BACKGROUND PAPER

Budget and Budgetary Process in the Parliament of India
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<th>Acronym</th>
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<tr>
<td>AFS</td>
<td>Annual Financial Statement</td>
</tr>
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<td>ASSOCHAM</td>
<td>Associated Chambers of Commerce and Industry of India</td>
</tr>
<tr>
<td>ATR</td>
<td>Action Taken Report</td>
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<tr>
<td>CAG</td>
<td>Comptroller and Auditor General</td>
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<td>CFI</td>
<td>Consolidated Fund of India</td>
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<td>CII</td>
<td>Confederation of Indian Industry</td>
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<td>CPU</td>
<td>Committees on Public Undertakings</td>
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<td>Departmentally Related Standing Committees</td>
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<td>EC</td>
<td>Estimates Committee</td>
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<td>FCs</td>
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<td>FICCI</td>
<td>Federation of Indian Commerce and Industry</td>
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<td>FM</td>
<td>Finance Minister</td>
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<td>Information Technology</td>
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<td>NCRWC</td>
<td>National Commission to Review on the Working of the Constitution</td>
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<td>PAC</td>
<td>Public Accounts Committee</td>
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<td>RBI</td>
<td>Reserve Bank of India</td>
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</table>
Indian Parliamentary procedures and practices remain the most-relevant examples in the case of Pakistan due to the similarity of the processes applied in both Pakistan and India. Continuity of democracy and a Westminster form of an uninterrupted parliamentary tradition spanning over several decades offers many examples that are useful for a comparative analysis in Pakistan.

Pakistan's current budgetary process has, for various historical reasons, attracted little input from parliamentarians, political parties or wider civil society. The budget process has, in consequence, become solely the domain of the government, leaving little scope for analysis or accountability. PILDAT has been striving for reforms in the Parliamentary Budget Process and believes that each standing committee should hold pre-Budget public consultations and compile and share recommendations for priority consideration by the Ministry of Finance ahead of finalisation of budget. The duration of the Parliamentary Budget Process should be extended to minimum 60 days. Demands for Grants for each Ministry / Division should be referred to the concerned Standing Committees after the presentation of the budget in the House and Committees should be given approximately 2 to 3 weeks to complete their consideration and prepare their reports for the House. Details of the Defence Budget be made a part of the Budget Documents and an independent Budget Unit be established within the Parliament staffed with experts who can provide unbiased information relating to the budget and an independent analysis of the budget for the benefit of the parliamentarians.

What is the **Budget and Budgetary Process in the Parliament of India**? This Background Paper, part of the PILDAT Series on Parliamentary Budget Process, has been especially commissioned by PILDAT to examine the Indian case in this regard. While several PILDAT publications earlier share overview of the Indian budget process, this background paper, authored by Mr. Gyana Ranjan Panda, Programme Officer, Centre for Budget and Governance Accountability, Delhi, describes in detail various stages of the Indian budget process in detail. The paper has been especially developed for the purpose of comparative analysis with the budgetary process in Pakistan and placed together with a PILDAT Baseline Report on Parliamentary Budget Process in Pakistan and Canada offers an insightful comparative perspective.

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Islamabad
May 2010
An Overview

The ‘power of the purse’ is an incontestable democratic fundamental (Ian Lienert 2005). This denotes that there is an obligation on the part of the legislature to ensure that all revenue and spending measures it authorizes, legally and constitutionally, are fiscally sound, match the needs and aspirations of the population with equity, and that they are being implemented appropriately and efficiently. It further symbolizes that it is “we the people” who make and implement the budget for themselves.

In the case of India, where parliamentary democracy is ingrained in the practices of constitutionalism, the drafting process of the budget belongs to the executive and remains behind the extreme “confidentiality” of bureaucratic homework. It is when the budget is tabled in the legislature that in-depth public debate becomes feasible and so the budget becomes matter of public inquiry. Open discussion on the contents of the budget in the legislature legitimizes transparency and facilitates accountability. “Budget in legislature can help to ensure a balance of views and inputs into budget decisions and thus provides a platform for establishing broadly based consensus with regard to difficult budgetary tradeoffs” (Ian Lienert 2005). Budget in the Parliament of India, on the last working day in the month of February, commence as an entry point to the interface between people and the executive and hence the role and interventions of independent think tanks, academics, civil society groups, and concerned citizen becomes extremely instrumental in opening up important perspectives on the budget and its outcomes for its effective beneficiary.

In India, the sovereign power of purse is in the hand of Parliament and executive is accountable to the Parliament for all acts of its commissions and omissions. The financial procedures relating to Budget are organically laid down in the Constitution. It ensures categorically the supremacy of the Lok Sabha in most of the financial matters for the Union of India with exclusive legislative jurisdiction over Union Budget. However, the practices suggest that party politics of the day dominate over the constitutional obligations of the Parliament in carrying out effective oversights and control over public expenditure. This allows the Government, due to its numbers over Opposition, to enjoy near absolute and free run in the crucial phase of budget enactment process in the Parliament of India.

