

# **PERFORMANCE BUDGETING**

(MAY, 1986)

**INSTRUCTIONS ISSUED  
BY  
THE MINISTRY OF FINANCE  
(BUDGET DIVISION)**

All Ministries/Departments in charge of developmental programmes are preparing and presenting to Parliament Performance Budgets covering their programmes and activities in pursuance of the recommendation of the Administrative Reforms Commission in their Report (January 68) on "Finance, Accounts and Audit". The Ministry of Finance, Government of India, which was entrusted with the responsibility for introducing the system, has, over the years, issued a series of instructions regarding preparation of Performance Budget. This brochure contains, at one place all these instructions to facilitate easy reference.

No.F.1(11)-B/68  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 21st March, 1969.

**OFFICE MEMORANDUM**

*Subject.-* Decisions of Government on the recommendations of the Administrative Reforms Commission in their Report on Finance, Accounts and Audit.

The undersigned is directed to forward herewith a copy of the statement of the decisions taken by the Government of India on the recommendations of the Administrative Reforms Commission in their Report t on "Finance, Accounts and Audit" for information and guidance. The attention of the Ministries is particularly drawn to the following important recommendations and the action to be taken on them.

2. It may be noted that Government have accepted recommendation No.1 regarding the introduction of performance budgeting. Programme/performance budgeting involves the identification of functions, programmes and activities of a Ministry/Department, determination of their costs, and laying down standards of performance, workload data, etc. It is recognized that the determination of workload data, unit costs and other performance criteria may have to be spread over a period of time. The identification of programmes and activities, is, however, an important preliminary, because it is only on the basis of a sound programme/activity classification that the system can be developed properly. This would be facilitated if a working group consisting of officers of the concerned Administrative Ministry and the Associate Expenditure Finance Division is set up in every Ministry/Department to undertake this work. The assistance of the Performance Budget Unit in the Department of Economic Affairs will also be available whenever necessary. It will be appreciated that the success of the scheme which will have to be reflected in the Budget for 1970-71 will depend on the efforts made by the Administrative Ministry/Department themselves in undertaking this work.

3. Government have also accepted the recommendation for the setting up of a Team of Officers for undertaking a review of the Heads of Account and the Heads of Development adopted for Plan purposes. A representative of the Administrative Ministry will be associated with the Team whenever matters concerning that Ministry are taken up. It is requested that necessary assistance may be given to the Team in this work.

4. A reference is also invited to recommendation No.10(1) of the Administrative Reforms Commission's Report and Government's reply thereto.

5. Instructions regarding the other recommendations of the A.R.C. which have been accepted by Government will be issued separately.

6. The receipt of the Office Memorandum may please be acknowledged. The action taken in the matter may be intimated to this Ministry in due course.

Sd/-  
(A.R. Shirali)  
Joint Secretary to the Government of India.

To  
All Ministries/Departments of the Government of India.

Copy forwarded to the Financial Advisers, Deputy Financial Advisers, Assistant Financial Advisers in the Department of Expenditure.



Decision of Government on some of the recommendations of the Administrative Reforms Commission in their Report on 'Finance, Accounts and Audit'.

Recommendations of the Administrative Reforms Commission  
Chapter II - The Budget

Decision of the Government

Recommendation No.1

- (1) The departments and organisations which are in direct charge of development programme should introduce Performance Budgeting. This should be done both at the Centre and in the States.
  - (2) The performance budget documents should be prepared in the following manner. A programme and activity classification should be made for each department or organisation selected for the purpose of performance budgeting. Besides presenting the financial needs of those programmes and activities, the expenditure should be classified in terms of "object", e.g., "Establishment". This should be followed by a narrative explanation justifying the financial requirements under each activity. This explanation should include information on targets, achievements, relevant workload factors, comparative performance over the years, etc. All this will constitute the performance budget. It should be accompanied by the Demands for Grants which will continue to serve as the medium through which appropriation control is exercised.
  - (3) The Programme and activity classification referred to in (2) should be entrusted to a team consisting of officers drawn from the Ministry of Finance, the administrative Ministry concerned and an officer of the Audit Department.
  - (4) In the departments, and organisations where performance budgeting is to be introduced, the administrative and financial management system covering the planning programming, budgeting, reporting and evaluation should be strengthened with a view to adapting these to the requirements of performance budgeting.
  - (5) A suitable training scheme should be devised for those who, at different levels, will be concerned with the introduction of performance budgeting. The Finance Ministry should prepare a manual on performance budgeting covering the various issues involved and containing instructions of a practical nature for the guidance of all concerned with the budgetary process.
- (1) & (2) Government accept the recommendations. Performance budgets in respect of four Ministries and some organisations under them for the year 1968-69, in the manner recommended, were prepared and presented to Parliament in April, 1968. It is proposed to extend the scheme to as many organisations and Ministries as possible for the year 1969-70
  - (3) Government accept the recommendation subject to the modification that an officer of the Audit Deptt. need not be associated with the team, but where necessary the Audit Deptt. will be consulted in evolving the programme/ activity classification.
  - (4) Government accept this recommendation and the implementation has begun under the revised system of financial control.
  - (5) Government accept this recommendation and have already started implementing it.



- (6) The report of the working Group on performance budgeting may be taken as illustrating the lines on which a performance budget is to be prepared.
- (7) In as many as possible of the departments and organisations selected for performance budgeting the scheme should be introduced with effect from the Budget for 1969-70. For the others, the scheme may be introduced in the Budget for 1970-71.
- (8) The Finance Ministry should assume responsibility for introducing the system, and give a lead to the States in the matter.
- (6) Government accept the recommendation.
- (7) & (8) In view of the problems involved in the introduction of this technique, Government consider that the scheme will have to be introduced in a gradual manner.
- As regards preparation of performance Budgets at the State level, it is primarily a matter for the State Govts. to consider but any assistance the States may require will be made available to them in this regard.
- A copy of the performance budget documents already prepared has been forwarded to the State Government who are also being addressed in this matter.

#### Recommendation No. 2

- (1) The structure of major heads of accounts may be reviewed and recast in terms of broad functions and major programmes of Government. The heads of development adopted for Plan purposes may also be reviewed with a view to establishing a direct correlation between these heads and the general accounting heads.
- (2) Programmes, activities and projects of all the departments and organisations where performance budgeting is sought to be introduced should be clearly identified and the minor heads connected with these programmes suitably recast so as to reflect those activities.
- (3) Representatives of the Comptroller & Auditor General, the Planning Commission, the Finance Ministry and the administrative Ministry concerned should be associated with the task of drawing up a programme for the implementation of recommendations (1) and (2).
- (4) Statements should be prepared each year, as a supplement budget documents, analysing the Plan outlays under various heads of development into components corresponding to the accounting heads.
- (1), (2) & (3): A Team of officers consisting of the Deputy Comptroller & Auditor General, the Joint Secretary (Budget) of the Finance Ministry and a representative of the Planning Commission is being set up to undertake a review of the Heads of Account and Heads of Development adopted for Plan purposes. An officer of comparable level of the concerned Administrative Ministry will be co-opted wherever necessary.
- (4) Government accept the recommendation. The Plan Schedule in respect of each Demand for Grants presented to Parliament is being amplified in order to show the Heads of Development linking them with the Heads of Accounts.

#### Chapter IV - Government Account

##### Recommendation No.16:

The Budget Estimates included in the Demands for Grants and the corresponding central accounts compiled in the various accounts offices should be made more compact and comprehensible by the following measures:

This recommendation is closely allied to recommendation No.2 relating to the revision of the Heads of Account and the Heads of Development and will be entrusted to the Team of Officers being set up to review the Heads of Account.



