



**OFFICE OF THE CONTROLLER GENERAL OF DEFENCE ACCOUNTS,
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A/Cs Circular No. 54 of 03/2010

No. A/I/7619/DHR/Vol-I

Dated 30-03-2010

All PCsDA/CsDA
{Including PCoA (Fys) Kolkata and AN-VI (local)}

Sub: - Maintenance of Debt Heads Registers (DHRs)

It may be recalled that CGA, Ministry of Finance (Department of Expenditure) had called for a certificate regarding proper maintenance of records of loans and advances and had asked to confirm that the outstanding balances under these heads in the appropriate registers agree with the balances outstanding in the Annual Review of Balances. The information in this regard was called for from the PCsDA/CsDA offices.

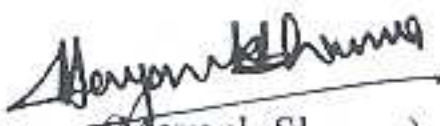
2. From the information received from the PCsDA/CsDA offices, it has come to the notice of the HQrs Office that some of the offices are not properly maintaining Debt Heads Registers and that there is difference between the balances maintained therein and the progressive balances outstanding in the Annual Review of Balances. The difference may be primarily due to delayed or not operating of Exchange Accounts in transfer in/out cases and non-reconciliation of recoveries posted therein on monthly basis with the compiled actuals.

3. In this connection, attention is invited to Rule 12 of 'Compendium of Rules on Advances' notified vide Ministry of Finance OM No 8/9/E-II (A)/2003 dt 01-07-05 (incorporated in the General Financial Rule, Muthuswamy's Compilation) according to which a detailed account of loans and advances is required to be maintained in the prescribed format. So far as Ministry of Defence is concerned, the account is to be maintained in the Debt Heads Registers i.e IAF (CDA)-51. The instructions for maintenance of Debt Heads Registers are contained in paras 223 to 229 of Defence

Accounts Code, paras 158 to 166 of OM-II Vol-I and Fly Leaf instructions in the Register.

4. It is requested that the provisions contained in the Ministry of Finance OM cited above and relevant provisions contained in Codes and Manuals may please be strictly complied with. The difference between the figures reflected in the DHRs and the progressive outstanding balances in the Annual Review of Balances should be reconciled within three months period. A feedback in this regard may please be forwarded by the first week of July 2010.

5. A mechanism may please be put in place to ensure that the registers are properly maintained in all respects.


(Mayank Sharma)
dtg HCGDA(A&B)

SPEED POST

No.A/B/I/9130/Outcome Budget/2006-07
Office of the CGDA,
Ulan Batar Road,
Palam Road
Delhi Cantt-10
Dated: 31- 03-2010

To

All Pr.CsDA/Pr. IFAs
All CsDA/IFAs

Subject: Outcome Budget/Zero Based Budgeting.

JS & Addl FA (A) ID Nos. 11(8)/B.I/2005 dated 18-02-2010 on "Outcome Budget" and No. 11(16)-B.I/2009 dated 19-02-2010 on "Zero based Budgeting" received under Ministry of Defence (Finance/Main Office) ID bearing No.1(1)/MO/2009-10/3061/307 dated 11-03-2010 is forwarded herewith.

In the above IDs, revised guidelines for preparation of outcome budget 2010-11 and recommendations of the Group of Ministers on Zero Based Budgeting have been outlined. Since the Controllers/IFAs have also a crucial role in making payment and booking the expenditure to the relevant heads of accounts and formulation of budget, the above mentioned communications may be useful in the above exercise.


Jt. CGDA (A/Cs & Budget)

MOST IMPORTANT**I**

Ministry of Defence (Finance)

(Main Office)

Subject : Out Come Budget / Zero Based Budgeting.

Ref : JS & Addl FA (A), MOD(Fin)- ID NO(s)- 11(8)/B.1/2005 dated 18.2.2010 and 11(16)-B.1/2009 dated 19.2.2010 on the above subjects, respectively.

2. Please find enclosed the copies of above referred ID Notes regarding Out Come Budget and Zero Based Budgeting (ZBB) respectively. It is requested that necessary suitable action as suggested therein may please be ensured and requisite information / data relating with the subject matters may invariably be forwarded to this Division well on due time.