Constitutional Mandates

The Constitution of India unmistakably mandates that, “no tax shall be levied or collected except by authority of the Parliament” and that the “President shall cause to be laid before the House, the Annual Financial Statement (AFS) in respect of every financial year.” 1 These two provisions ensure that the Government cannot dispense any proposal of expenditure without the sanction of the Parliament for a period of not more than one year (Kashyap 2008).

It further underscores for a Consolidated Fund of India (CFI) under Article 266 in which all revenues received by way of taxes, loans, ways and means, advances, etc. are credited and debited. No money can be withdrawn from the CFI except under an Appropriation Act passed by the Parliament. The estimates of expenditure embodied in the AFS show separately: (a) the charged expenditure and (b) “other/voted expenditure” from the CFI.

Expenditure under ‘charged’ 2 category can be discussed in both the Houses of Parliament but are not submitted to vote in either House. They constitute the non-votable part of the Budget. The expenditures charged on the CFI include, inter alia, the emoluments and allowances of the President, the salaries and allowances of the Chairman, Deputy Chairman of the Rajya Sabha and the Speaker and the Deputy Speaker of the Lok Sabha. It also includes the salary and other allowances payable to the judges of the Supreme Court and any other expenditure declared by the Constitution or by the Parliament by law to be so charged(Kashyap 2008; Bakshi 2009). The expenditure for the above mentioned heads are by its very nature declared as ‘charged’ by the Constitution and hence declared as absolute necessities to protect the independence and autonomy of these organisation. Though the ‘Charged’ expenditures are non-votable, nothing can prevent the discussion in either House of Parliament on any of those estimates.

Expenditures falling in the second category are referred to as ‘voted’ expenditure and are presented in the form of Demands for Grants to the Lok Sabha. The Lok Sabha has
the right to assent or reduce the demand specified therein, but can not increase any demands made in the Demands for Grants. Since these demands are meant to fulfil the programmes and policies of the government, if any such demand as a whole is voted down, conventionally it is considered as lack of confidence (No Confidence) on government budgetary proposals and hence considered as ‘collective’ defeat of the government. So far no government has fallen out of power in India in the context of voting against specific Demands for Grants of a particular ministry.

The Indian Parliament’s approval to the withdrawal from the CFI for the voted and charged expenditure is sought via Appropriation Bill. Under Article 114(3) of the Constitution, no amount can be withdrawn from the Consolidated Fund without the enactment of such a law by the Parliament.

All the financial proposals of the Government for the financial year are incorporated in a Bill known as the Finance Bill (Article 117) which is generally introduced in the Lok Sabha every year immediately after the Budget is presented. It gives effect to the financial proposals of the Government. While general criticism of the policy of the government is permitted, discussion on the details of particular estimates is not. This Bill has to be considered and passed by the Parliament and assented to by the President within 75 days (Kashyap 2008) of its introduction.

In India, the passage of the Budget beginning with its presentation to its final approval generally goes beyond 1st April. In India, the Financial Year begins with 1st of April and ends with 31st March. Hence, it is inevitable for the Government to keep enough finance to run the administration of the country until the demands are voted on by the Parliament. A special constitutional provision, Vote on Account (Article 116a) therefore authorises the Parliament to make any grant in advance (a sum equivalent to 1/6th of the estimated expenditure) for the period of two months (normal year) to three to four months (election year) pending the completion of the budgetary process. Vote of account is generally passed after the general discussion is over and before the discussion on demands for grants is taken up.

If an amount spent for a particular service for a financial year is found to be insufficient for the purpose or a need has arisen for some new services to be inducted in the Budget Documents of that year, the Government is authorised by Article (115a) to seek Supplementary Grants during any session from the Lok Sabha. Similarly, there is also a Constitutional Provision (Article 115b) to seek approval of the Parliament for any Excess Grants for any amount that has been spent on any service during a financial year in excess of the amount granted for that service and for that year.

Furthermore the Constitution is also conscious of the fact about providing approval to the Vote of Credit (Article 116b) to the Government to meet an unexpected demand for money without going into the details of expenditure. An Exceptional Grant (Article 116c) can be made for a particular and special purpose which does not form part of the ordinary expenditure of the financial year.