- (a) The details containing break-down of primary units of appropriation into detailed heads may be eliminated from the central accounts compiled in the various accounts offices and to the extent considered necessary for administrative purposes be recorded only in the departmental accounts.
- (b) The entire structure of primary units of appropriation may be reviewed by the Ministry of Finance in the light of the wider powers of re-appropriation now available to the administrative Ministries and consistent with the objective of simplifying the accounting structure.
- (c) The structure for the Demands for Grants may be simplified by a grouping of individual schemes within a homogeneous programme to the extent feasible and the detailed breakdown for smaller schemes involving an expenditure of, say, less than Rs. 5 lakhs may not be provided in the budget papers.

No.F.1(11)-B/68  
Government of India  
Ministry of Finance  
(Department of Economic Affairs)

To  
The Finance Secretary  
to the Government of

New Delhi, the 25th March, 1969

*Subject:-* Report of the Administrative Reforms Commission on "Finance, Accounts & Audit".

Sir,

I am directed to refer to the recommendations contained in the Report of the Administrative Reforms Commission mentioned above, a copy of which was forwarded to the State Government by the Administrative Reforms Commission.

2. I am to enclose herewith a copy of the decisions of the Government of India on all the recommendations (except recommendations No.3 and 25 which are still under consideration of Government of India). In respect of recommendations which concern the State Governments, I am to request that the State Government may consider them in the light of the decisions taken by the Government of India. In particular, attention is invited to Recommendation No.1 relating to the introduction of performance budgeting. A copy of the document "Performance Budgets of Selected Organisations 1968-69" which was presented to Parliament in April, 1968 was forwarded to you. The Government of India will be happy to render any technical assistance that the State Government may require in the introduction of this technique. In regard to Recommendations No.2 and 16 relating to the review of the Major Heads of Accounts, the Budget Heads and the Heads of Development for Plan purposes, it will be noted that a Team of Officers is being appointed.

3. The receipt of this letter may please be acknowledged. I am also to request that the Government of India may be informed in due course of the action proposed to be taken by the State Government.

Yours faithfully,

Sd/-

(A.R.Shirali)

Joint Secretary to the Government of India.

To  
All State Governments & Union Territory Governments.



Government of India  
Ministry of Finance  
(Department of Economic Affairs)

No.F.1(3)-PBU/69

New Delhi, the 28th October, 1969.

*Subject:-* Introduction of Performance Budgeting in the Ministries and Departments of Government of India.

The undersigned is directed to refer to this Ministry's O.M.No.F.1(11)-B/68 dated the 21st March, 1969 regarding the decisions of Government on the recommendations of the Administrative Reforms Commission in their Report on 'Finance, Accounts and Audit'. The Ministries were requested therein to constitute Working Groups to draw up programme/activity classifications for their organisations as a first step towards the introduction of performance budgeting. To facilitate the work of the Ministries in this regard the following guidelines are suggested.

(i) The Performance Budgets may be prepared on the model of the Budgets included in the documents 'Performance Budgets of Selected Organisations' 1969-70, Volumes I and II which were presented to Parliament this year. 15 copies of the said document are enclosed for information.

(ii) The first step in the preparation of a Performance Budget is the enunciation of the objectives and the functions of each Ministry/Department. Thereafter the programmes and activities of each Department which have been launched to attain these objectives should be identified. For instance, the main objective of the Ministry of Education is the promotion of education. Towards this end a number of programmes are undertaken - for instance 'Primary Education', 'Secondary Education', 'University Education', etc. These are to be identified. Each programme will consist of a number of activities. For instance 'Primary Education' will have 'Construction of Schools', 'Training of Teachers', 'Provision of mid-day meals' etc. as some of the activities under that programme.

Under Performance Budgeting the financial requirements of each Department will be presented in terms of the programmes and activities thereunder. It may be noted that the expenditure on an activity may sometimes fall under more than one Major Head of Account and may be included in the conventional budget in more than one Demand for Grants. In the Performance Budget the entire expenditure will be shown against the 'Activity' concerned. The next step is, therefore, the determination of the costs of programmes and activities.

It is likely that some other problems may be encountered while estimating the cost of programme/activity. Apart from officers/staff directly executing a programme/activity, there may be other officers/staff attending to the work relating to more than one programme/activity and the question of allocation of their personnel costs between the programmes/activities might arise. This has to be done on a scientific and rational basis taking into account the time spent by the officer on a programme/activity concerned. In certain cases the trouble involved in the allocation of costs between the various programmes, may not be commensurate with the gains to be obtained. Alternatively, the personnel costs (indirect) could be shown separately as a common service cost. It will not be possible to lay down any rigid rule in this regard and each case will have to be dealt with on merits. Again, in the case of a programme/activity which carries heavy inventory, "proforma" accounts may have to be kept to find the actual cost on the basis of stores consumed.

(iii) While a financial budget shows the amount a Department proposes to spend, a performance budget should invariably also show the physical targets the Department proposes to achieve with the funds asked for. The programme/activity classification with financial requirements should therefore be accompanied by a narrative explanation which will give details of targets, standards of performance, work load data, performance rating and evaluation of performance not only for the budget year but also wherever possible on a long-term basis in accordance with the plan. In those areas where it may be possible to develop unit costs, further action in that direction should also be taken. While laying down of physical targets should present no difficulty in the case of programmes having an end product e.g. number of telephones to be installed, the number of miles of roads to be constructed, those like administrative and maintenance ones, may not easily lend themselves to measurement of end products. In these cases the financial requirements should be supported by details of accomplishments, work done and changes in work load etc.



(iv) In the case of projects, Control Schedules should be prepared showing the total estimated cost of the project broken down into its components with their distribution year wise, the date of commencement of the project, the financial and physical progress achieved so far and that to be achieved in relation to estimates/targets over the years and the expected completion date. These data would provide the long term and short term financial requirements with physical targets also. 'Network Scheduling' should be developed wherever possible, so that in accordance with this schedule, targets could be laid down to watch the progress of the projects.

(v) Another area which may present some difficulty in drawing up a performance budget concerns schemes which are financed by loans or grants to State and Union Territory Governments and others. In the performance budget a distinction should be drawn between expenditure incurred directly by Government of India and that incurred through grants or loans to State and Union Territory Governments and others. The former expenditure (i.e., direct expenditure) should in all cases be supported by relevant physical targets, work load data and evaluation of results or results or end products. As regards grants and loans, they may be divided into the following two categories.

(i) Block grants or loans for State Plan Schemes (as also to Union Territories).

(ii) Grants and loans for Central & Centrally sponsored Plan schemes and for non-plan purposes.

As regards grants and loans under category (i) above, performance budget can be prepared only where the Ministry/Department has the relevant data, regarding physical targets, achievements etc. As regards category (2), the financial requirement should be supported by a note explaining the purposes to be achieved by the assistance and such data regarding physical targets and achievements as may be received from the State and Union Territory Governments and other parties. For this purpose the Ministry/Department should devise a suitable proforma in which the requisite information should be furnished by the State Governments and others. The financial requirement of category (2) should be shown in the performance budget under the respective programmes/activities. In other words each programme should show separately (i) the direct expenditure and (ii) grants and loans relating to that programme.

(vi) Similarly, investments in or loans to Public Sector Undertakings, should be distinguished from other direct expenditure of Government. The financial requirements for investments and loans should be supported by a 'Note' on the activities of the Undertakings, the particular purpose, if any, for which the investment or loan is intended and such data on programme and performance of the Undertakings as may be available.

