.12
4. Gujarat	6.75	9.10	47.36
5. Haryana	2.18	2.49	12.96
6. Himachal Pradesh	2.62	2.86	14.88
7. Jammu & Kashmir	2.23	2.37	12.33
8. Kerala	5.84	6.68	34.76
9. Madhya Pradesh	8.23	14.95	77.80
10. Maharashtra	5.08	13.08	68.07
11. Manipur	0.59	1.25	6.52
12. Meghalaya	1.64	1.73	9.00
13. Mysore	5.80	12.38	64.43

14. Nagaland	NA	1.87	9.72
15. Orissa	3.26	4.65	24.20
16. Punjab	1.86	2.75	14.31
17. Rajasthan	3.38	10.03	52.20
18. Tamil Nadu	7.54	12.83	66.77
19. Tripura	0.53	0.83	4.32
20. Uttar Pradesh	12.23	19.04	99.08
21. West Bengal	9.15	10.09	52.51
Total	105.03	161.04	838.06

Norms of provisions for medicines and those for hospitals and dispensaries.

20. During our discussions with the representatives of the States, we repeatedly came across complaints about inadequate provision for medicines and diet in hospitals and dispensaries and the consequent hardship caused to poor patients. There can be no doubt that the allotment of funds for medicines and diet on a more generous scale would ensure considerable relief to the weaker sections of the society, who have to depend largely on medical services provided by Governmental agencies. We, therefore, examined with special care the basis on which allocations are now being made by the State Governments for medicines and diet with a view to determine the additional requirements of the State Governments.

21. From the information furnished to us it is seen that State Governments of Kerala, Maharashtra, Meghalaya, Nagaland, Punjab, Tamil Nadu and Tripura had not so far laid down any norms as such for regulating expenditure on medicines. The budgetary provision in this regard would seem to be determined from year to year on considerations such as past actuals and the overall resources position of the State Governments. Meghalaya and Tamil Nadu which do not have any norms at present have, however, indicated certain norms for guidance in the Fifth Plan period, while the Government of Gujarat have not stipulated any norms as such, they have fixed ceilings on expenditure of medicines at Rs. 20,000 per annum for each referral hospital and Rs. 6,000 per annum for each primary health centre. Even among the other States which have already laid down certain norms there appears to be no uniformity. While Andhra Pradesh, Assam, Haryana, Jammu & Kashmir, Himachal Pradesh, Madhya Pradesh, Mysore, Orissa, Uttar Pradesh and West Bengal have prescribed norms in terms of per patient per day, Bihar and Rajasthan have laid down the norms on an actual basis. Table No. 6 in Appendix XI sets out the information on norms now in force and those proposed for the Fifth Plan period in the several States. There are very wide differences between States, both in terms of existing as well as proposed norms. This wide disparity appears to be due in part to the fact that while in some States they may represent only expenditure on medicines and drugs, in others they may be inclusive of expenditure on other hospital necessities like linen, instruments and also the cost of X-Ray, clinical and other tests. It is

also felt that the norms proposed by the various States for the Fifth Plan period represent a substantial step-up over the existing levels.

22. As regards diet for patients, no norms as such have been prescribed in Himachal Pradesh, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh. However, the Governments of Tamil Nadu and Himachal Pradesh have prescribed scales of diet admissible and provisions were reported to be made on the basis of requirements. These two State Governments have also indicated the average expenditure per patient per day on diet. Norms for diet in force at present and those proposed for the Fifth Plan period in the several States are indicated in Table No. 7 in Appendix XI.