The Budget is referred to as the Money Bill under Article 110 as it contains provisions dealing with all or any of the following matters, namely:

- a) the imposition, abolition, remission, alteration or regulation of any tax;
- b) the regulation of the borrowing of money or the giving of any guarantee by the Government of India, or the amendment of the law with respect to any financial obligations undertaken or to be undertaken by the Government of India;
- c) the custody of the Consolidated Fund or the Contingency Fund of India, the payment of moneys into or the withdrawal of moneys from any such Fund;
- d) the appropriation of moneys out of the Consolidated Fund of India;
- e) the declaring of any expenditure to be expenditure charged on the Consolidated Fund of India or the increasing of the amount of any such expenditure;
- f) the receipt of money on account of the Consolidated Fund

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3. The rule 198 of Lok Sabha explains the procedure of No Confidence Motion. No Confidence Motion is used against collective responsibility of the government not against individual responsibility of a particular minister.
4. Article 74 (3) reads “the Council of Ministers shall be collectively responsible to the House of the People” and budget in particular reflects the collective will of the government and hence comes under the sacred parliamentary principles of “Collective Responsibility” under Article 73.
5. The Supplementary Demands for Grants are presented to and passed by the House before and the end of the financial year. (Sury 1997: 71)
6. All such cases are brought to the notice of the Parliament by the CAG through its report on Appropriation Accounts. The excess grants are then examined by the PAC which makes recommendations regarding their regularisation in its report to the Lok Sabha. The demands for excesses are made after the expenditure has actually been incurred and after the financial year to which it relates has ended (Sury 1997: 71). For instance: Discussion and Voting for Excess (General Budget) for 2006-07 FY took place on 8-7-2009. Source: Resumes of Work, Fifteen Lok Sabha—Second Session (2 July, 2009 to 7 August, 2009), http://164.100.245.207/resumesnew/81592.pdf
Fund of India or the public account of India or the custody or issue of such money or the audit of the accounts of the Union or of a State (Bakshi 2009:117).

However defining a particular bill as the Money bill needs the certification of the Speaker, which is final and then it is sent to the Council of States (Rajya Sabha) for its consideration and final assents. Thereafter the Budget is presented to the President under Article 111 for his formal assent to the Bill.

Business Processes and Procedures in the Parliament

The business procedures in the Parliament for the Union Budget run through following stages. General Budget is presented by the Finance Minister (FM) on the last working day of February with a ‘Budget Speech’. This speech is delivered in two parts: Part A: ‘general economic survey’ of the country and Part B: ‘the taxation proposals’ for the financial year. A copy of the Budget is laid on the Table of the Rajya Sabha at the conclusion of the Budget speech in the Lok Sabha. Almost immediately, the FM introduces the Finance Bill containing the taxation proposals made by the government. No discussion on the Budget takes place on the day it is presented.

The discussion on the Budget commences after a few days of its presentation. It gives Members of Parliament the necessary time and space to go in details of the Budget Documents and to discuss the financial proposals among themselves. Budget discussion in the Lok Sabha occurs in two stages—the ‘General Discussion’ followed by a detailed ‘Discussion and Voting on the Demands for Grants’. Besides, it also covers supplementary discussion on financial proposals and passing of the Appropriation Bill and the Financial Bill.

Under the stage of ‘General Discussion’, Members deal with the general aspects of the fiscal and economic policy of the Government and do not go into details of taxation and expenditure proposals as made by the Government in the Annual Budget. Interestingly, the Rajya Sabha has no business with the budget beyond the General Discussion. Detailed discussion and voting on the Demands for Grants of various ministries and departments is the exclusive prerogative of the Lok Sabha.

Chart 1: Business Process of Union Budget in Lok Sabha

- Demands of the Ministry voted; Guillotine applied; All Expenditure under Appropriation Bill puts for final voting
- On last working day of February, Budget is introduced only in Lok Sabha along with Finance Bill. No discussion takes place
- The President of India
- Ministry of Finance
- FM Introduces the Budget
- The General Discussion
- Detailed Discussion & Voting on Demands for Grants
- Final Voting and Approval of the Budget

7. There are instances that budget in India has been presented on Saturday and holiday. The year in which budget has been presented on Saturday are 1954, 1955, 1981, 1982, 1983, 1987, 1992, 1993, and the year in which the budget is presented on holiday is 29th February 1984 (Holiday for Parliament)
8. As per Statistical Handbook (Government of India 2009:71-75) the time lag between dates of Budget presented and ‘General Discussion’ are approximately 15 days. For instances in the General Budget 2010-11 has been presented on 26th February 2010 (27th and 28th February being Saturday and Sunday) and the General Discussion started on 12-15th of March 2010; the Parliament convention in India also suggests that the detailed ‘Discussion and Voting on Demands for Grants’ of various ministries takes place after the ‘recess period. The recess period is an internal period between first part of the budget session when the General Discussion takes place and last part where the detailed discussion and voting on the demands for grants and final voting on the budget take place. In general, the recess period is taken approximately for one month. In the current budget session 2010-11, the budget session got adjourned for a recess period of 30 days (adjusted on 16/03/2010 and reconvened on 15/04/2010).
The next stage in the procedure is detailed discussion and voting on Demands for Grants. Generally, separate demands are made for the grants proposed for each ministry. These ‘demands’ are in the nature of request made to the Lok Sabha for the grant of authority to spend the amount asked for.