2. Conversion of the present budget into a performance type of budget is only the first step in the introduction of performance budgeting technique. The technique can be useful only if further refinements such as determination of unit costs are introduced and arrangements for follow-up action such as reporting and evaluation of progress of performance are made. The process of formulation of the budget will also undergo a change once the financial and accounting system has been reoriented to meet the requirements of performance budgeting.

3. The Ministries are requested to proceed with the work of drawing up a performance budget for the organisations under them on the lines indicated in the preceding paragraphs. If any further clarifications are required, the Performance Budget Unit in the Ministry of Finance may be contacted.

Sd/-

(E.R.K. Menon)

Deputy Secretary to the Government of India.

To

All the Ministries/Departments.

Copy to all Deputy Financial Adviser's and Assistant Financial Adviser's in the Department of Expenditure.



No. F.1 (2)-PBU/69  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 24th September, 1969.

**OFFICE MEMORANDUM**

*Subject:- Preparation and presentation of Performance Budgets.*

The undersigned is directed to state that since 1968-69, this Ministry has been presenting to Parliament "Performance Budgets of Selected Organisations". Four Ministries/Departments were covered during 1968-69 and in 1969-70. The coverage was extended to four more Ministries/Departments. The existing arrangement is that the Performance Budgets are prepared by the Administrative Ministries in consultation with the assistance of the Finance Ministry. At present Performance Budgets are only a supplement to the conventional Budget documents and it will be some time before the former can replace the latter. Till the conventional Budget documents are replaced by Performance Budgets, the latter should appropriately be presented to Parliament by the Ministries/Departments concerned along with their Annual Reports. Such an arrangement would facilitate an appraisal of the activities of the Ministries, their working in the past year and also their programmes for the budget year. It is also desirable that the Ministries are fully involved in the presentation of the Performance Budgets as these Budgets are intended mainly to serve as an effective tool for management. This would also facilitate the establishment of suitable arrangements in the Ministry/Department for follow-up action, reporting, and evaluation of progress of performance from time to time without which Performance Budgeting will not have much significance.

2. For the year 1970-71, Performance Budgets of the following Ministries/Departments will have to be presented to Parliament along with their Annual Reports:

A. Ministries/Departments already included

1. Ministry of Irrigation and Power.
2. Ministry of Shipping & Transport.
3. Ministry of Health, Family Planning, Works, Housing & Urban Development.
4. Department of Food.
5. Department of Communications including the Posts and Telegraphs Department.
6. Department of Civil Aviation.
7. India Meteorological Department.

B. All other Ministries/Departments where action for the preparation of performance budgets for 1970-71 has been satisfactorily completed.

3. The Performance Budget Unit of this Ministry will continue as before to assist the above Ministries/Departments in the preparation and improvement of the Performance Budgets. The names of the officers who will be coordinating the work in this regard in the various Ministries may be intimated to this Ministry for further action. Ministries/Departments may proceed to finalise the drawing up or revision of their programme/activity classification. Wherever working groups have not been constituted so far for this purpose as envisaged in this Ministry's O.M.No.F.1 (11)-B/68 dated 21.3.1969, necessary action to constitute the Working Groups may also be initiated immediately. The progress made by the Ministries may please be intimated from time to time to this Ministry whose assistance may also be sought if any difficulties are experienced in drawing up Programme/activity classification.

4. Receipt of this O.M. may please be acknowledged.

Sd/-  
(E.R.K. Menon)

Deputy secretary to the Government of India.

To All Ministries/Departments of Government of India.  
Copy to all Branches and DFAs and AFAs in the Department of Expenditure.



No. F. 1 (1)-PBU/70  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 14th December, 1970.

**OFFICE MEMORANDUM**

*Subject:- Preparation and presentation of Performance Budgets.*

The undersigned is directed to state that since 1968-69 Performance Budgets of selected organisations are being presented to Parliament. Upto 1969-70, these Budgets were presented to Parliament by the Ministry of Finance but since 1970-71 the Budgets though prepared with the assistance of the Finance Ministry, are presented to Parliament by the administrative Ministries concerned along with their Annual Reports.

2. For the year 1971-72 Performance Budgets of the following Ministries/Departments will have to be presented to Parliament along with their Annual Reports by the Ministries/Departments concerned:

- A. Ministries/Departments which are already covered.
  1. Ministry of Irrigation and Power.
  2. Ministry of Shipping and Transport.
  3. Ministry of Health, Family Planning, Works, Housing and Urban Development.
  4. Department of Food.
  5. Department of Agriculture (Selected Organisations).
  6. Department of Labour and Employment.
  7. Department of Communications including the P & T Department.
  8. Department of Civil Aviation.
  9. India Meteorological Department.
- B. Ministries/Departments to be covered from 1971-72.
  1. Ministry of Foreign Trade.
  2. Ministry of Information and Broadcasting (Selected Units).

3. In pursuance of the recommendation of the A.R.C. Government of India have decided that Performance Budgets should be introduced in a phased manner in all the Ministries/Departments of Government. To start with all the Ministries/Departments in charge of developmental Programmes are proposed to be covered within the next 3 years. Accordingly Ministries/Departments in charge of development programmes other than those included in para 2 above may kindly take steps to prepare a phased programme for the introduction of Performance Budgets in their Ministries/Departments so that they are entirely covered within the next 3 years. The Units to be covered in each stage may be selected in consultation with the Budget Division of the Ministry which will render all the required assistance in the preparation of the Performance Budgets. The Ministries/Departments included in Para 2 above which have not introduced Performance Budgets in all the Units/Organisation under them may also kindly take steps to extend the coverage to the entire Ministry/Department within the next three year.

Sd/-

(K.S. Sastry)

Deputy Secretary to the Government of India.

To

All Ministries/Departments of Government of India.  
copy of D.O.letter No.F.8(50)/73 dated the 4th January, 1974 from Shri K.S. Sastry, Director (Budget) Ministry of Finance, Department of Economic Affairs to all the Internal Financial Advisers.

The Estimates Committee (Fifth Lok Sabha) in their Forty-Eighth Report presented to Lok Sabha on the 21st December, 1973, while noting the earnest efforts being made by Government in recent years to improve the format and contents of Budget papers, have commented upon some of the Budget documents being presented to Parliament. Referring to the Performance Budgets being presented by the Ministries/Departments, the Committee have commented:



"The Committee are, however, not fully satisfied with the information given at present in the performance budgets. These budgets at present give mass of minor details and lack on focussing attention on key factors, which could help in the proper appraisal of a project or programme".

The Committee went on to recommend that we should make efforts to incorporate in the Performance Budgets meaningful data which would help the members of Parliament and the Public to judge the achievements of a project as compared to its objectives. The efforts should be to so present the data that it helps to throw up parameters for judging not only the performance of the particular unit but also facilitate a comparative study being made with other similar units. The Committee have further recommended that the following points in particular should be covered in the Performance budgets:

- 1) The impact of revision of project estimates/capacity on the economics of the project with particular reference to the cost of production.
- 2) Capacity utilisation and the reasons for shortfall, if any.
- 3) Cost benefit analysis.
- 4) Contribution made by the project towards fulfilment of:
  - i) Sectoral;
  - ii) regional;
  - iii) national plan.

2. Referring to the Notes on Schemes and Projects included in the Detailed Demands for Grants, the Committee have commented:

"The Committee observe that while the Ministry of Finance have issued detailed instructions to the various Ministries of the Government of India to compile the information on the various points as per the recommendations of the Committee, the Notes on Important Projects and Schemes now dovetailed in the relevant Demand book are more or less on the old lines. The Committee feel that if the detailed information asked for in the Department of Economic Affairs letter of 5th December, 1972 is collected, analysed and presented in a meaningful manner in the Budget papers, it would provide valuable information to the Members of Parliament about the programme-cum-performance of important projects and schemes included in the Budget".