23. In some States higher scales of expenditure have been allowed for certain categories of patients such as those suffering from tuberculosis. Here again it is very clear that there is a wide margin of variation between the norms proposed by different States. The available information on the number of out-patients and in-patients in different States does not appear to afford a reliable basis for determination of the funds needed for medicines and diet. We do not, therefore, find it possible to determine the provisions needed for medicines and diet on the basis of specific norms. The only course open to us in these circumstances is, therefore, to categorise the States into certain broad groups on the basis of present provision for medicines and diet per head of population and to lay down differential rates of increase over the existing level of expenditure. It should be remembered that the present wide variations in allocations for medicines and diet in different States may be due both to constraint on resources and the absence of adequate number of hospitals and dispensaries. Where there are not enough hospitals or dispensaries, the mere enhancement of provision for medicine and diet would serve no purpose. Equalisation of provision for medicine and diet in per capita terms will, therefore, not be a practical proposition. However, having regard to the present level of expenditure on medicines, the States may be classified broadly into three categories, namely :

Category A.—States in which the provision for medicine and diet is substantially above the national average :—

- (1) Himachal Pradesh
- (2) Jammu & Kashmir
- (3) Kerala
- (4) Nagaland
- (5) Tamil Nadu
- (6) Tripura

Category B.—States in which the provisions for medicine and diet may be considered to be at moderate level :—

- (1) Andhra Pradesh
- (2) Assam
- (3) Gujarat

- (4) Haryana
- (5) Madhya Pradesh
- (6) Maharashtra
- (7) Mysore
- (8) Punjab

Category C.—States in which provisions for medicines and diet should be considered to be low :—

- (1) Bihar
- (2) Manipur
- (3) Meghalaya
- (4) Orissa
- (5) Rajasthan
- (6) Uttar Pradesh
- (7) West Bengal

24. Having regard to our general impression that the expenditure on diet and medicines cannot be considered satisfactory in any State, we consider it essential to allow for some increase in all the States but at different rates. Taking the actuals of 1971-72 we have considered it necessary to provide for an increase of 25 per cent in States falling in Category-A, 50 per cent for States falling in Category-B and 100 per cent for States falling in Category-C to arrive at the desired base level expenditure in 1973-74. We have allowed for a further increase of 5 per cent per annum during the forecast period keeping in view the normal increase in number of patients seeking medical care. The statement below shows, in one view, the actuals of expenditure on medicines and diet in 1971-72 in different States, and the estimates as reassessed by us for the forecast period :

Provision for Medicines and Diet

(Rs. Crores)

States	1971-72	1974-75	Total 1974-79
Category-A			
1. Himachal Pradesh	0.51	0.67	3.71
2. Jammu & Kashmir	0.90	1.18	6.51
3. Kerala	3.90	5.12	28.31
4. Nagaland	0.50	0.65	3.58
5. Tamil Nadu	7.56	9.92	54.83
6. Tripura	0.34	0.44	2.40
Category-B			
1. Andhra Pradesh	4.12	6.49	35.85
2. Assam	1.05	1.65	9.12
3. Gujarat	1.88	2.96	16.37
4. Haryana	0.75	1.19	6.58
5. Madhya Pradesh	2.66	4.19	23.15
6. Maharashtra	3.25	5.11	28.22
7. Mysore	3.09	4.86	26.86
8. Punjab	0.99	1.56	8.63
Category-C			
1. Bihar	0.99	2.08	11.47
2. Manipur	0.09	0.18	1.05
3. Meghalaya	0.06	0.13	0.75
4. Orissa	0.94	1.97	10.90
5. Rajasthan	1.42	2.98	16.47
6. Uttar Pradesh	2.91	6.11	33.78
7. West Bengal	3.27	6.87	37.95
Total	41.18	66.31	366.49

Medical care and health service in rural areas

25. Primary Health Centres are the focal points for the provision of medical care and health services in rural areas. The country has also adopted the pattern of one primary health centre for every block. Despite this uniformity in the basic set up for provision of medical services in rural areas, there is very wide divergence in the allocations for medicines for primary health centres in different States. Thus, while the allotment for medicines is as low as Rs. 5,000 in Madhya Pradesh and Rs. 5,800 in Orissa, Punjab and West Bengal were able to provide upto Rs. 12,000 per centre. We understand

that as part of the Minimum Needs Programme now under consideration in the Planning Commission, it is envisaged to provide funds for medicines at Rs. 12,000 per primary health centre and about Rs. 2,000 for each sub-centre attached to the primary health centre. We consider it appropriate to adopt this norm in working out the requirements of funds for provision of medicines in primary health centres and sub-centres. The table below indicates the number of primary health centres and sub-centres in each State and the corresponding provisions for medicines and diet allowed by us in determining the requirements of the States for the forecast period 1974-75 to 1978-79 :

