

CHAPTER 10UPGRADATION OF STANDARDS OF ADMINISTRATION

In accordance with sub-paragraph (vi) of paragraph 5 of the Presidential Order, the Commission has to have regard, among other considerations to:

" the requirements of States which are backward in general administration for upgradation of standards in non-developmental sectors and services with a view to bringing them to the levels obtaining in the more advanced States over the period covered by the Report of the Commission; the manner in which such expenditure could be monitored, being also indicated by the Commission."

2. The Sixth Finance Commission had allowed provisions to enable States which were backward in standards of general administration to improve the standards. That Commission was required to deal with this matter as one of a ten-year span, of which the first five years were the period covered by its Report. The financial provisions made by it for States were calculated so as to bring them up to the all-States' average of per capita expenditure on each of the various services regarded by that Commission as falling within the purview of the phrase "general administration" used in its terms of reference. We are, however, required to confine ourselves to providing for upgradation of standards of administration in non-developmental sectors and services. The period in which this upgradation of standards is to be attained is limited to the five years covered by our Report.

3. For an assessment of the existing standards and of the gaps between the backward and the more advanced States, we have decided to confine ourselves to the sectors and services which are the more important elements in the basic administrative infrastructure of government. In our view these would be the following:—

1. Administration of taxes.
2. Treasury and Accounts administration.
3. Judicial administration.
4. General administration, consisting of revenue, district as well as tribal administration, and the Secretariat services.
5. Police.
6. Jails.

Certain States have sought provisions to upgrade the administration in certain other fields like education, welfare of Scheduled Castes and Tribes etc., which do not in our view belong to the category of non-developmental sectors and services specified in our terms of reference, but rather to the Plan.

4. There is no doubt that, judged on various indicators, there are disparities in respect of the administrative infrastructure between the States, and there is a clear need to upgrade and improve the standards of administration in several States. The capabilities and efficiency of the administration have a significant bearing not only on the quality of public services rendered and the level of satisfaction of the citizenry, but also on the developmental situation in a State. We feel that administrative efficiency is not a function of finance alone, but depends very much on the priority accorded to the performance of basic administrative tasks by the State Governments themselves, their attention to improvements in organisational structures and methods of work, the capacity of the

- (iv) For computing receipts on account of interest on fresh lendings, whether for Plan or non-Plan purposes, by the State Governments, during each of the years from 1979-80 to 1983-84, a uniform rate of interest at 6 per cent per annum on the outstandings of all such fresh loans, brought to account under all the Major Heads of Account from '677' to '767', should be taken into account, except fresh loans to Government servants (Head 766) other than house building loans;
- (v) like the liability for payment of interest on fresh borrowings, interest receipts on fresh lendings should be computed, in the manner prescribed above, from year to year, on the outstanding amounts of such fresh lendings;
- (vi) the Accountant General of each State should be requested to intimate to the Ministry of Finance, by the middle of January in each year, the figures of actual borrowings, of different categories, of the State Government, brought to account under the Major Heads of Account '603' and '604', during the first 8 months from April to November of that financial year, as also the rate of interest and the terms of borrowings applicable in each case. Likewise, the figures of actual lendings, and the terms thereof, as well as fresh investments, referred to in (v) above, during the first 8 months of the year should be obtained from the Accountants General;
- (vii) on the basis of such actuals for the first 8 months of a year and the estimates, on best judgement, of further borrowings, lendings and investments during the last 4 months of a year, computations of the net interest liability on fresh lendings and borrowings should be made in relation to each of the years from 1979-80 to 1983-84;
- (viii) the additional grant-in-aid that, on such computation, may become due to a State Government, in respect of each financial year, should be paid by Presidential Order, before the close of that year, subject to final adjustments towards payment of arrears or recovery of excess payments, if any, in the following year in the light of the actual amounts and the terms of fresh borrowings, lendings and investments in that previous year; and
- (ix) following the computations made as above, the President should be moved to increase, to the extent required, the grants recommended by us under Article 275 of the Constitution to the 8 States mentioned in paragraph 43 above. In the case of the other States, the net interest liability computed should be set off against the surplus as assessed by us, and the net deficit, if any, should be given as grants-in-aid by Presidential Order under Article 275.

47. We would suggest that the Central Government should incorporate suitably every year in the Explanatory Memorandum on the Central Budget or in the Supplementary Demands as the case may be, the computations made as above and the grants payable towards the net interest liability. The State Governments concerned should also be kept informed of such computations.

official machinery to innovate, reform and change and the efficient functioning of the financial accounting and control systems. A strong political and administrative awareness and will, and sustained efforts, are also essential to carry out improvements within a defined period. We were struck by the fact that in several of the States which appeared backward in respect of general administration there was little preparedness for introducing the necessary improvements and upgradation of standards. This may have been, among other factors, partly the result of the low priority accorded to the non-developmental sectors on account of the severe constraints on their resources in recent years, judging from the fact of diversion of the provisions for upgradation made by the Sixth Finance Commission in several States for other purposes.