3. In the light of the foregoing observation of the Estimates Committee, we need hardly emphasise the need to devote greater attention to the preparation of Budget documents including the Performance Budgets. As you are no doubt aware, our general approach has been to eventually integrate the Performance Budgets with the Detailed Demands for Grants, though, for the time being, they may continue to be prepared and presented separately. It is therefore, necessary that an integrated approach to the presentation of information/data in both the Performance Budgets and the Notes on Schemes and Projects receives personal attention not only at your level but also at levels which are directly involved in the formulation, monitoring and evaluation of Plan as well as non-Plan developmental schemes. We would suggest for your consideration whether the Working Group on Performance Budgeting, the Ministry/Department was requested to constitute vide our letter No. F.1 (11)-B/68 dated 1st March, 1969 should not be activated and made the focal point for preparing not only the Performance Budgets but also collecting the material for various other Budget documents. If you consider it worthwhile, I am certainly prepared to come over the discuss with you and the members of the Working Group the practical difficulties that may be involved in preparing these documents in a matter that will satisfy the Estimates Committee.

4. I shall be grateful for a line in reply acknowledging this letter and informing me of the action you propose to take in this regard.



No. F. 16(1)-B/74  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 3rd October, 1974.

To  
The Finance Secretaries of all State and  
Union Territory Governments.

*Subject:- Introduction of Performance Budgeting.*

Sir,

As the State Government is aware in pursuance of the recommendations made by the Administrative Reforms Commission in its Report on "Finance, Accounts and Audit" selected Ministries and Departments of Government of India have been preparing performance budgets. In this Ministry's letters No. F.1(11)-B/68 dated 25.3.1969 and 1st May, 1969, the State Governments were requested to initiate action for introduction of performance budgeting in Departments incharge of developmental programmes. To facilitate performance budgeting the Heads of Account were also recast from 1st April, 1974 and in his D.O. No.F.1(107)-B/72 dated 23rd March, 1973, addressed to the Finance Secretaries of State Governments Shri B.Maithreyan had made specific reference to this aspect.

The Estimates Committee of Parliament has been evincing keen interest in the development of performance budget in Government Departments and has suggested various improvements in the performance budget documents presently brought out by the Government of India. The Committee has observed that the Performance Budget should incorporate meaningful data which would help the Members of Parliament and the Public to judge the achievements of a project as compared to its objectives. The effort in general should be to present the data in the document as would throw up parameters for judging not only the performance of the particular unit but also facilitate a comparative study being made with other similar units. The Committee also added that the following points in particular should be covered in the performance budgets :-

- (i) the impact of revision of project estimates/capacity on the economics of the project with particular reference to the cost of production.
- (ii) capacity utilisation and the reasons for shortfalls, if any.
- (iii) cost benefit analysis.
- (iv) contribution made by the project towards fulfilment of (a) sectoral, (b) regional and (c) national plan.

As an integral part of improving financial administration, the Union Cabinet has recently decided that performance budgeting should be introduced in all the Ministries/Departments of the Central Government incharge of developmental programmes by 1975-76. A copy of the letter addressed by this Ministry to the various Ministries/Departments of Government of India in this connection is enclosed for information.

Many of the State Governments are already preparing performance budgets in respect of selected Departments. State Governments are requested to consider the feasibility of extending the coverage to all the Departments in charge of developmental activities. It is suggested that a phased programme for coverage may be drawn up in consultation with the various Departments.

Since the Government of India are keenly interested in the introduction of Performance Budgeting I am a request the State Government to send us, if there is no objection, a report indicating the present position regard to the introduction of Performance Budgeting in the State Government, the difficulties encountered any, and the steps which are proposed to be undertaken to remove the difficulties to extend the coverage to all Departments engaged in development activities. It will be appreciated if the report is sent to us by 1 November, 1974.

Receipt of this letter may kindly be acknowledged.

Yours faithfully  
Sd/- K.S. Sa  
Director



Secretary

D.O. No.F.16 (1)-B/74  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
Department of Economic Affairs  
New Delhi, the 9th September, 1974.

74. My dear

The Cabinet have recently directed that the progress made in introducing Performance Budgeting should be immediately appraised and steps taken to ensure that the Ministries/Departments dealing with developmental activities introduce Performance Budgeting with effect from the Budget year 1975-76. You may also kindly recall that the Estimates Committee have repeatedly recommended that Performance Budget should be introduced and improved upon. The directions in which they sought improvements were also communicated to the Ministries/Departments *vide* Sastry's D.O. letter dated 4th January, 1974 to your IFA.

2. As you are aware, considerable spade work has already been done in the last three or four years in improving the formats and contents of the Budget documents and a lot of information is being furnished to Parliament in the Performance Budgets, Notes on Demands appended to the Demands for Grants, and Notes on Schemes and Projects appended to the Detailed Demands for Grants. What is now required is to examine the entire question in a broader perspective with a view to (1) making the coverage complete, (2) integrating the process of preparing Performance Budgets with the normal budgeting and planning process and (3) building an information and reporting system so as to make the Performance Budget an effective tool of management.

3. As a step in this direction, it has been decided that the Notes on Schemes and Projects now being appended to the Detailed Demands for Grants should henceforth be integrated with the Performance Budgets being presented by the Ministries. Further, it is considered necessary that a definite date should be prescribed for the presentation of the Performance Budgets. We feel that this date should not be later than the 7th March each year, that is, a week after the presentation of the main Budget by the Finance Ministry.

4. Our past experience has shown that sufficient progress in the introduction of Performance Budgeting could not be achieved as their preparation is taken up only in January or February when all of us are preoccupied with finalising the Budget Estimates. The delay in preparing the Performance Budgets has robbed the documents of much of their use both for Parliament and for the Administrative Ministries whom the documents are to serve as a tool of management. I would, therefore, request that you may kindly arrange to initiate necessary preparatory action to restructure the existing format of the Performance Budget now so as to comply with the Cabinet directive and present the Performance Budget in respect of *all* the activities of your Ministry/Department. Since the Notes on Schemes contain adequate supplementary details on all important schemes this task should not present much difficulty. As in the past, Budget Division will render all possible assistance in preparing these documents.

Please acknowledge receipt of this letter.

Yours sincerely,

Sd/-(M.G. Kaul)

Shri  
Secretary  
Ministry/Department of

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No.F.16 (1)-B/74  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, January 2, 1975.

#### OFFICE MEMORANDUM

*Subject :- Performance aspects in Annual Report and Performance Budget of Ministry/Department-extent of coverage.*

The undersigned is directed to forward herewith, for information and guidance, a copy of this Ministry's



Office Memorandum of even number dated the 12th November, 1974 to the Department of Parliamentary Affairs and the latter's reply thereto bearing No. F.19 (1)/74-Leg dated the 7th December, 1974 regarding the coverage of the Annual Reports and Performance Budgets of the Ministries/Departments.

Sd/-  
(V.Balasubramanian)  
Under Secretary to the Government of India.

All Ministries/Departments presenting Performance Budget from 1975-76.  
Copy forwarded for information to:

1. Department of Parliamentary Affairs.
2. Department of Personnel and Administrative Reforms (AR Wing).

Sd/-  
(V.Balasubramanian)  
Under Secretary to the Government of India.

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Copy of O.M.No.F.16 (1)-B/74 dated 12th November, 1974 from Ministry of Finance, Department of Economic Affairs (Budget Division) New Delhi addressed to Department of Parliamentary Affairs, New Delhi.