3. This may please be given **DUE IMPORTANCE**.

Encl- as above(15)



(T. Joseph)

Dy. Financial Adviser(E/MO)

Tel Ph No- 2301 4984/2404.

- | | |
|---------------------------------------|--------------------------------|
| 1. JS(E) | in r/o DOD, DDP, DR&D and DESW |
| ✓ 2. CGDA | in r/o DAD& Defence Pensions |
| 3. DG, Coast Guard Orgn./Dir (Fin/CG) | in r/o CGO |
| 4. DG DE/Dir(Fin/Q) | in r/o DEO |
| 5. GM, CSD /Dir(Fin/Q) | in r/o CSD |
| 6. Dir. IDSA/ JS(PIC) | in r/o IDSA |
| 7 CDP(APO)/Dir(JS/E) | in r/o AFG |
| 8. Dir. (FP-2) | in r/o JAKLI |
| 9. Pr Registrar | in r/o AFT |
| 10. Dir.(PSU) | in r/o PSUs. |

Mod (Fin/MO) ID NO- 1(1) /MO / 2009-10 301/307

dt 11.03.2010

Copy for similar action to:- PCDA (Pensions), Allahabad.

Ministry of Defence (Finance)

Outcome Budget

Efforts have been going on for the last more than three years to introduce outcome budgeting in Defence in a limited way, though the Ministry of Defence is exempted from preparing Outcome Budget. In pursuance of this objective, It was decided in 2008 that the following organizations will prepare Outcome Budgets for 2008-09:

- (a) MES, MAP, NCC, MF, ECHS – for the organization as a whole
- (b) Border Roads Organization – for the organization as a whole
- (c) HQrs ARTRAC, NDC, School of Languages and DGR – in respect of measurable performance indicators to be identified by the respective organizations.

2. The organizations mentioned above did prepare the outcome budgets but those were found to be inadequate. For the preparation of an outcome budget, it is necessary that the outcomes are clearly identifiable and quantifiable so that the outcomes, as distinct from outputs, could be measured with reference to the pre-determined outcomes. It is also necessary that risk factors are identified in achieving the outcomes. This has been a problem area. The concept being new, there has also been lack of conceptual clarity as regards the methodology to be followed for preparation of the outcome budget, as also evaluation of the outcomes. Inadequacy in the outcome budget prepared by the organizations, which had been advised to prepare the outcome budget, mostly related to identification and quantification of the outcomes in measurable terms, which greatly restricts the utility of the outcome budgets. This was conveyed to the Standing Committee on Defence (15th Lok Sabha) in response to a query received from the Committee. We also assured the Committee that renewed efforts are being made to revive outcome budgeting in respect of a few identified organizations budget in 2010-11. Against this background, the Standing Committee has made the following observation in their 1st Report (Dec 09):

"8. Outcome Budget

The Committee in their 29th and 35th Reports (Fourteenth Lok Sabha) had recommended that the Ministry should identify the areas and organizations for which the Outcome Budget could be prepared and present the same to Parliament at least from the year 2009-10 onwards. The Ministry however could not present the same in the Budget Session of the current year. During the course of the examination of Demands for Grants of the current year, the Committee have been informed that the areas and organizations for preparation of Outcome Budget were identified. Although these organizations prepared the Outcome Budget, the same was

30.6/10/11
10/13

considered inadequate. The concept being new, there was lack of conceptual clarity with regard to the methodology to be followed for the preparation of the Outcome Budget. The Committee further note that the Defence Expenditure Review Committee set up to study the issue of curbing wasteful expenditure has also recommended that the proposed Demands for the year 2009-10 should be entirely outcome oriented and a workshop may be conducted to finalise the methodology. Even then, the Ministry could not present the Outcome Budget during the year 2009-10. The Committee are unhappy to note the casual attitude of the Ministry in the matter. The Committee feel that the matter should not be delayed further. To begin with the Outcome Budget for the selected activities viz Ordnance Factories, PSUs, Naval Dockyards and depots and some other selected establishments as decided may be prepared on a pilot basis followed by the comprehensive Outcome Budget. The Committee hope that the Outcome Budget of the Ministry would be presented to Parliament for the year 2010-11."