During the stage relating to Demands for Grants, it is open to all members to disapprove a policy pursued by a Ministry or to suggest measures for economy in the administration or to focus attention of the ministry to specific local grievances. The members can do so by moving a subsidiary motion to the main motion for demands for grants (Kashyap 2008). These subsidiary motions are called in parliamentary parlance as “Cut Motions.” Three types of Cut Motions are in practice in India (Sury 1997: 68):

a) **Policy Cut** “that the amount of demand be reduced to Rs.1”, implies that the mover disapproves of the policy underlying the demand;

b) **Economic Cut** “that the amount of the demand be reduced to Rs....(a specified sum)”- seeks to reduce the demand by a specific sum with a view to effect economy in the expenditure; and lastly

c) **Token Cut** “that the amount of the demand be reduced by Rs. 100”. The purpose behind moving Cut Motions by the opposition parties is to voice a particular grievance for which the Government is responsible.

Cut Motions have only symbolic value as they have no chance of getting passed unless the Government loses majority in the Lok Sabha. The Business Advisory Committee fixes a time limit for voting on a particular demand and for all the demands for grants included in the Budget. As soon as the time limit for a demand is over, “Closure” is applied and the demand is put to vote. This process is known as “Guillotine” which concludes the discussion on demands for grants.

Practice shows that the time as consumed by the process of “General Discussions” and “Detailed Discussion on Demands for Grants” has started shrinking since early 1990s (Chart 1). The politics of coalition government manifestly reflect such downwards trend in time taken for both general discussion and discussions on demands for grants. The BJP-led NDA Government and recently INC-led UPA government have not appropriated significance to the Budget Sessions in India. Similar trend can be seen with regards to number of Demands for Grants of ministries

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**Graph 1: Time Taken for ‘General Discussion’ and ‘Discussion on Demands for Grants’ of Union Budget in Lok Sabha (1952-2008)**

![Graph showing time taken for general discussion and demands for grants](chart.png)
being discussed on the floor of the House before the Guillotine was applied. As Table 3 hints at there are only three Demands for Grants (on an average) being discussed in detail and voted and passed by the UPA government in the last 14th and ongoing 15th Lok Sabha. The outcome of almost 90% of the demands of ministries has been determined only in just few seconds (Table 3). This not only shows political ineptitude of members for persistently overlooking serious matters concerning public expenditure but also dents the Parliament's commitments as custodian of public purse and the spirit of democratic and constitutional mandate in India.

The Role of Parliamentary Committees in the Budget Process

As Parliament's oversight/control over the Union Budget is limited and subject to political dynamics among political parties, it cannot confer close consideration to all the legislative and other matters before it. It is the responsibility of the Parliament to examine and approve the proposals for taxation and estimates of expenditure made by the government. Nearly two months of the Budget Session are devoted for this purpose; discussions are neither very extensive nor intensive. As the time available is short, often demands relating to a number of ministries/departments are not discussed at all and the 'guillotine' is applied. It is here that Departmentally Related Standing Committees (DRSCs) and Financial Committees (FCs) of Parliament endeavour to undertake the task of detailed scrutiny of the governmental spending and performance, thereby the accountability of the administration to the Parliament in financial matters.

Since 1993–94, a good deal of the Parliamentary business is transacted in the Parliamentary Committees (Standing Committees and Ad hoc Committees). Till the 13th Lok Sabha, there were 17 Departmentally Related Standing Committees (DRSC) in all. However, in July, 2004, the numbers of Committees were increased from 17 to 24 with each DRSC consisting of 31 Members - 21 from Lok Sabha and 10 from Rajya Sabha. There is no generic budget

Table 1. Statistics of Budget Sessions during UPA Government (2004 to till date)

<table>
<thead>
<tr>
<th>No. of Budgets During UPA Govt.</th>
<th>Budget Session (Period)</th>
<th>Time Spent on General Discussion (H/m)</th>
<th>Time spent on Discussion and Voting on Demands for Grants (H/m)</th>
<th>Discussion and Voting on Demands for Grants (No. of Min/Depts.)</th>
<th>Guillotine Applied (No. of Min/Depts.)</th>
<th>Time Spent for Guillotine</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>5 July-26 Aug 2004</td>
<td>17h/35m**</td>
<td>NA*</td>
<td>0</td>
<td>52</td>
<td>7 Sec.</td>
</tr>
<tr>
<td>Second</td>
<td>25 Feb-13 May 2005</td>
<td>1h/49m</td>
<td>14h/32m</td>
<td>4</td>
<td>48</td>
<td>5 Sec.</td>
</tr>
<tr>
<td>Third</td>
<td>16 Feb-23 May 2006</td>
<td>1h/36m</td>
<td>18h/93m</td>
<td>3</td>
<td>50</td>
<td>5 Sec.</td>
</tr>
<tr>
<td>Fourth</td>
<td>23 Feb-17 May 2007</td>
<td>17h/27m</td>
<td>15h/45m</td>
<td>3</td>
<td>51</td>
<td>5 Sec.</td>
</tr>
<tr>
<td>Fifth</td>
<td>25 Feb-5 May 2008</td>
<td>1h/50m</td>
<td>24h/58m</td>
<td>4</td>
<td>49</td>
<td>6 Sec.</td>
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<tr>
<td>Sixth</td>
<td>2th July-7th August 2009</td>
<td>17h/12m</td>
<td>30h/01m</td>
<td>5</td>
<td>48</td>
<td>5 Sec.</td>
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Source: 14th & 15th Lok Sabha Business, Resume of Work, Parliament of India.