*Subject : Material for the Annual Reports of the Ministries/Departments of the Government of India.*

The undersigned is directed to refer to O.M.No.F.19 (1)/71-Leg. dated the 14th August, 1972 on the subject cited above issued by the Department of Parliamentary Affairs to all Ministries/Departments of the Government of India, enclosing a checklist on the contents of Annual Report drawn up by the Department of Administrative Reforms.

2. The Department of Parliamentary affairs may be aware that several Ministries/Departments are already presenting annually their performance budgets to the Parliament. Efforts are currently being made to ensure that beginning from 1975-76, such performance budgets are presented by all the Ministries/Departments of the Government of India in charge of developmental programmes in as uniform a manner as possible, and to improve, as necessary, the format and contents of the performance budgets of the Ministries/Departments which are already preparing and presenting them to the Parliament. The recommendations of the Estimates Committee on the subject in their 48th Report have also been brought to the notice of the Ministries in this connection.

3. In this connection, it is observed that the checklist drawn up by the Department of Administrative Reforms for the preparation of the Annual Report and enclosed with the O.M. referred to above largely covers the following aspects which appear to be more appropriate for inclusion in the Performance Budget :-

- a) Functions, organisational set up and individual programmes of the Ministry/Department.
- b) Performance, with reference to targets, of each continuing and new programme.
- c) Appraisal of the performance of each public sector undertaking and autonomous body or institution under its control of the Ministry/Department.

4. It is felt that since the Performance Budgets would cover all these aspects. There would be avoidable duplication in the information supplied in the Performance Budgets and the Annual Reports. As these data are more germane to Performance Budget documents, it is suggested that the Department of Parliamentary Affairs may kindly consider the desirability of taking steps to avoid such duplication.



Copy of O.M. No.F.19(1)/74-Leg. dated the 7th December, 1974 from Department of Parliamentary Affairs, New Delhi addressed to the Ministry of Finance, Department of Economic Affairs, New Delhi.

*Subject: Material for the Annual Reports of the Ministries/Departments of the Government of India*

The undersigned is directed to refer to the Ministry of Finance (Department of Economic Affairs) O.M. No.F.16(1)-B/74, dated the 12th November, 1974 on the subject noted above and to say that the Department of Personnel and Administrative Reforms, who was consulted in the matter has stated that the annual report is intended for a wider audience including Universities, Institutes of Public Administration, Research Scholars in public administration etc. For this reason the reports cannot obviously omit brief references to some general aspects of performance, which may also be covered by the budget documents. It is, therefore, felt that there should be no objection to the annual report making a brief mention of these topics. Whenever necessary, the annual report could also indicate the relevant budget documents, where more detailed information on the same aspects could be found by the reader.

This Department agrees with the views expressed by the Department of Personnel and Administrative Reforms (Cabinet Secretariat).

K.S. Sastry,  
Director (Budget)

IMMEDIATE  
D.O. No.F.16(1)-B/74  
Government of India  
Ministry of Finance  
(Department of Economic Affairs)  
New Delhi Dated the 19th February, 1975

My dear

This is to bring to your notice once again that performance budgets in respect of all development activities are required to be presented to Parliament by about the 7th March 1975. I may add for your information that the Finance Minister is evincing very keen interest in the progress we are making. He has been apprised that all the Ministries/Department are proceeding as per schedule to present the performance budget by the prescribed date.

2. It has been considered desirable that the performance budget documents should have a brief preface explaining the scope of performance budgeting and the contents of the document. Accordingly we have attempted a draft preface (copy enclosed) which you may consider incorporating in the performance budget with such modifications as may be appropriate in relation to the activities of your Ministry/Department.

3. Since performance budgets are now being presented for the first time in respect of all the development activities, it will be a good idea if they are circulated to the other Central Ministries/Departments. Likewise, the Ministries/Departments dealing with subjects in the State sector, may consider it worthwhile to circulate the documents to the State Governments also. This is for your consideration. You may like to keep this requirement in mind while ordering the number of copies to be printed.

4. So far as Budget Division is concerned, I shall be grateful if about 20 copies (English version) of the document as presented are supplied to us.

Yours sincerely,

Sd/- K.S. Sastry.

Copy, with a copy of the enclosure, forwarded to all Financial Advisers/Deputy Financial Advisers concerned.

Sd/- K.S. Sastry  
Director (Budget)

Preface to the Performance Budgets being presented by the Ministries/Departments

In our planned economy, while the Five Year Plan serves as an instrument to make decisions about the manner in which human, material and financial resources could be allocated and used to attain national objectives, the fulfilment of



these objectives is dependent on a number of interrelated factors. These include a clear and precise enunciation of the objectives; a meaningful choice of the programmes, based on analysis and using quantitative techniques for the evaluation of costs and benefits wherever possible; a continuous monitoring of the execution of programmes; and, a reappraisal of the objectives in the light of performance. The objectives at the national level, the strategies to be adopted to attain these objectives and the broad sectoral targets are laid down in the Five Year Plan. However, these are required to be broken up into more specific objectives and concrete targets for the Ministries/Departments setting them in a pre-determined yearly/quarterly time frame. Likewise, the policies that are required to be adopted to meet these targets need to be enunciated clearly and in good time. It is recognised that these should form an integral part of the annual budgetary process. Performance Budgeting is a cementing factor in bringing about this integration. It is intended to assist the management not only in proper selection of projects, programmes and schemes but also in their efficient implementation.

This document, covering all the development activities of the Ministry/Department, has been prepared in consultation with the Ministry of Finance (Budget Division) and is being presented for the first time. It is intended to highlight the specific objective of the Ministry/Department and the projects, programmes and activities designed to achieve them, the likely achievements against the targets set for 1974-75, and, the targets set for 1975-76. The notes on important projects and schemes appended to the Detailed Demands for Grants in the past are now incorporated in this document.

Chapter I gives a brief introductory note on the objectives of the Ministry/Department, the broad programme classification and the organisation of the implementing agencies connected with them.

Chapter II deals with the overall performance of the Ministry/Department in 1974-75 in achieving its objectives and specified targets and the outlook for 1975-76 in terms of the broad physical dimensions and financial outlays.

Chapter III gives a break down of the financial outlays under various projects, programmes and activities and is intended to link up the provisions in the Demands for Grants presented to Parliament along with the Budget of the Central Government 1975-76. This document is, thus, a supplement to the Demands for Grants.

Chapter IV explains the scope and objectives of individual projects, programmes and schemes giving their estimated costs (including reasons for increase in the original costs wherever necessary), the targets and achievements (with reasons for shortfall, if any), the unit costs and norms or standards of performance wherever these have been evolved, the work load data and the staff employed for the purpose. In respect of public sector undertakings, this chapter incorporates performance-cum-programme statements giving, among others, the results of operations, particulars of inventory of raw materials and stocks, sources of funds and their application as well as the return on capital. Wherever appropriate, particulars of capacity utilisation in relation to the installed capacity (including reasons for shortfall, if any), and, the efficiency and performance indices evolved for or by the undertakings are also indicated.

It may be added that there is no attempt in Performance Budgeting to quantify results where none is possible; nor is it intended that the evaluation of performance or a judgement on the attainment of objectives should be made in quantitative terms alone.

Director (Budget).

D.O. No.F.16(4)-B/75  
Government of India,  
Ministry of Finance,  
Department of Economic Affairs

New Delhi, the 10th November, 1975.