5. In the course of examining the standards of administration in different fields in the various States, as they are now, we have noticed that a simple measure like per capita expenditure is often misleading, especially taking into account also other indices of the effectiveness or output. Per capita expenditure figures are also misleading for the reason that the emoluments of the employees concerned with a particular service vary from State to State. Besides, it is not possible for us to assume, we find, that the States which are economically advanced always have better standards of administration of the different services than the other States. We have, therefore, examined the relative position of the States in physical terms as far as possible, and considered the needs for provisions for upgradation of standards in relation to norms which we have evolved.

6. While we have examined the requirements for upgradation of standards of administration in terms of physical norms as far as possible, we have also kept in mind the feasibility of the implementation of improvement schemes within the five year period of our Report. We should mention also that we have not left out of consideration any State which, in our view, needs to effect some improvement in a particular service or sector, even though it may not have made any proposals. No State has been allowed larger provisions than it had proposed.

7. In the course of our consideration of the subject, we have found that in many cases the provisions under revenue account which we allow for the purpose of upgradation of standards of administration would need to be supplemented by provisions for administrative and residential buildings. Unless these buildings are provided for, it is unlikely that the object of providing funds on the revenue account would be achieved fully or within the period covered by our Report. We are led to this belief on the basis of the experience of most States in recent years, which has been that even essential administrative and residential buildings could not be provided for in their Plans, on account of the competing demands of other sectors on the available resources. We may cite the instance of courts or jails, areas which have been causing concern, and rightly. There is little point in numbers of new courts being opened to expedite the disposal of civil and criminal cases, especially in the smaller places to which the public have easy access, if the courts and judicial officers are also not housed suitably at the same time. We have, therefore, allowed provisions for the buildings also where we have considered these essential.

8. We have given careful consideration to the scope for grants-in-aid under Article 275 for meeting capital expenditure. The operative part of this Article speaks of "sums". There is no restriction or bar in the Article against making grants for capital expenditure. The first proviso to the Article expressly speaks of grants of capital sums. This goes to show that the expression grants-in-aid of revenues does not limit grants for revenue expenditure only. We are fortified in this view by the Note of the Chairman of the Fourth Finance Commission appended to its Report on the interpretation of Article 275.

Further, it seems unreasonable to hold that the operative part of the Article enables the Commission to make grants for revenue expenditure only, while the proviso enables grants being made of revenue as well as capital nature. It is quite clear therefrom that it is open to us to recommend grants for capital expenditure also, apart from grants for revenue expenditure under Article 275.

9. As already mentioned we have considered the necessity for upgrading the standards of the services we have examined in all the States. We have also mentioned, while dealing with the reassessment of the forecasts of the States, that we were providing for upgradation of standards of administration separately. We are not incorporating the provisions which we have recommended in this Chapter in the re-assessed revenue forecasts of the States concerned. In our view, and in the light of the arrangements we have proposed for implementation and monitoring of the schemes for upgradation of standards, it is necessary to keep these provisions distinct and provide equivalent amounts as grants under Article 275.

10. We have considered also the question whether grants-in-aid should be made to States for upgradation of standards of administration irrespective of their financial position. We believe that the States which have been assessed by us to be surplus on the revenue account even without taking credit for resources being transferred in terms of our Report should be considered as not needing such assistance. It is our view that these States have the resources to effect such improvements in their standards of administration as they find desirable. We are, therefore, not recommending any grants for such States i.e. Gujarat, Haryana, Karnataka, Maharashtra and Punjab. In the case of the other States, where we have found that standards of administration need to be upgraded to the extent that we have worked out, we recommend that grants-in-aid be made equivalent to the revenue and capital provisions which we have estimated, and subject to the implementation and the monitoring of the upgradation schemes in the manner indicated hereafter.

11. We are aware that since the commencement of the Fifth Plan, outlays for buildings are being provided in the Plans, since they create capital assets. We would suggest that at the time of finalising the Plans of the various States, the non-Plan provisions we have recommended should be kept in view by the Planning Commission and the State Governments.

12. We have dealt with the standards of administration in different sectors and services later in this chapter. It should be understood that our exercise is no substitute for the normal scrutiny of the details by the administrative departments and the Finance Department of the State Governments concerned.

Fiscal Services  
and Treasury  
and Accounts:

13. We have mentioned in our account of the reassessment of the revenue forecasts of the States that additional revenue expenditure has been built in the forecasts of expenditure relating to fiscal services and the treasury and accounts administration in many States. For these services, we recommend that capital expenditure needs may be provided through grants-in-aid under Article 275 in the following cases:

		(Rs. lakhs)
Bihar	Stamps and Registration	50
Himachal Pradesh	Upgradation of treasury and accounts administration	30
Madhya Pradesh	- do -	26

		(Rs. lakhs)
Rajasthan	- do -	100
Tripura	- do -	5
Uttar Pradesh	- do -	<u>375</u>
	Total:	<u>586</u>

Appendix V.1 sets out the specific items on which the States are entitled to spend these amounts. The releases against these entitlements should be regulated in the manner suggested later in this chapter.