Parliamentarian engage in other related issues.

There are three Financial Committees in the Parliament of India: the Public Accounts Committee (PAC), the Estimates Committee (EC) & the Committee on Public Undertakings (CPU). The PAC examines the statement of accounts showing the appropriation of sums granted by the Parliament for the expenditure of the Government of India; the annual finance accounts of the Government and such other accounts laid before the House as the Committee may think fit. It also scrutinizes the Appropriation Accounts of the Government of India and the Report of the Comptroller & Auditor General of India (CAG). While scrutinising the above reports, the Committee has to satisfy that:

a) the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;
b) the expenditure conforms to the authority which governs it;
c) every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

The Estimates Committee, on the other hand, acts as the ‘continuous economy committee’ and its criticisms and suggestions act as a deterrent on extravagance in public expenditure. It makes a detailed examination of the annual budget estimates in order to:

a. Report what economies, improvements in organisation, efficiency or administrative reform, consistent with the policy underlying the estimates may be effected;
b. suggest alternative policies in order to bring about efficiency and economy in administration;
c. examine whether the money is well laid out within the limits of the policy implied in the estimates; and

d. suggest the form in which the estimates shall be presented to Parliament.

The financial committees are said to play a very important role as the watch dogs of the Parliament. They are unique as the oversight and control exercised by these committees is continuous, thorough and direct, employing all means of scrutiny by way of issuance of questionnaires, calling of memoranda from representative non-official organisations
and knowledgeable individuals, on the spot study of organisations and informal discussions and oral evidence of non-officials and officials (Kashyap 2008).

The three financial committees ideally constituted to bring to light various inefficiencies, waste and indiscretion in the implementation of policies and programmes approved by the Parliament. Their recommendations are intended to tone up the administration for economic, efficient and speedy execution of these policies and programmes.

<table>
<thead>
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<th>Table 2: A Bird’s Eye View on State of Important Committees of Parliament</th>
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<tr>
<td>Name of the Committees</td>
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<tr>
<td>Committee on Agriculture (DRSC)</td>
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<td>Committee on Rural Development (DRSC)</td>
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<td>Committee on Defence (DRSC)</td>
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<td>Public Accounts Committee (FC)</td>
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<tr>
<td>Estimates Committee (FC)</td>
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</table>

Source: 14th Lok Sabha Business, Parliament of India; Notes: DRSC- Departmentally Related Standing Committees; FC-Finance Committees. Notes: As per parliamentary tradition in India, all committees constituted under a particular Lok Sabha get dysfunctional automatically and fresh constitution of these committees take place once new Lok Sabha get constituted.
However, as per Table 2, the average member’s attendant and number of sittings and durations of such sitting do not reflect such commitments and their parliamentary activities are far from satisfactory. Nevertheless, such parliamentary mechanisms to control over executive Budget keep the administration on its toes. It is very much observed that various measures as suggested by the FCs are in general accepted by the government. The Financial Committees have adequate procedures to ensure that their recommendations are given due considerations by the government and where they are not accepted, the committees are apprised of the reasons for not being accepted in the ‘Action Taken Report’ as submitted by the Government on the floor of the Parliament (Kashyap 2008).

There are difficulties in the functioning of the committees system. First, they normally do not go into questions of policy as policy formulation is the exclusive privilege of the executive and a committee is not supposed to sit in judgement on a policy already approved by the executive. Second, furthermore, they examine the administration ex post facto. The Committee examine only those acts which have already been done or not done which otherwise ought to have been done. Third, the recommendations of the committees do not contain any binding force as they are merely advisory in nature. Fourth, there is large scale absenteeism; combined average attendance was reported to have been less than 50 per cent in Committees. As Table 2 suggests the frequency of sitting, hours of sitting and percentage of attendance are matters of concern for effective functioning of Committees in handling significance legislations and scrutinising crucial aspect of public expenditure in the Parliament.

As observed by the National Commission to Review on the Working of the Constitution (NCRWC, Final Report 2002) 11 “Most committees oversee more than one ministry, thus preventing more focused work. Most political parties do not follow any norms while nominating members to these committees. They are also handicapped by lack of specialist advisers. Every committee has tenure of one year. This means members have no opportunity of specializing in a particular subject or group of subjects unless they can persuade their whips to let them continue to serve on a particular committee. This adhocism tells on the quality of work done by the committees whose reports suffer from absence of critical analysis of the work of the ministries under their supervision. Parliamentary oversight, essential for enforcing accountability of the executive, is worse than useless if it degenerates into a meaningless routine”.