Dear Shri

It is a matter of gratification that due to the cooperation extended by the Ministries/Departments, the directive of the Cabinet that all Ministries/Departments concerned with developmental activities should prepare Performance Budgets has been complied with and such budgets for 1975-76 were in fact prepared by all Ministries/Departments. Having started the process we should now consider what improvements are possible in the document and also



take steps to make Performance Budgeting an effective management tool. In reply to a questionnaire of the Estimates Committee of the Parliament we had identified recently some of the areas of possible improvements in Performance Budgets, which are listed in the enclosure. It is conceded that some of these improvements may not be possible in the immediate future and much also depends upon building up necessary accounting support and installation of an effective reporting and review system. Nevertheless these objectives should not be lost sight of. Efforts should be made to the extent possible and improvements incorporated in the Performance Budgets of future years. I do hope these points will be taken into account while preparing the Performance Budgets for 1976-77.

2. It is equally necessary that these documents are presented to the Parliament well before the discussion on the Demands of the Ministries/Departments starts in the Parliament. To avoid printing difficulties you may kindly settle in advance with the Directorate of Printing, Ministry of Works Housing, Nirman Bhawan, New Delhi, as was done last year, the arrangements for the printing of the documents at the Government of India Presses.

3. As usual, the officers of the Budget Division, of the Ministry of Finance will render all possible assistance in preparing these documents.

Kindly acknowledge receipt of this letter.

Yours sincerely,  
Sd/- S. Sampath Narayanan

Shri  
Internal Financial Adviser  
Ministry/Department.

#### ANNEXURE

Suggested improvements in the presentation of data in the Performance Budget documents:

1. Wherever possible a correlation should be established between inputs and outputs.
2. Unit cost data should be generated and exhibited in respect of important programmes where unit costing will contribute to efficiency.
3. Scientific norms and standards should be evolved which should be the basis both for setting targets and measuring performance.
4. Targets and achievement/likely achievements should be indicated for the previous year and current year in all cases. In some of the budgets the achievement figures are not shown on the plea that they are not available for the current year and the previous year.
5. The technique of performance budgeting has to be followed right down to each cost centre. Performance Budgets prepared on the basis of similar budgets of lower formations are more realistic and useful for serving management objectives.
6. In the case of large projects the future year costs till the date of completion of project should also be projected.
7. The reasons for cost escalations or overruns should be elaborated in sufficient detail explaining why correcting mechanism failed to arrest this trend.
8. An indication of how the individual schemes included in the Budget fit into the national objectives and priorities should be given and the continued relevance of the schemes and even the objectives should be evaluated periodically and results indicated in the Performance Budgets.
9. Though the Ministries/Departments may not be directly executing all the programmes a total picture of achievement in the functional areas for the country as a whole may be given wherever possible in the Performance Budgets of the concerned Ministries, e.g. irrigation area, food production, health services, etc. This will enhance the usefulness of the document to Parliament.



Joint Secretary(Budget)

D.O. No.F.16(4)-B/75  
 Government of India  
 Ministry of Finance  
 Department of Economic Affairs  
 New Delhi, the 8th January, 1976.

Dear Shri

Last year, thanks to the cooperation extended by your Ministry, the directive of the Cabinet that all the Central Ministries/Departments in-charge of developmental programmes should prepare performance budgets with effect from 1975-76 could be implemented.

2. The Estimates Committee of the Parliament recently took evidence on the steps taken to improve performance budgeting in the Ministries/Departments of Government of India. The Committee felt that the deficiencies in the performance budget documents should be removed and urgent step taken to instal performance budgeting in all its aspects in the Ministries/Departments. Some of the general areas of possible improvements in the performance budget documents were indicated in Sampath Narayanan's D.O. letter dated 10th November, 1975 to your Internal Financial Adviser. Specific deficiencies in individual documents are also being brought to the notice of your Internal Financial Adviser.

3. Last year some of the performance budgets were presented to Parliament long after the discussions on the Demands for Grants were over. It is necessary to ensure that the document for 1976-77, improved to the extent possible, is presented to Parliament well before the Demands for Grants are taken up for consideration. I shall be thankful if suitable instructions in this regard are issued to the officers in your Ministry responsible for the preparation of performance budget.

Yours sincerely,  
 Sd/- (K.N. Row)

H.N. Ray,  
 Finance Secretary.

D.O. No.F.16(5)-B(PB)/76  
 Government of India  
 Ministry of Finance  
 New Delhi, the 17th November, 1976.

Dear Shri

As you are aware the Administrative Reforms Commission in its Report on 'Finance, Accounts and Audit' recommended that performance budgeting should be introduced in the Departments of Government incharge of developmental activities. This recommendation was brought to the notice of the State Governments in this Ministry's letter No.F.1(11)-B/68, dated 25th March, 1969 and 1st May, 1969 and the State Governments were requested to initiate action for introducing performance budgeting in the State Government Departments.

Performance budgeting which is designed not only for clearer formulation, presentation and control of the Budget, but also for a better management of governmental operations involves (i) identification of the programmes and activities to be undertaken by Government Departments to achieve the objectives set for them, (ii) restructuring the system of accounts on the basis of functions, programmes and activities and (iii) working out measures of performance for each programme and activity. The Five Year and Annual Plans provide the frame work of objectives and programmes to be undertaken by Government. With effect from 1974-75 the accounting classification and the Budget have been restructured in terms of functions, programmes and activities. Thus the first two aspects mentioned above have been taken care of. The other aspect of performance budgeting, namely, developing physical measures of work and accomplishment has necessarily to be evolutionary and phased over a period of time. Hence, even if physical measures of performance have yet to be developed for a number of activities, performance budgeting can be introduced and the technique improved as experience is gained.



All the Departments of Central Government in charge of developmental activities are bringing out Performance Budgets with effect from 1975-76. The State Governments were also apprised of this in our letter No.F.16(1)-B/74 dated 3rd October, 1974 with a suggestion that they may also do likewise, drawing up a phased programme for the purpose. It is understood that many of the State Governments are now preparing performance budgets in respect of selected Departments. The Union Cabinet has decided that the States should be encouraged to introduce performance budgeting in all their Departments responsible for developmental activities and that the Central Government should provide the technical assistance that the State Governments may need for this task.

I would suggest for your consideration, that the progress made in the introduction of performance budgeting in the State Government Departments may be reviewed and a phased programme for extension of performance budgeting to cover all major Departments of the State Government may be drawn up. It would be desirable to nominate a senior officer of the State Government to act as the focal point for introduction/refinement of performance budgeting in the State; the officer so nominated could liaise with the Joint Secretary (Budget) of this Ministry. I would also suggest that Working Groups may be constituted in each of the Departments of the State Government responsible for developmental activities; these Groups would attempt to evolve norms and standards of performance that should be adopted for the various activities under their charge.

We intend to organise a seminar of senior officials of State Governments round about December, 1976 to discuss the present state of development of the system, the difficulties encountered and future course of action in regard to implementation of performance budgeting. We shall be writing to you in the due course requesting the active participation of your State Government in the seminar. In this context, the present status of performance budgeting in your State may kindly be intimated to us, enclosing copies of such of the Performance Budgets for 1976-77 as have been brought out, to enable us to make an overall assessment of the progress made in the introduction of performance budgeting by the various States. Any suggestions on the subject which you may wish to make are also most welcome.

Kindly acknowledge receipt of this letter.

Yours sincerely,  
Sd/- (H.N. Ray)

Shri  
Chief Secretary  
Government of

Copy to Finance Secretary, Government of \_\_\_\_\_

Joint Secretary (Budget)  
Phone No. 372804

D.O.No. F.16(3)-B(PB)/76  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 24th December, 1976

Dear Shri

This is regarding the preparation of Performance Budget for the year 1977-78.

2. The Estimates Committee of the Parliament (Fifth Lok Sabha) in its 98th Report has recommended that steps should be taken early to make performance budgets more meaningful. (Relevant extracts from the Report are enclosed). These recommendations may please be kept in view while preparing the Performance Budgets of your Ministry/Department.