Judicial Administration.

14. The large accumulation of arrears of cases in different States is a matter of serious concern. The Union Law Minister has also written to us expressing his anxiety in the matter and proposing that the number of the courts in different States should be increased, with due regard to the accumulated work and the present rates of disposal of cases. In order to arrive at the requirements for upgradation of judicial administration, we have assessed the situation in the different States on certain objective quantitative standards, with reference to the institution, disposal and pendency of civil and criminal cases, in the period 1.1.1976 to 30.6.1977. The statistics furnished to us by the Department of Justice of the Central Government have provided a good basis for this assessment. The relevant data have been given in Appendix V. 2(i) to (iv). The adequacy or otherwise of the existing number of courts in different States has been judged with reference to the following criteria:

- i) the ratio of annual disposal of cases to fresh institutions, from which we have derived the additional number of courts needed in certain States for ensuring that disposal keeps pace with institutions.
- ii) the ratio of total pendency to annual disposal, which has enabled us to estimate the additional requirements of courts in order to ensure that the level of pendency is brought down in the next 4 or 5 years so as to enable courts to dispose of criminal cases within 6 months, and civil cases within 12 months of their institution.

15. We have relied to a large extent on the information contained in the periodical reviews, made by the Union Department of Justice, of the overall workload in the lower and appellate civil courts and magisterial and sessions courts. We had also asked for information from the State Governments in regard to the total number of courts at present. There are divergences in the figures from the two sources in the case of many States, which we are not able to reconcile, even though the information of the Department of Justice is also from the same sources. We have also taken note of the additional courts sanctioned in some of the States since 1977-78. We find that the present rates of disposal of cases in the courts at different levels vary a lot from State to State. While these variations may be explained partly with reference to the peculiar composition of the cases in different States, there seems to be room for improvement in the rates of disposal of cases attained at present in several States. We expect that with the upgradation of police administration which we are providing for and with the additional courts also being allowed for, there should be a marked improvement in timely disposal of criminal as well as civil cases.

16. Taking the overall workload, the number of courts and the current rate of disposal of cases in the lower as well as the higher courts upto the district level, we

are led to the following assessment of the additional courts necessary in the States:

	<u>Criminal Courts</u>		<u>Civil Courts</u>	
	Lower	Higher	Lower	Higher
Andhra Pradesh	10	-	5	4
Assam	14	2	26	-
Bihar	85*	33	14	1
Himachal Pradesh	2	-	-	-
Jammu & Kashmir	2	-	-	-
Kerala	-	2	-	-
Madhya Pradesh	4	1	-	2
Manipur	7	-	-	-
Meghalaya	-	-	-	-
Nagaland	-	-	-	-
Orissa	12	7	-	2
Rajasthan	27	7	12	2
Tamil Nadu	4	-	-	-
Tripura	2	-	3	7
Uttar Pradesh	84*	48*	-	-
West Bengal	46*	3	51*	7

\*Phased in 2 years

The scales of expenditure on pay and allowances and other recurring and non-recurring expenses per court, including a provision for the library of law books in each court, have also been specified in the entitlement of the States. Details may be seen in Appendix V.3.

17. We would like to stress in this context the desirability of close supervision of the work of the courts by the High Courts in order to ensure the achievement of reasonable degree of speed and efficiency in the dispensation of justice, which is our objective in providing for more courts as indicated above.

18. We have also made provisions for buildings for the additional courts for which we have allowed provisions on the revenue account. It is the general experience that suitable accommodation for additional courts would not be available in the districts and particularly in the smaller towns. We have also made provisions for residences for presiding officers of these new courts. We regard it as essential for the independence and fair image of the Judiciary, that Judicial Officers should not be constrained to hire quarters from private persons as far as possible. For estimating the provisions, we have adopted moderate norms of area requirements and costs of constructions as given in Appendix V.4.

19. The total provisions we have allowed for the Upgradation of Judicial Administration in the various States during 1979-84 add up to Rs. 2399.45 lakhs, as shown in the Table below:

	(Rs. Lakhs)	
	<u>Revenue</u>	<u>Capital</u>
1. Andhra Pradesh	54.77	29.20
2. Assam	108.96	60.10

(Rs. lakhs)

	<u>Revenue</u>	<u>Capital</u>
3. Bihar	373.43	208.30
4. Himachal Pradesh	5.02	2.80
5. Jammu & Kashmir	5.02	2.80
6. Kerala	8.56	4.10
7. Madhya Pradesh	22.88	12.95
8. Manipur	17.57	9.80
9. Nagaland	-	70.00*
10. Orissa	68.64	35.25
11. Rajasthan	136.41	73.05
12. Tamil Nadu	10.04	5.60
13. Tripura	42.51	21.35
14. Uttar Pradesh	374.58	217.20
15. West Bengal	262.26	156.30
<u>Total:</u>	<u>1490.65</u>	<u>908.80</u>

\*For village courts

Item-wise details may be found in Appendix V. 5.