**Budgeting for Defence: The Role of Parliament**

In the perspective of Union Budget, though the sectors of expenditure (General, Economic and Social) 12 pattern vary; but through the lens of legislators in India, the dichotomy with regards to parliamentary business and conducts among sectors is rarely visible. Various Demands for Grants 13 relating to defence budgeting pass through the same process of General Discussion, Detailed Discussion on Demands for Grants and scrutiny of the DRSC on Defence, and final approval of the Lok Sabha as other Demands for Grants for Social Budgeting. However statistics reveal otherwise. It is observed that though the Demands for Grants for Ministry of Defence have been listed for detailed discussion during Budget Session since 1993, it actually took place only in the year 1993, 1995, and 2008. From 1996 to 2009 Budget sessions, the Demands for Grants for the Ministry of Defence have been finally approved under few seconds of Guillotine.

In the 2009-10 budget session, the Demands for Grants of the Ministry of Defense were laid in Lok Sabha on 7 July, 2009. This year being the election year, the Demands for Grants of the Ministry of Defence were referred belatedly to the Standing Committee on Defence for examination and report. In the aforesaid background, the Committee considered the Demands for Grants and took evidence of the representatives of the Ministry of Defence on 27, 28 and 29 October 2009. The final Report of the DRSC on the study of the Demands for Grants for Defence for the Financial Year 2009-10 was submitted to the Lok Sabha on 16-12-2009 after five months. There have been many instances where Standing Committees scrutinized demands of the ministry after long interval of passing of the Union Budget. However, as per Parliamentary convention the Government needs to submit an Action Taken Report (ATR) on the observations so made by the report on the floor of the Lok Sabha. 14

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11. [http://www.nic.in/nrsc‖finalreport/v1ch5.htm](http://www.nic.in/nrsc‖finalreport/v1ch5.htm)
12. In India, the sectors of expenditure in the Union Budget are divided into ‘General’, ‘Economic’ and ‘Social’ sectors. The expenditure relating to National Defence, Espionage, Ordinance factory and Research and Development are covered under the General Sector of the Union Budget.
13. Demands Nos. of various Demands are: Ministry of Defence (22), Defence Pensions (21), Defence Services Army (22), Defence Services Navy (23), Defence Services Air Force (24), Defence Ordinance Factories (25), Defence Services Research and Development (26), and Capital Outlay on Defence Services (27).
14. The reports of the DRSC on Defence and the ATR are available on the Lok Sabha website [http://164.100.47.134/committee/Comm_Details.aspx?comcode=7](http://164.100.47.134/committee/Comm_Details.aspx?comcode=7)
Furthermore, the performances of various programmes and efficiency in the Defence budget are also scrutinized by a constitutional and independent regulatory and compliance body, the Comptroller and Auditor General (CAG) of India. Its performance and regulatory/compliance audits reports get scrutinized further by the Financial Committees (PAC & CPU). The Financial Committees present their Report to the Parliament/ State Legislature with their observations and recommendations. The various Ministries/ Department of the Government are required to inform the Committees of the action taken by them on the recommendations of the Committees (which are generally accepted by the Government) and the Committees present Action Taken Reports to Parliament / Legislature. This ensures that the audit Reports are not taken lightly by the Government, even if the entire report is not deliberated upon by the Committee.

**Power Asymmetry: Lower House's Budget**

There is a considerable power asymmetry between the Lok Sabha (Lower House/popular house) and the Rajya Sabha (Upper House/Council of States) with regards to power of purse. A Money Bill (AFS is covered under the mandate of Money Bill) as defined by the Article. 110 can not be introduced in the Rajya Sabha. It can be introduced in the Lok Sabha only on the recommendation of the President. After it is passed in the Lok Sabha, it is sent to the Rajya Sabha for its recommendations with a certificate by the Speaker that it is a money bill. The Rajya Sabha has very limited financial power as it can not reject a money bill nor can it amend it. It must, within a period of 14 days from the date of receipt of the Bill, return the bill to the Lok Sabha with its recommendations. The Lok Sabha may thereupon either accept or reject all or any of the recommendations of the Rajya Sabha. There is no chance of any disagreement between the two Houses with regards to Money Bills as in the case of ordinary Bill, where Rajya Sabha enjoys an equal power with the Lok Sabha. There is no provision of Joint Sitting in the case of Money Bill. The consent and approval of the Rajya Sabha on money bill is a mere formality.