3. Meanwhile, Ministry of Finance has issued revised guidelines for preparation of outcome budget 2010-11 vide OM No 2(1)Pers/E.Coord/ OB/2005 dated 6th January 2010 (copy enclosed). Para 2 of the said OM reads as follows:

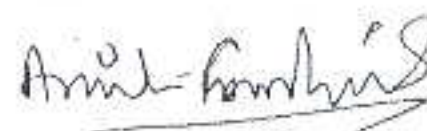
"2. The Outcome Budget documents will be prepared by each Ministry/Department in respect of all Demands/Appropriations controlled by them, except those exempted from this requirement and to the extent disclosures are not barred on considerations of security, etc. A list of exempted Demands/Appropriations is enclosed at **Annexure I**. However, even the Ministries/Departments and other authorities 'exempted' from preparation of Outcome Budget and placing it in public domain are requested to carry out this exercise for internal use and voluntarily decide to place it in public domain fully or partially."

4. In view of the recommendation of the Standing Committee, on which Action Taken Statement is required to be submitted by the Ministry, as also the guidelines issued by the Ministry of Finance, referred to in the preceding para, it has been decided with the approval of the Defence Secretary that:

- (a) Outcome Budget would be prepared in respect of NCC and DG MAP.
- (b) Since the Outcome Budget is, in fact, a report on the performance of the organization vis-à-vis the pre-determined targets, the Outcome Budget document will be prepared by the Heads of the organization concerned. They will be responsible for getting it vetted/approved by the administrative department in the Ministry and the integrated finance before sending it to the Budget Section for compilation by the prescribed date every year (both in English and Hindi). The Budget Section of the Finance Division will put together the documents so received and have the compilation printed in the form of a booklet without any further scrutiny.

- (c) Because of the complexities involved in understanding the concept and implementing it (which would involve converting financial outlays into measurable outcomes), as also the nature of information that the Outcome Budgets may contain, it would be desirable to proceed with caution and, therefore, the consolidated Outcome Budget would not be placed in the public domain. The position in this regard would, however, be reviewed after the system stabilizes. Based on the experience gained, the Outcome Budget could be so refined as to make it possible to place it in the public domain.
- (d) The format of the Outcome Budget may be customized to suit the requirement.
- (e) Since it is not possible to prepare the Outcome Budget 2010-11 by 20th March 2010 as laid down in the OM of 6th January 2010, it may be prepared by 30th June 2010.
- (f) The stipulated date of 20th March may be followed for Outcome Budget in the subsequent years.

5. A copy of the Ministry of Finance OM No 2(1)Pers/E.Coord/ OB/2005 dated 6th January 2010 is enclosed. All Services and Departments, other than NCC and MAP, may also take preparatory action so that, if and when required, they could also start generating the Outcome Budget in future.


(Amit Cowshish)
JS & Addl FA (A)

DG NCC

, DG MAP

MoD (Fin) ID No. 11(8)/B.I/2005 dated 18th February 2010

Copy, along with a copy of MoF OM dated 06.01.2010, to:

DG FP (AHQ), ACNS (P&P) (NHQ), ACAS (Fin P) (Air HQ), ACIDS (FP) (HQ IDS), CC R&D (R&M), Member (Finance) OFB

PS to AS (M), AS (DP), AS (A), FA (Acq), all JS & Addl FAs & FMs

~~PS~~ to JS & Addl FA (R) – with the request to consider circulating the MoF OM dated 06.01.2010 to the Heads of the Organizations covered by the Demand for Grant of MoD (Civil) for information.

Encl :- one

No.2(1)Pers/E.Cord/OB/2005
Ministry of Finance
Deptt. of Expenditure

New Delhi dated the 6 January, 2010

OFFICE MEMORANDUM

Subject:- REVISED GUIDELINES FOR PREPARATION OF OUTCOME BUDGET 2010-11.

Introduction

1. Outcome budgets have become an integral part of the budgeting process since 2005-06. OUTCOME BUDGET 2010-11 will broadly indicate the physical dimensions of the financial budgets as also the actual physical performance in 2008-09, performance for the first 9 months of the year (2009-10) and the targeted performance during 2010-11.