Revenue, District  
and Tribal  
Administration

20. Revenue and district administration taken together constitute the dispersed general administrative structure in all these States. It is with the officials in this structure that the largest number of citizens have dealings at the field level. The revenue administration continues to be responsible for land records and land reforms administration, as well as for a wide variety of general administration, tasks of a routine as well as emergent nature. The district administrative structure provides a basic unit of integration for local administration as well as for decentralised developmental activities. The upgradation of standards in these sectors of administration is, therefore, of the utmost importance.

21. The Sixth Finance Commission had taken a composite view of expenditure on revenue and general administration. It had noted certain limitations of comparisons between States in physical terms such as the average size of districts, the span of control in terms of area and population served by different functionaries, etc., and found itself unable to arrive at a set of general criteria to apply across the States. That Commission, therefore, allowed provisions for upgradation of standards on the basis of expenditure in per capita terms. We have been unable to proceed in the same manner. Under the present system of classification of accounts, the practices of booking expenditure under various heads differ from State to State. Comparisons in terms of expenditure are also vitiated by the fact that local bodies play varying roles in different States, and in States like Maharashtra and Gujarat they have been assigned particularly large roles and receive larger transfers from the State Budgets than in other States. We have looked into the expenditure incurred by the different States under the Heads of Account 229-Revenue Administration and 253-District Administration, as well as on the Secretariat Administration under the Heads 252, 276 and 296. We have examined the expenditure under these Heads in the States in per capita terms as well as in terms of net sown area, per district, as well as per square kilometre of area. Appendix V.6 sets out some compilations we have done. The comparisons show that the field administration costs per capita were higher in States like Rajasthan than in Punjab, the level of expenditure in which State was on par with Madhya Pradesh as well as Karnataka. Gujarat was spending less per capita than Assam, and a little more than Bihar, though the

Gujarat administration cannot be regarded as backward. In terms of costs per hectare and net sown area, the comparisons again show that Gujarat had the lowest costs, followed by Rajasthan, Madhya Pradesh and Haryana, while the cost in States like Tamil Nadu and Kerala were nearly four times that incurred in Gujarat. Maharashtra and Punjab were also low-spending States in these terms. The expenditure per district varied in the ratio of 1:4 between Haryana and Tamil Nadu, and 1:3 between Haryana and Andhra Pradesh or West Bengal. These expenditure comparisons, however, are not wholly meaningful, considering the great variations in the average size of districts in the different States, in terms of area as well as population. The range of variation in expenditure per square kilometre was again very wide, almost more than 5 times in Kerala, West Bengal and Bihar over Gujarat, Rajasthan or Madhya Pradesh, and this may be explained partly by the varying density of population in these States.

22. In the light of the above, we feel that it would not be right to go by any general criterion in determining the provisions to be made for upgradation of revenue and district administration. Instead, we have considered the proposals received from various States for upgradation of these sectors of the administration on merits in the light of experience. We have also carefully perused the documentation sent by many States in support of their proposals, including in certain cases like Assam and Orissa, the report of committees which had in recent years examined the requirements of reorganisation of districts, sub-divisions, etc.

23. A large number of the States which have tribal sub-Plan areas, have sent us proposals for upgradation of tribal administration in various aspects. We are aware that the administration of tribal areas stands in particular need of upgradation of standards and that some essential improvements for this purpose are also incorporated in the tribal sub-Plans. We have also been favoured with a Memorandum by the Union Ministry of Home Affairs on this subject. However, we found ourselves unable to appreciate the logic behind the proposals made by certain States for making enhanced provisions of expenditure on certain items like maintenance costs of roads and buildings, or other works, not with reference to any technical considerations which may have a bearing on the costs, but merely on the ground that the particular works happen to lie within the tribal areas of the State. We have attached priority to proposals for allowing compensatory allowances to transferable Government servants working in these areas. We believe that these employees work in areas where the normal facilities and amenities of living are not yet available as they are in the non-tribal areas, and have therefore to incur extra costs for various purposes. Compensatory allowances for work in such conditions would help them to overcome their financial and other disadvantages.

24. As regards Secretariat administration, we find no reason to support any of the proposals made. The amounts involved, which only some States have asked for, are quite small. Besides, we feel that attention has to be concentrated on improvements not in the State headquarters but in the field levels of administration.