**Public Consultation in the budget process**

Public consultation in the Budget process can be distinguished as pre-budget consultation and consultation in the post-budget phase. The pre-budget consultation generally takes place every year, when the Finance Minister (FM) initiates the process of meeting various stakeholders from the first week of December till the end of January. During this period, the FM generally meets the industry and commerce lobby groups FICCI, ASSOCHAM and CII. Some other stakeholders who meet the FM include the RBI Governor, representatives of the trade unions, Congress Party office bearers, farmers and the agriculturists. The FM’s customary list is also extended to the State Finance Ministers, exporters and also experts from electronics, IT

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16. Note: * This chart represents the pre-budget consultation as initiated by the Finance Ministry for the preparation of the first Union Budget of the current UPA Government after general election.

Source: “Response to the Union Budget 2009-10, Is the New Government Committed or Complacent”, Centre for Budget and Governance Accountability, New Delhi, 2009
and financial sectors. But in the run-up to Union Budget 2010-11, the FM has started meeting CSOs leaders for the first time. It is a symbolic but a positive and significant step, but the need of the hour is to institutionalise the process of public input into budget-making, so that the budget represents the concerns of the millions of poor.

Public consultation in the post-budget phase, on the other hand, is wide open particularly in the Budget enactment stage. It is so as the budget as prepared by the executive only gets public once it is tabled in the Parliament. The legislators from both the Houses of Parliament get to debate and discuss, scrutinise and question all aspect of receipts and s of the budget in camera. CSOs step up their parliamentary advocacy, lobby, and interventions during this phase of Budget process and ventilate their unheard expectations, concerns and grievances about the Budget. Members of Parliament from across political parties, regions, interests come together under political commonality and compulsions (sensing politics of the day) question the vision and principles underlying a particular budget. Interestingly, CSOs during this phase circulate policy briefs, prepare questions for parliamentarians, submit memorandum to Department Related Standing Committees (DRSCs) on a particular subject to influence Budget in the enactment phase.

Concluding Remarks

The functioning of the Parliament in India in general and ensuring parliamentary accountability on budget in particular is plagued by many problems and shortcomings. The National Commission to Review on the Working of the Constitution (2002) has given some workable recommendations:

1. **Absenteism of Members**: Absenteism of Members threatens to become a serious malady. Quorum is met in each House when 1/10th of the members are present on the floor of the House. Many instances, the House gets adjourned due to the lack of quorum. The citizens have certain claims on their representatives and perhaps expectation of some minimum hours of presence in the house and some minimum hours of parliamentary work each day would be quite legitimate. Those Members who are not so present in the House may, therefore, under their own self-regulatory procedures, lose their salary and allowances for the day.

2. **Parliamentary Control over Borrowing**: While the budgetary demands for grants of various ministries is examined by the concerned standing committees, still there is no provision for a parliamentary scrutiny or control of public borrowing. In India, the Constitution and the laws place no limits on the borrowing powers of the Executive. Parliamentary approval for any amount of internal or external borrowings as such is not required except that it is a part of the budget. This is a significant lacuna and must be plugged. Public borrowing is a charge on the future generations and must be duly controlled. Beyond certain prescribed limits, borrowing proposals should also be subjected to scrutiny by the parliamentary committee on National Economy or the Standing Committee for the Ministry of Finance.

3. **The Subject/Ministry based Standing Committees** need to embrace the entire spectrum of administration for an in-depth and continuous study to provide:
   a) close pre-budget scrutiny of the estimates and complex expenditure plans (Demands for Grants) before they are voted on the floor of the House;
   b) concurrent and contemporaneous examination of the activities of Government departments and matters of national concern in cool, non-partisan atmosphere;
   c) monitoring and evaluation of performance, relating to financial input to the policy objectives and actual results to measure effectiveness, and detailed examination of supplementary estimates;
   d) feed-back of valuable insight and information to Parliament and to the Government to re-appraise economic proposals;
   e) closer and more competent scrutiny of all legislative proposals all Bills introduced in the House may automatically stand referred to the appropriate Committee for detailed consideration and discussion.

4. **The Committees system could strengthen the Government by providing valuable insights into its own working, provide to Parliament sharper and more effective surveillance tools and restore the balance between Parliament's legislative and deliberative functions and its role as a representational body, and, above all, save valuable parliamentary time to the advantage both of Parliament and the Government.**
working away from the glare of publicity, in a truly corporate sense, free from the normal partisan spirit that often characterizes the debates in the House, the new parliamentary committees could play an important, substantial and useful role. These Committees could provide a potent mechanism for a meaningful multilateral dialogue between the Government and the Members of Parliament enabling a proper appreciation of each other's views, reasonable accommodation of varying viewpoints and harmonization of conflicting interests.