3. Performance budgets are required to be circulated to Members of Parliament well before the Demands for Grants of the Ministry/Department are taken up for discussion by the Lok Sabha. However in the current year the documents of certain Ministries/Departments were circulated after the discussions started.

4. I shall be grateful if you initiate action in regard to the Performance Budgets of your Ministry/Department for 1977-78 in time and ensure its presentation to Parliament well before the discussion on the Demands for Grants starts.



5. As usual, the officers of the Budget Division of the Ministry of Finance will render all possible assistance in preparing these documents.

6. Kindly acknowledge receipt of this letter.

Yours sincerely,

Sd/- K.N.Row

Shri  
FA/IF  
Ministry/Department of

Extracts from Estimates Committee(1975-76) Fifth Lok Sabha  
Ninety-Eighth Report

5.21. As regards the contents of the Performance budgets, the Committee were informed that performance budgets indicated the physical targets and achievements in respect of various programmes. The reasons for shortfall, escalation in costs, etc. wherever they were significant had also been explained in many cases. It was however admitted that there were certain gaps in presentation of data. It needed improvement in the following directions:-

1. Wherever possible a correlation should be established between inputs and outputs.
2. Unit cost data should be generated and exhibited in respect of important programmes where unit costing will contribute to efficiency.
3. Scientific norms and standards should be evolved which should be the basis both for setting targets and measuring performance.
4. Targets and achievements/likely achievements should be indicated for the previous year and current year in all cases. In some of the budgets the achievement figures are not shown on the plea that they are not available for the current year and the previous year.
5. The technique of performance budgeting has to be followed right down to each cost centre. Performance Budgets prepared on the basis of similar budgets of lower formations are more realistic and useful for serving management objectives.
6. In the case of large projects, the future year costs till the date of completion of project should also be projected.
7. The reasons for cost escalations or overruns should be elaborated in sufficient detail, explaining why correcting mechanism failed to arrest this trend.
8. An indication of how the individual schemes included in the Budget fit into the national objectives and priorities should be given and the continued relevance of the schemes and even the objectives should be evaluated periodically and results indicated in the Performance Budgets.
9. Though the Ministries/Departments may not be directly executing all the programmes, a total picture of achievement in the functional area for the country as a whole may be given wherever possible in the Performance Budgets of the concerned Ministries e.g. irrigation area, food production, health services, etc. This will enhance the usefulness of the document to Parliament.

XXX	XXX	XXX	XXX	X
XX				
XXX	XXX	XXX	XXX	XXX

5.24. The committee had recommended as early as 1957-58 that performance-cum-programme system of budget would be ideal for a proper appreciation of the schemes and outlays included in the budget specially in the case of large scale developmental activities as such a budget focuses attention on the accomplishment, the general character and the relative importance of the work to be done rather than upon the means of accomplishments. Further, this system facilitates a review of the performance of the proposed programmes and is particularly suited to the requirements of over all budgetary planning. Again, in their 24th Report (1972-73), the Committee



had stressed that all the stages for making performance budget a useful document should be completed without further delay and concrete action taken to see that performance budget is prepared by all Ministries/Departments which are charged with developmental and other plan activities. The Committee regret to note that a long time has been taken in introducing performance budgeting in Ministries/Departments.

Even though 32 Ministries/Departments have prepared and presented performance budgets during 1975-76, there are still large gaps in the presentation of useful data in these budgets as admitted by Government. The technique of performance budgeting is deficient in various vital matters as pointed out in Para 5.21 above. For example, there is no correlation between inputs and outputs, unit cost data had not been worked in respect of important programmes, scientific norms and standards have not been evolved, targets and achievements have not been indicated, techniques of performance budgets have not been followed down to each cost centre, future year costs of projects have not been projected, reasons for cost escalations have not been elaborated and relevance of individual schemes to the national objectives have not been evaluated, etc.

5.26. The Committee need hardly stress that performance budget should be made a meaningful document to assist the management as a tool of administrative and financial control for evaluating performance and for implementation of developmental programmes efficiently and economically. Such a budget will not only enable the management to put the scarce financial resources to maximum use but would also be useful to Parliament in reviewing and appraising activities and performance of various Ministries/Departments of Government in proper perspective and would thereby act as a means of accountability to Parliament.

The Committee strongly recommend that meaningful performance budgeting should be introduced in all other Ministries/Department and lower formations charged with the execution of various programmes under a time-bound programme.

No.F.16(5)-B(PB)/77  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 16th July, 1977.

#### OFFICE MEMORANDUM

Subject:- Performance Budget for 1977-78 – Copy to be forwarded to State and Union Territory Governments.

The undersigned is directed to state that the State Governments have been writing to this Ministry, from time to time, calling for copies of the Performance budget documents prepared by the Ministries/Departments at the Centre. Department of Agriculture, etc. are accordingly requested to kindly forward a copy of the Performance Budget documents for 1977-78, presented by them to Parliament, to the Finance Secretary of each of the State and Union Territory Governments.

These Governments may also kindly be included in the mailing list of this document for future.

Sd/- V. Balasubramanian  
Under Secretary to the Government of India

To

All concerned Ministries/Departments.  
Copy forwarded for information to the Finance Secretaries of all State and Union Territory Governments.

Sd/- V. Balasubramanian  
Under Secretary to the Government of India.



V. Lakshminarayanan,  
Director (Budget),  
Tel. No. 373457

D.O.No.F.16(6)-B(6)-B(PB)/77

Ministry of Finance  
Department of Economic Affairs  
New Delhi, the 27th December, 1977.

Dear Shri

I hope necessary action would have been initiated by your Ministry/Department to prepare the performance budget for 1978-79. I shall be grateful if you would kindly arrange to get the document printed in time so as to ensure its presentation well before the discussion on the Demands for Grants of your Ministry/Department starts in the Parliament. The draft may be shown to us as usual.

2. In this connection, I would invite attention to the recommendations of the Estimates Committee (Fifth Lok Sabha) in its 98th Report, which were circulated with Shri K.N. Row's D.O. letter No.F.16(3)-B(PB)/76, dated the 24th December, 1976. Some more observation/suggestions in this regard, based on the performance budgets of various Ministries/Departments for 1977-78, are given in the enclosed note, which may also please be kept in view while preparing the performance budget for 1978-79.

With regards,

Yours Sincerely,  
Sd/-  
(V.Lakshminarayanan)

Shri  
Financial Adviser,  
Ministry/Department of

#### SUPPLEMENTARY INSTRUCTIONS ON THE PREPARATION OF PERFORMANCE BUDGET

In a number of cases, the Chapter on review of overall performance is too lengthy and gives too many details which are repeated in subsequent Chapters also. It is suggested that the review of overall performance may be confined to the salient items, indicating the achievements vis-a-vis targets in the preceding and current years and the physical targets for the next year under each programme, so as to give an idea of the overall performance of the Ministry/Department in respect of its allotted functions.

2. Wherever possible, the demand projection and the percentage of fulfilment may also be given, e.g. Power requirement and actual generation, transport demand and the extent to which it is met (in respect of Road and Water transport schemes), housing needs and satisfaction thereof, etc.

3. It may be brought out clearly whether the work on on-going projects is progressing according to schedule. In the case of any upward revision of costs estimates of a project/scheme, the break up of the increase by factors responsible for it may be indicated (such as how much of the increase is due to improvement in facilities, expansion in capacity, change in scope, cost escalation and slippages).

4. In respect of major projects, the progress of expenditure so far and the present projection of expenditure for future years till completion of the project, may be given.