25. Keeping in view the above considerations, we have made the following provisions for different States, for implementation of the schemes, as listed itemwise in Appendix V. 7:-

<u>States</u>	<u>(Rs. lakhs)</u>		
	<u>Revenue</u>	<u>Capital</u>	<u>Total</u>
Andhra Pradesh	165	306	471
Assam	146	622	768

<u>States</u>	<u>(Rs. lakhs)</u>		
	<u>Revenue</u>	<u>Capital</u>	<u>Total</u>
Bihar	884	1112	1996
Himachal Pradesh	60	24	84
Jammu and Kashmir	50	200	250
Kerala	20	40	60
Madhya Pradesh	1156	680	1836
Manipur	74	540	614
Meghalaya	-	150	150
Nagaland	50	24	74
Orissa	793	444	1237
Rajasthan	200	390	590
Tamil Nadu	22	72	94
Tripura	95	24	119
Uttar Pradesh	151	2016	2167
West Bengal	98	96	194
<b>Total:</b>	<b>3964</b>	<b>6740</b>	<b>10704</b>

Police

26. The police administration is called upon to perform diverse tasks. It has an increasing responsibility to discharge not only in keeping law and order and investigating crime and prosecuting offenders, but also in regard to its dealings with the public and in obtaining their support. The National Police Commission is currently studying a wide variety of issues linked with the tasks of improvement and modernisation of the police force, and is reviewing, it is understood, the objectives, status, methods, organisational structure etc. of the Police. The recommendations of that Commission would, it is hoped, have a lasting impact on the course of the future development of police administration in the country.

27. We have made our own assessment of the current status in this sector of administration in the different States. We have looked into the total and per capita expenditure incurred at present in different States, the trends in the situation of crime in different States, the strength of the police and the Home Guards, etc., and certain general indicators of the adequacy or otherwise of the police force and its capabilities. We have also obtained information from the State Governments about the state of the equipment and accommodation for the police. Comparisons have also been made of the strength of the police vis-a-vis indicators of performance such as the percentage of cases pending investigation and the convictions secured out of the total cases decided by the courts. There are very wide variations across the States in these matters. Appendices V. 8(i) to (v) set out some of the compilations made by us in this connection.

28. We have examined the variations across the States in respect of these indicators. In absolute numbers, Bihar has the highest population figure of 1407 per policeman, which is nearly double the population per policeman in Punjab (707) and Maharashtra (755). However, if this number is viewed against the volume of crime in the different States, the relative position of Bihar is even worse. With reference to the number of policemen per 1000 crimes, the lowest number of policemen is found in Madhya Pradesh (320), Uttar Pradesh (338), Assam (395), and Bihar (445) as compared to Orissa (549), Maharashtra (552), Tamil Nadu (590) Andhra Pradesh (904), Haryana (1089) and Punjab (1357). We have excluded from this comparison States like Nagaland and Sikkim which have their own unique situations. However, neither the proportion of cases

pending investigations with the police nor the percentage of convictions to total court decisions is apparently adversely affected by the smallness of the number of policemen per 1000 crimes in the case of Madhya Pradesh, Maharashtra and Tamil Nadu. On the other hand, the mere fact of a relatively larger police force does not seem to have a positive impact on the results achieved in these terms in the case of Haryana, Punjab, Rajasthan or West Bengal. Similarly, percentages of per capita expenditure in different States on the Police do not by themselves reveal that the expenditure on the police in a State is an index of the efficiency of the police administration. Some of the low per capita expenditure States come up well in the comparison of performance in terms of investigations and convictions, as compared to States spending higher amounts.

29. In their proposals for upgradation of the police administration, the States have covered a very wide range of activities, and have sought additional expenditure on schemes for augmenting police strength, training, additions to their fleet of vehicles of different types, equipment and facilities etc. A number of States have asked for augmentation of armed police strength. Certain States have also proposed additional expenditure on fire services. Requirements of additional buildings for police stations, training institutes, laboratories etc. have been included in some of the States' proposals, while almost all States have made demands for additional housing for the police.

The Railway Board have also furnished a memorandum to us suggesting that the States should be enabled to augment the Government Railway Police. A few States have also made similar proposals. We do not think that this question needs separate treatment. The provisions we are allowing for the revenue expenditure should enable States to meet such requirements.

30. We have given serious consideration to the proposals made by the States and have not been able to find justification for adding to the armed police strength in any State. We feel that the needs of States in this regard from time to time could be adequately met by drawing upon the Central Reserve Police.

31. We have taken the view in regard to fire services that it would be inappropriate for the Commission merely to upgrade services in some States where they are a direct charge on the State budget, while in several States the fire services are the responsibility of the municipal bodies. We would however suggest that the Union Ministry of Finance should use its good offices with the General Insurance Corporation to extend assistance appropriately to State Governments and local bodies to improve and augment fire services. In the long term, this course might well be in the interest of reduction of insurance risks. We note that there is already a parallel to what we have suggested, in that the Life Insurance Corporation provides assistance to local bodies for water supply and sewerage schemes etc. on similar considerations.

32. We have not made any provisions for non-residential accommodation separately. We have however given priority to the consideration of the overall revenue expenditure needs and the specific needs of police housing in different States. These are the items which in our view need upgradation more than the rest. The information on police housing considered by us is given in Appendices V. 9(i) to (iii). There are strikingly low levels of housing satisfaction for the subordinate ranks in many States, in spite of the operation of the Central assistance scheme for police housing for about two decades. It is clear to us that there is urgent need to provide for adequate housing in these States in the interest of discipline and morale of the police.