5. Nodal Standing Committee on Economy: The existing standing committee does not cover the subject relating to conditions of national economy. It may be advisable to have a nodal Standing Committee on national economy with specific subject-oriented study groups aided by experts and concerned with economic policy formulation and implementation. The study groups would make internal study reports to the main Committee based on operational research in performance evaluation against physical targets. The Committee would in its turn make annual reports to Parliament. These reports would prove valuable to various Ministries and Departments of the Government. Also, they would serve the purpose of constant vigilance and constructive appraisal directed to preventing erosion of credibility, plugging loopholes and strengthening the system as a whole. The Committee recommendations would help to evolve and adopt better means of monitoring, analyzing and evaluating performance in implementing policies and prescribing correctives to ensure the best use of available resources. The reports would provide valuable feedback to Parliament and should be discussed by the two Houses each year.
## Budget Documents in the Parliament of India

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<tr>
<td>1</td>
<td>Annual Financial Statement (AFS)</td>
<td>Constitutional Requirement</td>
<td>The core budget document, shows estimated receipts and disbursements under the three parts, in which Government Accounts are kept viz. (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.</td>
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<td>2</td>
<td>Demand for Grants (DG)</td>
<td>Constitutional Requirement</td>
<td>Estimates of expenditure from the Consolidated Fund of India included in the Annual Financial Statement and required to be voted by the Lok Sabha are submitted in the form of Demands for Grants.</td>
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<td>3</td>
<td>Appropriation Bill</td>
<td>Constitutional Requirement</td>
<td>The Bill that empowers the Parliament to authorise the Government to withdraw money from the Consolidated Fund for the ‘charged’ and ‘voted’ expenditure.</td>
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<td>4</td>
<td>Finance Bill</td>
<td>Constitutional Requirement</td>
<td>Finance Bill when approved empowers the Government to impose, abolish, alter and regulate taxes as proposed in the Budget.</td>
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<td>8</td>
<td>Medium Term Fiscal Policy Statement</td>
<td>Requirement under Fiscal Responsibility and Budget Management Act 2003 (FRBM Act)</td>
<td>The Medium-term Fiscal Policy Statement sets out three-year rolling targets for four specific fiscal indicators in relation to GDP at market prices namely (i) Revenue Deficit, (ii) Fiscal Deficit, (iii) Tax to GDP ratio and (iv) Total outstanding Debt at the end of the year. The Statement also includes the underlying assumptions for an assessment of sustainability relating to balance between revenue receipts and revenue expenditure and the use of capital receipts including market borrowings for generation of productive assets.</td>
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<td>9</td>
<td>Expenditure Budget Volume -1&amp;2</td>
<td>Policy Requirement</td>
<td>This document deals with revenue and capital disbursements of various Ministries/Departments and gives the estimates in respect of each under ‘Plan’ and ‘non-Plan’ expenditure.</td>
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<td>10</td>
<td>Receipts Budget</td>
<td>Policy Requirement</td>
<td>Estimates of receipts included in the Annual Financial Statement are further analysed in the document “Receipts Budget”. The document provides details of tax and non-tax revenue receipts and capital receipts and explains the estimates.</td>
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<td>11</td>
<td>Budget at a glance</td>
<td>Policy Requirement</td>
<td>This document shows in brief, receipts and disbursements along with broad details of tax revenues and other receipts.</td>
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<td>12</td>
<td>Highlights of Budget</td>
<td>Policy Requirement</td>
<td>The document explains the key features of the Budget inter alia, indicating the prominent achievements in various sectors of the economy. It also explains, in brief, the budget proposals for allocation of funds to be made in important areas. The summary of tax proposals is also reflected in the document.</td>
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<td>13.</td>
<td>Detailed Demands for</td>
<td>Policy Requirement</td>
<td>Detailed Demands for Grants elaborate the provisions included in the Demands for Grants as also actual expenditure during the previous year. A break-up of the estimates relating to each programme/organisation, wherever the amount involved is not less than Rs. 10 lakhs, is given under a number of object heads which indicate the categories and nature of expenditure incurred on that programme, like salaries, wages, travel expenses, machinery and equipment, grants-in-aid, etc.</td>
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<td>15.</td>
<td>Outcome Budget</td>
<td>Policy Requirement</td>
<td>The document contains a brief introductory note on the organization and function of the Ministry/Department, list of major programmes/schemes implemented by the Ministry/Department, its mandate, goal and policy framework, budget estimates, scheme-wise analysis of physical performance and linkage between financial outlays and outcome, review covering overall trends in expenditure vis-à-vis budget estimates in recent years, review of performance of statutory and autonomous bodies under the administrative control of the Ministry/Department, reform measures, targets and achievements and plan for future refinements</td>
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<td>16.</td>
<td>Economic Survey</td>
<td>Policy Requirement</td>
<td>The document brings out the economic trends in the country, which facilitates a better appreciation of the mobilisation of resources and their allocation in the Budget. The Survey analyses the trends in agricultural and industrial production, infrastructure, employment, money supply, prices, imports, exports, foreign exchange reserves and other relevant economic factors which have a bearing on the Budget, and is presented to the Parliament ahead of the Budget for the ensuing year.</td>
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