Scope of Coverage in Outcome Budget 2010-11

2. The Outcome Budget documents will be prepared separately by each Ministry/Department in respect of all Demands/Appropriations controlled by them, except those exempted from this requirement and to the extent disclosures are not barred on considerations of security etc. A list of exempted Demands/Appropriations is enclosed at **Annexure. I**. However, even the Ministries/Departments and other authorities 'exempted' from preparation of Outcome Budget and placing it in public domain are requested to carry out this exercise for internal use and voluntarily decide to place it in public domain fully or partially.

3. As far as feasible, sub-targets for coverage of women and SC/ST beneficiaries under various developmental schemes and the schemes for the benefit of the North-Eastern Regional should be separately indicated.

Broad format of Outcome Budget 2010-11

4. The Outcome Budget 2010-11 will be prepared on the basis of Budget 2010-11 in the form of a document, separate for each Ministry/Department, broadly consisting of the chapters detailed below:

Executive summary: Apart from summarizing relevant chapters, this portion should prominently highlight the details of the monitoring mechanism and the public information system put in place by the Ministry/Department to regularly monitor physical and financial progress during the course of the year and inform the general public about it.

Chapter I: A brief introductory note on the functions of the Ministry/Department, organizational set up, list of major programmes/schemes implemented by the Ministry/department, its mandate, goals and policy framework. This introduction should highlight, in particular, if the Ministry has goals, or major programmes or schemes in respect of women/gender equality.

Chapter II: This will contain a tabular format, which may be visualized as "vertical compression and horizontal expansion" of the Statement of Budget Estimate (SBE) included in the Expenditure Budget Vol. II (with suitably adapted format for Railways). There may be separate tables for separate Demands/appropriations controlled by the Ministry/Department. The main objective is to establish a one-to-one correspondence between (financial) Budget 2010-11 and Outcome Budget 2010-11. The details will comprise of the financial outlays, projected physical outputs and projected/budgeted outcomes (intermediate/partial and final, as the case may be). Projected physical output should be disaggregated by sex, wherever possible and appropriate i.e. where delivery is to individuals. An indicative format for these Demand/appropriation -wise tables is enclosed **Annexure II**. Explanatory notes may be liberally added, wherever necessary.

Chapter III: This will detail reform measures and policy initiatives, if any, taken by the Ministry/department and how they relate to the intermediate outputs and final outcomes in areas such as public private partnerships, alternate delivery mechanisms, social and women's empowerment processes, greater decentralization, transparency etc.

Chapter IV: Review of past performance: At the very least, this should indicate the performance during 2008-09 and 2009-10 (i.e. upto 31 December, 2009) in terms of targets already set. The analysis of physical performance should be Scheme-wise with the reasons for variations; explaining the scope and objectives of individual programs/schemes, giving their physical targets and achievements. Indicators of performance relating to individuals should be sex-disaggregated.

Chapter V: Financial Review covering overall trends in expenditure vis-à-vis Budget Estimates/revised Estimates in recent years, including the current year. Data should be segregated scheme-wise, object head-wise, and institution wise in the case of autonomous institutions. Position of outstanding utilization certificates and unspent balances with States and implementation agencies should also be brought out.

Chapter VI: Review of performance of Statutory and Autonomous Bodies under the administrative control of the Ministry/department. The same principles as in reporting on the Ministry's own performance should be followed. These principles include sex disaggregation of performance indicators relating to individuals.

5. The following points may be noted in respect of the contents of **Chapter II** of Outcome Budget 2010-11 giving targets for 2010-11:-

i) The description of items should match with the description shown for the different items in the Statement of Budget Estimates (SBE) as included in Expenditure Budget Vol. II of the Budget 2010-11. However minor items may be clubbed to avoid cluttering up and focusing attention on significant items.

ii) The terms "complementary extra-budgetary resources" refers to the resources committed for the purpose by the entities other than

the Central Government. Typically, it would include matching share from the State Governments for Centrally Sponsored Schemes or resource contribution by Public Sector Undertakings or by private parties in the case of public private partnership projects.

iii) There should be a separate table for each Central Public Sector Enterprise (CPSE) under the administrative control of the Ministry, with itemized listing of major projects in hand. The Outcome Budget should be prepared on the basis of the Central Plan Outlay comprising of both the Gross Budgetary support component as well as the Internal & Extra Budgetary Resources (IEBR) component of the Central Plan Outlay. Thus, the Outcome Budget in respect of CPSEs maybe prepared even if there is no budgetary support.