33. On an overall view of the situation we have adopted the following criteria for

judging the relative status of police administration in different States, for arriving at the requirements for upgradation of standards:

- (i) To the extent that, as compared to other States, any State has a lower figure of revenue expenditure on Police than is warranted by the level of crime in that State, the expenditure should be stepped up so as to enable the State to spend as much as the other States are spending on police with reference to their respective levels of crime per lakh of population. These provisions for enhanced revenue expenditure would enable the States which are backward in the matter of police administration (a) to increase the strength of civil police or strengthen Home Guards Organisation etc. and (b) to improve staff training, welfare, transportation, equipment and aids to scientific investigation.
- (ii) In regard to the housing of subordinate police staff, consisting of constables and head constables, the average level of 58.2 per cent of satisfaction in the States which are above the all-India average in this regard has been taken as the norm to be attained by the rest of the States, and adequate provisions of capital expenditure have been allowed to these States for construction of the number of quarters and barracks estimated on this norm.

34. On the basis of the above-mentioned criteria, we recommend provisions to the extent of Rs. 251.59 crores, consisting of Rs. 168.73 crores of revenue expenditure and Rs. 82.86 crores of capital expenditure, as set out in detail for different States in Appendices V. 10(i) and (ii). This amount also includes Rs. 1.00 crore for the construction of an armed battalion headquarters in Meghalaya. The provisions recommended for each State are shown in the following Summary Table:

State	(Rs. lakhs)	
	Revenue	Capital
1. Andhra Pradesh	-	1223.00
2. Assam	243.00	991.00
3. Bihar	2213.00	1006.00
4. Himachal Pradesh	496.00	156.00
5. Jammu & Kashmir	800.00	720.00
6. Kerala	-	345.00
7. Madhya Pradesh	3599.00	159.00
8. Manipur	-	286.00
9. Meghalaya	-	281.00
10. Nagaland	-	289.00
11. Orissa	1443.00	-
12. Rajasthan	916.00	92.00
13. Sikkim	-	51.00
14. Tamil Nadu	443.00	675.00
15. Tripura	-	173.00
16. Uttar Pradesh	6720.00	-
17. West Bengal	-	1839.00
<b>Total:</b>	<b>16873.00</b>	<b>8286.00</b>

The mode of releases of the grants to the States is discussed later.

would be to see that the desired results in physical terms are achieved by incurring expenditure. We had raised in our discussions with the State Governments the question as to what stage of upgradation of standards had been reached as a result of the utilisation of the amounts provided for various purposes by the Sixth Commission. No specific answers were forthcoming to this question in most States. Though expenditure reports would be an essential part of the monitoring system, they would have to be supplemented by some other indicators of the progress achieved. Thus, both financial as well as physical indicators would have to be stated wherever possible.

44. In the course of our discussions with the State Governments we ascertained that none had any objection in principle to monitoring of the utilisation of the provisions we allowed for upgrading standards of administration. Some States, however, felt that the monitoring should not be by a Central Ministry but rather through an independent agency, which could perhaps be part of an agency set up at the instance of the Finance Commission. The States also had no objection to monitoring through the normal audit by the Comptroller and Auditor General, for which purpose they felt that the accounts of the utilisation of the upgradation provisions could be shown in separate sub-heads.

45. We are of the view that the provisions which have been made by us for upgradation of standards should be used on the basis of physical plans of action. These plans of action should be formulated by each State concerned in sufficient detail so as to be meaningful, and then finalised in consultation with the administrative Ministry concerned at the Centre. The State should then proceed to utilise the upgradation provisions in accordance with these plans of action, the progress being reviewed by the administrative Ministry concerned in the Central Government. On the recommendations of the administrative Ministry, the Ministry of Finance should make releases by way of grants to match the expenditure in respect of the upgradation provisions we have allowed.

46. Accordingly, we recommend the following:

- (1) As far as provisions for maintenance of roads and buildings, expenditure on medicines and diet of patients, maintenance expenditure on irrigation and flood control etc. works are concerned, it would be difficult to spell out the physical performance objectives. Except to the extent that budgetary provisions are specified by a sub-head in the major Head of Account concerned, it may be difficult to keep under review the utilisation of the provisions made. Moreover, since these provisions have been incorporated on a normative basis in the expenditure in the forecast period, it may not be feasible for an outside agency, say the Central Government, to keep the provisions under review. The only agency which could discuss this aspect regularly with the State Governments would be the Planning Commission, in the course of the Annual Plan discussions. We would suggest that the Planning Commission may, in consultation with the States, evolve a suitable procedure for monitoring the adequate maintenance of Capital assets and other schemes.
- (2) In respect of the provisions made by us for upgradation of non-developmental sectors, our recommendation is that the administrative Ministries concerned with the finalisation of plans of action and the release of grants should draw up procedures for monitoring in terms of financial as well as performance indicators based on the criteria adopted by the Commission while making these provisions. These criteria may be recapitulated here.
  - (i) Capital expenditure on certain schemes relating to Stamps and Registration,

Upgradation of Treasury and Accounts administration, as earlier described and set out in Appendix V. 1, may be monitored by the Ministry of Finance.