Provision for Medicines in Primary Health Centres and Sub-Centres

(Rs. crores)

States	Public Health Centres			Sub-Centres			Total provision on the basis of norms.		Level of expenditure in 1971-72 (Actuals)	Total provision allowed in the re-assessment 1974-79
	No. at the end of 1973-74	Provision on the basis of norms		No. at the end of 1973-74	Provision on the basis of norms		1974-75	Total 1974-79		
		1974-75	Total 1974-79		1974-75	Total 1974-79				
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh .	416	0.50	2.50	1,248	0.25	1.25	0.75	3.75	0.29	3.75
2. Assam	109	0.13	0.65	274	0.05	0.25	0.18	0.90	0.08	0.90
3. Bihar	587	0.70	3.50	1,761	0.35	1.75	1.05	5.25	0.04	5.25
4. Gujarat	251	0.30	1.50	786	0.16	0.80	0.46	2.30	0.15	2.30
5. Haryana	89	0.11	0.55	267	0.05	0.25	0.16	0.80	0.80	0.80
6. Himachal Pradesh	76	0.09	0.45	266	0.05	0.25	0.14	0.70	0.09	0.70
7. Jammu & Kashmir	76	0.09	0.45	187	0.04	0.20	0.13	0.65	0.04	0.65
8. Kerala	162	0.19	0.95	428	0.08	0.40	0.27	1.35	0.31	2.08*
9. Madhya Pradesh .	451	0.54	2.70	2,900	0.58	2.90	1.12	5.60	0.23	5.60
10. Maharashtra . .	388	0.47	2.35	1,243	0.25	1.25	0.72	3.60	0.25	3.60
11. Manipur	16	0.02	0.10	50	0.01	0.05	0.03	0.15	0.01	0.15
12. Meghalaya . . .	16	0.02	0.10	20	0.01	0.05	0.03	0.15	0.01	0.15
13. Mysore	265	0.32	1.60	795	0.16	0.80	0.48	2.40	0.21	2.40
14. Nagaland	10	0.01	0.05	45	0.01	0.05	0.02	0.10	NA	@
15. Orissa	314	0.38	1.90	882	0.18	0.90	0.56	2.80	0.16	2.80
16. Punjab	167	0.20	1.00	836	0.17	0.85	0.37	1.85	0.05	1.85
17. Rajasthan	232	0.28	1.40	696	0.14	0.70	0.42	2.10	0.12	2.10
18. Tamil Nadu . . .	379	0.45	2.25	1,137	0.23	1.15	0.68	3.40	0.26	3.40
19. Tripura	26	0.03	0.15	106	0.02	0.10	0.05	0.25	0.08	0.54*
20. Uttar Pradesh . .	905	1.09	5.45	3,008	0.60	3.00	1.69	8.45	0.43	8.45
21. West Bengal . . .	318	0.38	1.90	662	0.13	0.65	0.51	2.55	1.32	8.84*
TOTAL	5,253	6.30	31.50	17,597	3.52	17.60	9.82	49.10	4.21	56.31

*In Kerala, Tripura and West Bengal the 1971-72 level of expenditure was more than what works out on the basis of norms and has been allowed in the reassessment.

@In the case of Nagaland, the 1971-72 level of expenditure was not available. However, the State Government have informed that they are spending at rates more than the norms adopted by us. Hence additional provision has not been allowed.