iv) Wherever a Ministry/Department has large autonomous Bodies substantially dependent upon Government for financial support, separate tables may also be considered for each such organization as per the assessment of the Ministry/Department.

v) The tables concerning CPSEs or Autonomous Bodies should list out important projects in hand give such details as sanctioned cost, scheduled date of completion, total cumulative expenditure till the beginning of the year, total expenditure planning during 2010-11, likely date of completion, and the related "outputs" and "outcomes". The latter should be sex-disaggregated where they relate to projects oriented to individuals.

vi) The 'final outcome' need not necessarily be co-terminus with the annual outlays and 'intermediate physical outputs'. 'Final outcomes' may span a longer time frame than the annual final outlays and corresponding intermediate outputs. Wherever the 'final outcomes' are estimated to take longer than one year, the estimated time frame should be clearly indicated. In case, the gestation is four to five years or longer, the 'partial outcomes' need to be tracked on an annual basis to ensure that the 'final outcomes' once indicated as achievable after five years are not forgotten or mechanically repeated in the document from one year to the other, and that the progress made towards achieving the final goal is reflected. Information should be provided whether the project is in the 'initial' stage, 'intermediate' stage or 'final' stage.

vii) Wherever 'physical outputs' are in a sense the 'final outcomes', assessment of 'quality of output' through 'appropriate indicators of quality' should be brought out.

viii) Wherever 'final outcomes' are not the direct results of the annual outlays and are the cumulative effect of past several years' outlays, this should be clearly explained.

ix) The 'final outcome' component of the Outcome Budget need not necessarily have yearly targets, as final outcomes will vary by Ministry and Programme. 'Final Outcome' wherever possible can be measured in a five year time frame in line with five year Plans. The 'partial outcome' may be mentioned in these cases in the Outcome Budget of that year.

x) Where the 'final outcomes' are not measurable and quantifiable, the likely benefit that will accrue may be incorporated.

xi) The explanatory notes should attempt to bring out the role and financial commitment of other agencies that is required to fructify the intended outcomes of a particular scheme of the Ministry/Department, even though such agencies may or may not be directly involved in the implementation and may be providing complementary services.

xii) Non-Plan expenditures are necessary to maintain the basic infrastructure without which the Plan interventions are bound to fail in meeting the intended objectives. Role of non-Plan expenditure is therefore supplementary and facilitative. Hence, outcomes cannot be categorized as Plan outcomes and non-Plan outcomes. The Outcome Budget 2010-11 will cover non-Plan expenditure as far as possible. The column on Budget Support would have two sub-columns "Plan" and "non-Plan" and the outcomes will be related to the total budget provision. Schemes/items in the Statement of Budget Estimates having only non-Plan expenditures, which can be linked to certain deliverable outputs, should find mention in the Outcome Budget.

6. The outcomes reflect the ultimate aims of Government policy through budgetary support, tax exemption/concessions and preferential treatment in procurement of goods and services. It would be desirable if the Ministries/Departments may include a chapter in the Outcome Budget detailing such extra-budgetary measures and their impact. The revenue forgone in promotion of certain policy objectives is defined as 'tax expenditures' and it would be useful if the impact of this implicit expenditure is also assessed.

Certain presentational features :

7. It is desirable that the above documents brought out by different Ministries/Departments have a common level of detailing, at least for a minimum set of disclosure parameters; separately in Hindi and English; be reader-friendly and adopt certain common printing formats. Accordingly, the following may be kept in view:

- In the case of Departments having total budget provision of less than Rs.100 crore (as per the netted figure shown in the Expenditure Budget Vol. II), all amounts may be shown in "Rs in lakhs" with two decimal places. For others, the amount may be shown in "Rs in crore" with two decimal places. The amounts may be shown with comma separators.
- Each page may be given a running header giving the chapter number, title and page number running for the whole document from the 1st page of Chapter I. The documents may be printed on the size of paper used for Detailed Demands for Grants.
- Any other addition/alteration, inclusion of graphics/charts etc. to improve readability of the document.

8. However, the above guidelines are not intended to prescribe a rigid format. These are indicative of minimum disclosure requirements and

do not preclude any value addition that the Ministries/Departments decide to carry out on their own.