- (ii) Judicial Administration: Additions of a specific number of courts, attaining the minimum norms of disposal per court based on past trends, and construction of court buildings and of residential accommodation for all the new Presiding Officers, as set out in Appendix V. 5, can be conveniently monitored by the Department of Justice.
- (iii) Revenue, District and Tribal Administration: The implementation of specific schemes for which provisions have been allowed as listed in Appendix V. 7 may be monitored by the Ministry of Home Affairs.
- (iv) Police Administration: The norms adopted for making provisions for upgradation of strengthening of police administration have only been stated in financial terms as far as revenue expenditure is concerned and the State Governments should finalise their plans of operation in consultation with the Ministry of Home Affairs. For the provisions made for Police housing, the Ministry of Home Affairs may draw up a suitable monitoring system to ensure that the funds provided are utilised for the construction of quarters/ barracks in accordance with the norms adopted by us. Appendix V. 10 (ii) lists the provisions we have allowed.
- (v) Jails: Provisions for incurring of minimum of expenditure of Rs.3 per day on the diet of prisoners and Rs. 1 for medicines, clothing, etc. within the total provision of Rs.6 per day for direct expenditure on prisoners (including overheads), which should be monitored by having suitable sub-heads under the major head of account. For additions to overall capacity also we have specifically indicated the amounts provided to the States where such capacity needs to be augmented, and the progress made against these schemes should be monitored by the Ministry of Home Affairs. All the items, including amenities and improvements in Jails, and the provisions allowed by us are listed in Appendix V. 14. This should be utilised for the purposes of preparing plans of action, releases of grants and monitoring of progress.

47. We have examined the question of the mode of regulation of releases of grants. These grants should be made so as to cover the actual expenditure on the approved plans of action. An initial on-account grant may be released in the first year and the second year's grant on the basis of performance and expenditure reported by the State Government. By the third year, the audit report for the first year should be available and should also be taken into account while making the subsequent annual releases of grants. The grants we have recommended are for five years, and any shortfalls in actual expenditure in a year should remain available for utilisation in the subsequent years till 1983-84.

48. We expect that the provisions for upgradation of administration made by us will have a substantial impact on the effectiveness of the States' administration, and enable them to overcome the deficiencies that have come to light. We trust that the provisions will be purposefully utilised by the States.

Chapter 11

NON-PLAN CAPITAL GAP OF STATES

Under paragraph 8 of the Presidential Order constituting the Commission the Commission may make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1983-84. In the light of such an assessment, the Commission may undertake a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1978-79 and suggest appropriate measures to deal with the non-Plan capital gap, having regard inter alia to the overall non-Plan gap of the States, their relative position and the purposes for which the loans have been utilised and the requirements of the Centre. The Sixth Commission, which was the first Finance Commission to be asked to undertake a comprehensive review of this aspect of the finances of the States, had similar terms of reference. There is however a significant difference between our terms of reference and those of the Sixth Commission in that whereas that Commission was asked to suggest changes in the terms of repayment of the Central Loans, we are required to suggest "appropriate measures" to deal with the non-Plan capital gap of the States in the period covered by our report.

Assessment of  
non-Plan  
capital gap

2. The capital transactions of the State Governments are brought to account under the various heads of account prescribed in the Consolidated Fund, Contingency Fund and the Public Account. A summarised list of these heads is given in Appendix VI. 1. As indicated earlier, we obtained from the States their forecasts of receipts and disbursements on capital account for the five years from 1979-80 to 1983-84. We re-assessed these forecasts on a uniform and comparable basis for estimating the gap of each State on capital account arising out of non-Plan transactions. We might observe in this connection that we have benefited considerably from the pioneering work of the Sixth Commission in this exercise. We have kept in mind certain general considerations, for instance, the current practice that some types of net receipts on capital account are taken as resources of the States for their Plans and so are not available for meeting non-Plan liabilities and the fact that capital outlays and loans advanced by the States generally represent investment expenditure and should form part of their Plans.

3. The capital outlay in the general services Sector in the States is mainly incurred for construction of non-residential buildings, other than those exclusively relating to a function included in the sectors 'social and community services' or 'economic services'. Outlays for stationery and printing, including purchase of machinery for printing presses, are also accounted for in this sector. Several States have proposed sizeable provisions for these purposes in their forecasts. These outlays would create new assets or new capacity and therefore should properly form part of the Plan. We have not, therefore, allowed any provision for non-Plan capital outlay in this group for computing the non-Plan capital gap of the States. However, we have provided elsewhere for their requirements on account of construction of buildings which we considered essential together with provisions on revenue account for upgrading the standards of administration of certain services in many States.