CHAPTER XII

UPGRADATION OF STANDARDS OF ADMINISTRATION IN BACKWARD STATES

The formulation of principles governing grants-in-aid of the revenues of the States in need of such assistance is one of the obligatory functions cast on the Finance Commission under the Constitution. In assessing the needs of the States in pursuance of this Constitutional directive, the Finance Commissions have moved away from the concept of budgetary needs, as emerging from the forecasts of revenue and expenditure admitted by State Governments, to a consideration of fiscal needs in a comprehensive sense. But the determination of grants has been made on the basis of the levels of administrative and social services as already attained in different States. In consequence the accent has been on maintenance and consolidation, rather than on improvement and expansion of the variegated services, that a State Government is called upon to provide in an era of rising expectations. In particular, no attempt appears to have been made so far to quantify the requirements in financial terms of the backward States from the standpoint of progressive equalisation of standards of essential administrative and social services within a definite time horizon. It seems reasonable to us that provision of funds to the States that are backward in administrative and social services, falls within the purview of the Finance Commission. Para 4(b)(v) of our terms of reference appears to confirm this view.

2. It is hardly possible for the Finance Commission within the time allowed to it, either to examine in depth the soundness and adequacy of the administrative set up in the various States or to formulate specific proposals for its improvement. Among the numerous factors which impinge on the efficiency of the administrative system, there are many that cannot be reduced to financial terms in any meaningful sense. Principles and procedures of recruitment, training and deployment of administrative and technical personnel of different categories, clear definition and enforcement of the responsibilities of functionaries at different levels and above all the general political and social milieu in which the administrative machinery has to operate, determine the efficacy of the administrative system. However, the constraint of resources is admittedly one of the important factors impeding the achievement of certain minimum standards of administrative and social services in some of the States. The removal of this constraint comes within the purview of this Commission. It would nevertheless be recognised that the provision of resources is only the first important step in the process of progressive elimination of disparities in standards of administrative and social services. If the provision of additional resources is to fructify in terms of more efficient and adequate service to the community at large, this will have to be followed up

by energetic and purposeful action on a wide front at both political and administrative levels in the backward States.

3. We have carefully examined the implications of the term "General Administration" occurring in this part of our terms of reference. On a narrow interpretation, the term "General Administration" could be deemed to cover only those services, provision for which is normally made under the budget head "19-General Administration". This would mean that the problem of upgradation of standards in backward States might be considered as limited to allocation of additional funds for expenditure on such agencies as Secretariat and Attached Offices, Board of Revenue, Treasuries and general administrative establishments at district, divisional and tehsil levels. We hold that such an interpretation would be unduly restrictive and out of tune with the enlightened approach to the problem of inter-State disparities that has inspired this part of our terms of reference. In our view, the expression 'General Administration' occurring in our terms of reference should be taken in its broad sense as comprehending all the instrumentalities of Governments concerned with general administration, maintenance of law and order, administration of justice and other vital functions of Governments pertaining to the health and welfare of the citizens.

4. We have taken the view that the Finance Commission is concerned primarily with expenditure on revenue account. But this can be considered by some as restrictive. Article 112(2) of the Constitution relating to Central Budget and Article 202(2) of the Constitution relating to the State Budget do specifically require that expenditure on revenue account should be distinguished from other expenditure. Article 275 of the Constitution also refers only to 'revenues' of the States. It, therefore, seems to us that while we can deal with all the requirements of the States for upgradation of standards of administration including social services, we should concern ourselves only with expenditure on revenue account and not on capital and loan accounts. For purposes of raising of administrative standards, we have therefore left out of account expenditure in States on schemes such as roads and drinking water supply, which is generally booked under capital account.

5. We examined carefully the criteria with reference to which the backwardness of States in standards of administration could be assessed with a measure of accuracy and the assistance provided to them for reduction of the disparities. In an attempt to assess the extent of leeway to be made up by the backward States in physical terms, we addressed a questionnaire to all the State Governments as in Appendix III.