Planning for future refinements

9. The Ministries / Departments are advised to put in place, if not already there, systems of data collection, with the help of specialized agencies wherever necessary, for the purpose of (i) developing measurable 'indices of performance' to measure and assess quality of implementation; (ii) developing norms of standard unit cost of delivery of a service; (iii) quantification/factoring in of environmental outcomes; (iv) quantification of community and empowerment outcomes through social capital formation; (v) quantification of impact of funds earmarked for publicity/awareness generation; and (vi) disaggregation, by sex and other relevant factors, of indicators of performance and impact. This will not only involve collection of data on past trends but also on present developments in markets and technology. The Ministries/Departments are encouraged to make use of the services of the Cost Accounts branch of this Department in addressing the costing issues.

Independent Evaluation

10. The Ministries / Departments may engage independent evaluators and assessment agencies for scrutiny / evaluation of the achievements against physical outputs and final outcomes of major flagship schemes. Due care may be taken to avoid duplication of efforts with evaluation studies conducted by the Planning Commission or the Department of Programme Implementation.

Time schedule and responsibility

11. The Outcome Budget 2010-11 documents should be laid before both the Houses of Parliament, after final approval of the Minister-in-charge, latest by March 20, 2010 or such date as may be necessary to ensure that the process is complete before the Houses go into recess. In exceptional cases, where laying of documents is not feasible, these may be circulated to Hon. Members of Parliament through the Secretariat of the House. These should be available to the Departmental Standing Committees of Parliament for examination during the recess period. The Ministries/Departments should also place these documents in the public domain by putting it on their website after presentation in Parliament.

12. Responsibility for preparation of this document will rest essentially with the Ministries/Departments. The Financial Adviser of the Ministry / Department will be the nodal officer for coordinating the whole exercise and organizing 'need-based consultations' with various officers whether within the administrative Ministry / Department, or with the Ministry of Finance, the Planning Commission and outside experts, with due regard to the confidentiality of the budget process. Head of various Divisions handling different schemes may be instructed to provide necessary draft write-ups and other material to the Financial Advisor sufficiently in advance. **The draft Outcome Budget 2010-11 in respect of "Flagship Programmes" may be got vetted from the Department of Expenditure as well as from the Planning Commission.**

Follow up action after presentation of Outcome Budget

13. The real value of Outcome Budget lies in its utility as a policy tool to establish effective linkage with allocation and disbursement of public funds on the basis of measurable performance.

14. As mentioned in paragraph 4 above, the Ministries / Departments should indicate their monitoring mechanism and the public information system in the Outcome Budget. This will result in periodic progress reports being made available to the Ministry / Department by the implementing agencies. This next logical step would be to link release of funds with progress in achieving monitorable physical progress against commitments made in the Outcome Budget.

15. As the Ministries are aware, Rule 212 of the General Financial Rules, 2005 introduced significant changes in the system of "Utilization Certificates". Besides financial certification of having fully spent the amount for approved purposes, the Utilization Certificate should also disclose whether the specified, quantified and qualitative targets that should have been reached against the amount utilized, were in fact reached, and if not, the reasons therefore. Utilization Certificates should contain an output based performance assessment instead of input based performance assessment.

16. Accordingly, the Ministries / Departments should revise the guidelines and practices applicable to their schemes to ensure a staggered and controlled release of funds. In combination with other expenditure management measures like e-banking it should be feasible to ensure that funds are made available in time for actual requirement and that the funds are neither delayed, not diverted nor parked outside Government account.



(Sushama Nath)
Secretary (Expenditure)

All Secretaries to the Government of India
All Financial Advisers to the Ministries / Departments
All Heads of accounting wings in the Ministries / Departments
Copy to:- Member Secretary, Planning Commission

ANNEXURE 1

LIST OF DEMAND/APPROPRIATIONS IN RESPECT OF WHICH OUTCOME BUDGET IS NOT MANDATORY

The Outcome Budget 2010-11 is intended to cover the entire Central Plan Outlay (Gross Budget Support and Internal and Extra Budgetary Resources) and connected non-Plan provisions that are amenable to Outcome Budgeting. In general, a Ministry/Department may exclude the "Assistance to State Plan" component of its Plan Budget from the scope of Outcome Budget. The following demand/appropriations are specifically exempted from the purview of outcome budgeting:

Ministry of Defence
Defence Pensions
Defence Services - Army
Defence Services - Navy
Defence Services - Air Force
Defence Ordnance Factories
Defence Services - Research and Development
Capital Outlay on Defence Services
Interest Payments
Transfer to State and Union Territory Governments
Loans to Government Servants etc.
Repayment of Debt
Pensions
Indian Audit and Accounts Department
Cabinet
Transfers to Union Territory Governments
Election Commission
Supreme Court of India
Ministry of Parliamentary Affairs
Ministry of Personnel, Public Grievances and Pensions
Staff, Household and Allowances of the President
Lok Sabha
Rajya Sabha
Union Public Service Commission
Secretariat of the Vice-President
Andaman & Nicobar Islands
Chandigarh
Dadra & Nagar Haveli
Daman & Diu
Lakshadweep

ANNEXURE D

FORMAT OF TABLES IN CHAPTER II OF OUTCOME BUDGET 2010-11
(Rs. in crore or in lakhs, as prescribed)

S.No.	Name of Scheme/ Programme	Objective/ Outcome	Outlay 2010-11			Quantifiable Deliverables/ Physical Outputs	Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				4					
1	2	3	4(i)	4(ii)	4(iii)	5	6	7	8
			Non-Plan Budget	Plan Budget	Complementary Extra-Budgetary Resources				

Notes:-

- Items in Column 2 shall be as per Statement of Budget Estimate (SBE) included in Expenditure Budget Vol. II. Major programmes listed in the SBE must be shown separately, while smaller items of SBE may be conveniently clubbed. An exercise to weed out schemes with sub-critical financial outlays or merge them appropriately into major programmes is separately being undertaken.
- Figures in Column 4(i) and 4(ii) as per Statement of Budget Estimate (SBE) included in Expenditure Budget Vol. II with Plan Budget figure including the amount allocable for NE out of lump sum allocation.
- Figures in Column 4(iii) complementary extra-budgetary resources means expenditures committed for the purpose by entities other than the Central Government. Typically, it would include matching share from the State Governments for Centrally sponsored schemes or resource contribution by public sector undertakings or resources contributed by private parties in the case of public private partnership projects. Thus, it will include the JEBR figure in respect of CPSEs as per Statement of Budget Estimate included in Expenditure Budget Vol. II, which may be explained through a footnote.

Ministry of Defence (Finance)

Zero Based Budgeting

Standing Committee on Defence has been emphasizing the need to adopt Zero-based budgeting techniques for formulation of the defence budget. This issue was raised most recently by the Standing Committee on Defence (15th Lok Sabha) through a questionnaire received in September 2009 and the additional questionnaire received in November 2009. Extracts of the questions raised by the Standing Committee and the response of the Ministry are enclosed.

2. Based on the response of the Ministry to the questions raised by them, the Standing Committee on Defence (15th Lok Sabha) have made the following recommendation in their first report on the Demands for Grant of the Ministry of Defence for 2009-10:

11. Zero Based Budgeting


The Committee observe that the Ministry of Defence does not follow the Zero Based Budgeting as a tool for financial planning because of complexity and the size of Defence Services. However, the underlying principle of ZBB is followed while preparing the five year and annual acquisition procurement plans. The Committee are perturbed to find that the 11th Five Year Plan of the Ministry is yet to be finalized, though half of the plan period is already over. Therefore, the Committee recommend that for all ongoing schemes, Ministry of Defence should follow the principle of Zero Based Budgeting in time bound manner in the management of defence, as recommended by Group of Ministers. By following Zero Based Budgeting the Ministry will be able to comprehensively review its requirement of funds for different ongoing schemes and other activities.