4. Capital outlay brought to account under the heads in the social and community services sector is mostly on buildings, both residential and non-residential, and other construction work like townships. These outlays basically create assets in the developmental

proposals of various States for improvement in amenities in the existing Jails, and have made suitable provisions wherever the requirement was established on the basis of the material sent to us.

39. We turn now to the need for additional Jail capacity. The information we have received on the Jail population on different dates, and the Jail capacities is given in Appendix V. 11 (ii). It is clear that the Jails in several States are over-crowded. We have also taken care to look into the proportions of under-trials to the total Jail population in the States. We find that this proportion is very high in several States, for instance, Assam, Bihar, Orissa, Uttar Pradesh, West Bengal, rising in some cases to 80 per cent of the total inmates. While making provisions for additional Jail capacity for the long term, we cannot obviously allow for such high proportions of under-trials. For additions to Jail capacity, we have limited the proportion of under-trials to a norm of not more than 40 per cent of the total Jail population. The basis adopted for making the provisions for additional Jail accommodation has been indicated in Appendix V. 13.

40. In the light of the above, we recommend the following grants to different States for upgradation of jail administration:

	(Rs. lakhs)		
	Revenue	Capital	Total
Andhra Pradesh	182	-	182
Bihar	205	250	455
Jammu & Kashmir	-	50	50
Madhya Pradesh	496	206	702
Manipur	-	68	68
Meghalaya	-	55	55
Orissa	221	221	442
Rajasthan	-	22	22
Sikkim	-	14	14
Tamil Nadu	631	862	1493
Uttar Pradesh	1078	270	1348
<b>Total:</b>	<b>2813</b>	<b>2018</b>	<b>4831</b>

Itemwise details are given in Appendix V. 14.

41. Appendix V. 15 provides a summary statement of the upgradation provisions made by us for the various States.

#### Monitoring

42. Para 5(vi) of the Presidential Order requires us to indicate the manner in which the utilisation of the provisions we allow for the upgradation of standards of administration can be monitored. We have gone into the question of the objectives, scope, methods and agencies for monitoring with due regard to the need of the system being effective, without becoming cumbersome to operate or self-defeating in the ultimate analysis. We also deal here with the aspect of monitoring referred to in para 5(v) of the Presidential Order, in respect of the provisions we have allowed for maintenance and upkeep of capital assets and plan schemes.

43. The main objective of monitoring is to ensure that the funds provided for specific purposes are actually utilised for those purposes, and are not diverted. Another objective

would be to see that the desired results in physical terms are achieved by incurring expenditure. We had raised in our discussions with the State Governments the question as to what stage of upgradation of standards had been reached as a result of the utilisation of the amounts provided for various purposes by the Sixth Commission. No specific answers were forthcoming to this question in most States. Though expenditure reports would be an essential part of the monitoring system, they would have to be supplemented by some other indicators of the progress achieved. Thus, both financial as well as physical indicators would have to be stated wherever possible.

44. In the course of our discussions with the State Governments we ascertained that none had any objection in principle to monitoring of the utilisation of the provisions we allowed for upgrading standards of administration. Some States, however, felt that the monitoring should not be by a Central Ministry but rather through an independent agency, which could perhaps be part of an agency set up at the instance of the Finance Commission. The States also had no objection to monitoring through the normal audit by the Comptroller and Auditor General, for which purpose they felt that the accounts of the utilisation of the upgradation provisions could be shown in separate sub-heads.

45. We are of the view that the provisions which have been made by us for upgradation of standards should be used on the basis of physical plans of action. These plans of action should be formulated by each State concerned in sufficient detail so as to be meaningful, and then finalised in consultation with the administrative Ministry concerned at the Centre. The State should then proceed to utilise the upgradation provisions in accordance with these plans of action, the progress being reviewed by the administrative Ministry concerned in the Central Government. On the recommendations of the administrative Ministry, the Ministry of Finance should make releases by way of grants to match the expenditure in respect of the upgradation provisions we have allowed.

46. Accordingly, we recommend the following:

- (1) As far as provisions for maintenance of roads and buildings, expenditure on medicines and diet of patients, maintenance expenditure on irrigation and flood control etc. works are concerned, it would be difficult to spell out the physical performance objectives. Except to the extent that budgetary provisions are specified by a sub-head in the major Head of Account concerned, it may be difficult to keep under review the utilisation of the provisions made. Moreover, since these provisions have been incorporated on a normative basis in the expenditure in the forecast period, it may not be feasible for an outside agency, say the Central Government, to keep the provisions under review. The only agency which could discuss this aspect regularly with the State Governments would be the Planning Commission, in the course of the Annual Plan discussions. We would suggest that the Planning Commission may, in consultation with the States, evolve a suitable procedure for monitoring the adequate maintenance of Capital assets and other schemes.
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  - (i) Capital expenditure on certain schemes relating to Stamps and Registration,