Many of the subsidiary points on which we obtained information also gave some indication of the levels of physical achievements in several spheres of administration and social services. On an analysis of the information obtained, we found that except in certain sectors such as elementary education or medical and public health, where the enrolment ratios or the hospital bed-population ratios might give some indication of the relative progress made by different States, the information available about many heads of administrative and social services did not provide a workable basis for taking a view on physical requirements of backward States. To illustrate, we thought that the span of control in terms of area and population of different functionaries at district, sub-divisional and taluk levels could provide a reasonably satisfactory yardstick for assessment of the standards of general administration in different States. But analysis of the information obtained from the States showed that it would be misleading to apply this yardstick. Thus, for example, the average size of a district in terms of population was found to be high both in Bihar, which is admittedly one of our backward States, and Tamil Nadu which is recognised to be an advanced State. This should suffice to show that the size of a district by itself cannot be taken to be an indicator of the adequacy or otherwise of the administrative machinery of different States. Similarly in the case of Police, available information on the strength of police force and the facilities available to police personnel was not such as to permit any definite conclusions about the adequacy or efficiency of the police force in different States. Even in sectors such as education or medical and public health where the enrolment ratios or the ratio between population and hospital beds gives some indication of the requirements of the States on a comparable basis, we found it difficult to translate the requirements in financial terms in view of wide differences in scales of pay and variations in patterns of assistance to institutions run by local bodies and other aided agencies. On consideration of these and other relevant factors, we were led to the view that per capita expenditure on administrative and social services in different States, with all its imperfections, would be a convenient yardstick for estimation of the requirements of the backward States in broad terms. Having therefore first projected the requirements of all the States—advanced and backward—on the basis of existing standards of administrative and social services with reference to the rates of growth indicated elsewhere in the report, we worked out the per capita expenditure on certain essential services at the levels likely to be reached in 1978-79 and struck an all-States average of such expenditure. The next step was to identify the States whose expenditure was below the all-States average under different heads and work out the provisions needed to bring them up to the all-States average by 1978-79.

6. In order that this concept of upgradation in terms of per capita expenditure may yield satisfactory results, it was found necessary to exclude certain typical States like Jammu & Kashmir, Himachal Pradesh, Manipur, Meghalaya, Nagaland and Tripura. If the figures of expenditure of these States are taken

into account for purposes of working out the all-States average, the results would be vitiated. In working out the average of all States for purposes of provision of additional funds to backward States, we have, therefore, left out these States. The requirements of these exceptional States for raising the standards of administration have, however, been worked out separately on their merits with due regard to their special circumstances.

7. The primary object of upgrading administrative standards in backward States is to enable the State Governments concerned to respond to the needs of the people more effectively. This consideration is not relevant in regard to tax collection charges. Provision for tax collection charges will have to be made in relation to receipts from the various sources of revenue or on the basis of certain reasonable rates of growth on existing levels of expenditure.

8. The question of mitigating disparities in standards of administration as between advanced and backward States is not relevant in respect of items such as Interest Payments(16)*, Appropriation for Reduction or Avoidance of Debt(17), State Legislatures(18), Famine Relief(64), and Pensions and Retirement Benefits(65). Provisions under these heads will have to be worked out with reference to the actual requirements of the States. As regards developmental heads, it may not be relevant to consider Industries(35), Multi-purpose Projects(42), Expenditure on Irrigation Schemes (43 and 44), Road Transport(57), Electricity(45) and Forests(70) from the point of view of elevation of standards, because the expenditure under these revenue heads relates mostly to the maintenance of irrigation schemes, road transport undertakings, and departmental units already in existence. If a State lags behind in these sectors, the deficiency can be made good only through appropriate programmes undertaken as part of the Plan and not through allocation of funds on revenue account under our scheme of devolution. Moreover, it should be remembered that such outlays will be mostly on capital account. We have, however, dealt separately with provision for adequate maintenance of existing assets such as irrigation works and roads and have provided funds on the basis of certain norms. Adequate resources have been provided under our scheme for maintenance of buildings, irrigation and flood protection works, roads, supply of medicines and diet in hospitals and dispensaries for all the States. The backward States which, for paucity of resources or other reasons, have so far been unable to provide adequate funds for maintenance of capital works, would be the principal beneficiaries of the new procedure followed by us for determination of funds for maintenance. The expenditure on Forests(70) has also to be excluded depending as it does on the extent under forests and also perhaps on the revenue derived therefrom. Likewise, we have felt that expenditure on Agriculture,

*Figures in brackets relate to heads of account as in the Account for 1973-74