3. As can be seen from the text of the recommendation, reproduced above, the Committee desires that ZBB should be followed for all on-going schemes in a time bound manner in the management of defence. As already conveyed to the Standing Committee, the ongoing schemes are subjected to the zero-based budgeting by the Services at the time of while preparing the five year and annual acquisition procurement plans. In view of the recommendation of the Standing Committee It has now been decided that while preparing RE 2010-11 and BE 2011-12, the ongoing schemes (both under revenue and capital) should be subjected to scrutiny based on the concept of zero-based budgeting. The outcome of the exercise in terms of the number of schemes/ programmes (separately under revenue and capital) identified for closure during 2010-11 may be intimated while projecting the demand for RE 2010-11 and BE 2011-12. This practice may also be followed every year in future while making projections for

RE/BE. The intimation should be given in the following format, separately in respect of schemes under the revenue and capital budgets:

Sr No	Name of the Scheme/programme/activity	Sanctioned/ Estimated cost	Expenditure already incurred, if any	Brief reasons for closure
1				
2				
--				

4. Receipt of this communication may be acknowledged.


(Amit Cowshish)
JS & Addl FA (A)

DG FP, ACIDS (PP&FD), ACNS (P&P), ACAS (Fin P),
CC R&D (R&M), Member (Finance) OFB,
DG NCC, DGQA

MoD (Fin) ID No. 11(16)/Bud.I/2009 dated 19th February 2010

Copy to:

DG (Acq), SS (DP),
AS (M), AS (A) - for information

All JS & Addl FAs & FMs - for information

✓ JS & Addl FA (R) - for necessary action as regards the organizations covered by the Demand for Grant of the Ministry of Defence (Civil)

Extract from the Questionnaire received from the Standing Committee on Defence (15th Lok Sabha) in September 2009

Zero Based Budgeting (ZBB)

Question No.4:

The Ministry may please state the necessary reforms carried out by the Ministry of Defence in the light of the aforesaid recommendation of GoM?

Reply:

Defence budget is part of Union budget. Therefore, Ministry of Defence follows the budgeting principles as followed, adopted and sought by Ministry of Finance. At present Zero Based Budgeting as a concept has not been initiated in the Union Budget. Hence, Zero Based Budgeting is not being pursued in the Ministry of Defence.

Ministry of Defence is continuously updating its procurement procedures both under Revenue and Capital heads to ensure speedy and appropriate procurement mechanism in Defence. Also, a separate Acquisition Wing has been created to expedite the procurement of weaponry and Defence platforms etc. leading towards the modernization of Defence forces.

Extract from the Additional Questionnaire received from the Standing Committee on Defence (15th Lok Sabha) in November 2009 related to the replies given in September 2009

Reference Question Number 4 – Zero Based Budgeting (ZBB)

It has been stated in the reply that complexity and size of the Defence Services does not permit every function and activity to be subjected to a zero based comprehensive examination every year in the context of budget formulation.

Question No.44:

In this context please state if other Ministries of Government of India can prepare their budget on the concept of zero based budgeting, then why the Ministry of Defence should treat it as an exception?

Reply:

Communication regarding introduction of Zero-based budgeting (ZBB) in the Government of India was issued vide d.o. letter No F.No.2(111)-B(CDN)/99 dated 9th November 1999 from the then Secretary (expenditure) to all the Secretaries to the Government of India. The entire emphasis of the communication issued in 1999 was on programmes and schemes as would be evident from some of the instructions contained in the said letter reproduced below:

- (a) 'ZBB implies constructing a budget without any reference to what has gone before, based on a fundamental reappraisal of purposes, methods and resources';
- (b) 'as part of the ZBB scrutiny it should also be seen what activity Govt should be supporting and what can be transferred to States, what are the hidden subsidies and how they can be phased out or better targeted, what is the scale of user charges and can they be reviewed';
- (c) 'in ZBB, a Ministry/Department or an organization is required to justify not only the new proposals and the fund therefor but also the on-going activities and the funds for them';
- (d) 'The objective is not to just cut the expenditure, but to make public expenditure programmes more effective by a more purposive allocation of resources to various programmes';
- (e) 'It is not intended that as a result of this exercise a separate set of documents will be presented to Parliament'; and
- (f) Each Department will have to develop its own methodology for achieving the objectives of ZBB'.

It would thus be evident that the concept of ZBB cannot be applied to the entire defence budget because of its complexity and size, as mentioned in the earlier reply. However, the concept of ZBB is applied while preparing the Defence Plans and the Annual Acquisition Plans. It may also be added that the Ministry of Finance, with whom the matter was taken up, has intimated that the Zero based budgeting exercise is being done by the Planning Commission. The entire defence budget being non-Plan budget is, however, not subject to any scrutiny by the Planning Commission.