5. In the table showing the consolidated financial requirements by programmes for the Ministry/Department as a whole, the details may be given upto the level of programme minor heads (as per the Demands for Grants). Further break up thereof by activities, schemes, etc. may be given in the narrative explanation of the financial requirements (Chapter IV) for each of the programmes.

6. In Chapter IV (i.e. Narrative explanation of financial requirements), the individual programmes may be dealt with in the same sequence in which they appear in the Table showing programme-wise financial requirements. In the explanation for financial requirements, correlation may be established, wherever possible, between inputs (financial outlays) and outputs, as recommended by the Estimates Committee.



V. Lakshminarayanan,  
Director (Budget)  
Telephone No.373457

D.O.No.16(6)-B(PB)/77  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 17th January, 1978.

Dear Shri

Kindly refer to my D.O. letter of even number dated the 27th December, 1977 on the subject of preparation of Performance budget for 1978-79.

2. The need for improving the content of the Performance Budgets so as to make them more useful to the concerned Ministries/Departments as well as to Parliament has again been stressed by the Estimates Committee of Parliament. I forward herewith for your information an extract of paragraph 1.27 of the Second Report of the Estimates Committee (6th Lok Sabha) containing their observations in this regard. It may also be recalled that in the course of his reply, to the general discussion on the Budget for 1977-78 in the Lok Sabha, on the 23rd June, 1977, the Finance Minister had stated that he would try to ensure that in future the performance budgets are made more informative and more capable of serving their purpose.

3. I would, therefore, request you to give close attention to the preparation of performance budget of your Ministry/Department for the ensuing year. We shall be glad to provide such guidance and assistance as you may require in this matter.

with regards,

Yours sincerely,  
Sd/- (V.Lakshminarayanan)

Shri  
Financial Adviser,  
Ministry/Department of

ESTIMATES COMMITTEE  
(1977-78)

(SIXTH LOK SABHA)

SECOND REPORT  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE

Performance Budgeting - Recommendation Nos. 47-49 (Paragraphs 5.24 -5.29)

1.27. The Committee find that although various steps have been taken to improve the contents of performance budget documents, these are still deficient in various vital matters. The Committee have been informed that the various deficiencies pointed out by them have been brought to the notice of Ministries/Departments for necessary action. \*The hope that effective, steps would be taken by the Ministries/Departments to overcome these deficiencies expeditiously and to refine the technique of performance budgeting so as to develop it into a useful management tool for administrative and financial control for evaluating performance and for implementation of development programmes efficiently and economically. The performance budget documents should be such as would be useful to Parliament in reviewing and appraising activities and performance of various Ministries/Departments of Government in a proper perspective and would thereby act as means of accountability to Parliament.

\*The deficiencies were brought to the notice of the Ministries/Departments vide Shri K.N. Row's d.o. letter No.F.16(3)-B(PB)/76 dated the 24th December, 1976.



No.F.16(6)-B(PB)/78  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 16th May, 1978.

### OFFICE MEMORANDUM

SUBJECT:- Preparation of Performance Budget documents.

As the Ministries/Departments are aware, the Estimate Committee of Parliament has been making suggestions from time to time for improving the content of the Performance Budgets prepared by the various Ministries/Departments. These suggestions, as well as the observations made by this Ministry from the Performance Budgets prepared by the Ministries/Departments have also been communicated to them so that these may be taken into account in preparing Performance Budgets in the following years. Attention is invited in this connection to Shri K.N.Row's D.O. letter No.F.16(3)-B(PB)/76 dated the 24th December, 1976 and D.O. letter of even number dated 27th December, 1977 from the undersigned addressed to the Financial Advisers of the various Ministries/Departments.

2. It has been the experience of this Ministry that in most cases, draft Performance Budget are referred to us for perusal and comments just a few days before printing. Very often, Ministries/Departments send the manuscript to the Press and refer a copy to the Budget Division simultaneously or shortly afterwards. This leaves very little time for this Ministry to make a proper study of the drafts and offer worthwhile suggestions for being incorporated in the documents before they are finalised. It has also been observed that in a number of cases, the drafts are marked by the same deficiencies as in the previous year in spite of the deficiencies having been pointed out by this Ministry.

3. In view of the above, it is suggested that with a view to improving the Performance Budget for the next year, the Ministries/Departments may undertake a review of their Performance Budget for 1978-79 in the light of the instructions issued by the Budget Division from time to time and the observations/comments wherever made by the Budget Division with reference to those Performance Budgets. Ministries/Departments may carry out the necessary changes, as a result of such review, in the Performance Budgets for 1978-79, and send them to the Budget Division by the end of June 1978, for scrutiny and further discussion, wherever necessary, with the concerned Ministry/Department. Such an exercise, it is hoped, will enable the Ministries/Departments to identify the areas in which additional data or information is required to be collected and provide a ready format for preparing the Performance Budget for 1979-80 in a better manner than hitherto.

4. The receipt of this Office Memorandum may please be acknowledged.

Sd/-(V. Lakshminarayanan)  
Director (Budget)  
Tele. No.373457

To  
The Financial Advisers of All Ministries/Departments  
preparing Performance Budget.

No.F.16(12)-B(PB)/78  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 29th December, 1978.

### OFFICE MEMORANDUM

Subject:- Preparation of Performance Budgets.

This Ministry has been circulating from time to time certain guidelines for preparation of performance budgets, which are in the main based on the observations and recommendations of the Estimates Committee of



the Parliament. In this connection the undermentioned D.O. letters from this Ministry may kindly be referred to :

- (i) D.O. letter No.F.16(3)-B(PB)/76 dated 24.12.76
- (ii) D.O. letter No.F.16(6)-B(PB)/77 dated 27.12.77 from Director (Budget)

78.

It has been the experience of the Budget Division in the past that the draft performance budgets of Ministries/Departments are mostly sent to it for perusal at a very late stage, leaving very little scope for making any useful observations on their contents or presentation. In some cases, the drafts gave the impression that the material collected from diverse sources had merely been assembled without proper editing and as a result, the document failed to give an integrated and a balanced view of the performance of the Department. In a number of cases it was noticed that there were even differences in the figures of outlays as between the performance budget and the Demands for Grants. It is necessary to ensure that the budget estimates of the outlay shown in Chapter III (giving the financial requirement tables) and Chapter IV (giving narrative explanation of the financial requirements) of the performance budget document exactly correspond with the figures as per Demands for Grants of the Ministry/Department concerned.

2. Department of Agriculture, etc. may kindly take steps to prepare the performance budget for 1979-80 keeping in view the position stated above. It is requested that the document in draft may kindly be shown to the Budget Division of this Ministry, sufficiently in advance, before it is finalised. The preparation of the document may be so arranged as to ensure its presentation well before the Demands for Grants of the Ministry/Department are taken up for discussion in the Parliament.

Sd/  
(V.Lakshminarayanan)  
Director (Budget)  
Tel. No.373457

To

The Financial Advisers  
of the Ministries/Departments concerned.

.....

**MOST IMMEDIATE**

SECRETARY (EXPENDITURE)

TEL. NO.372653.

D.O.No.F.13(12)-B(PB)/79

Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, December 17, 1979.

My dear

As you know, the performance budgets for each budget year are required to be prepared and presented to Parliament by the various Ministries/Departments well before their Demands are taken up for detailed discussions in the House. In this connection, the Budget Division of the Ministry of Finance has been issuing, from time to time, broad guidelines for the preparation of these documents, keeping in view the observations of the Estimates Committee and other Parliamentary Committees in this behalf. The Budget Division has also been generally seeing the performance budgets at the draft stage and making suggestions to the concerned



Ministries/Departments with a view to improving their format and content. Budget Division has however been experiencing practical difficulties in this matter as the draft material is generally sent to it by the Ministries/Departments at a late stage towards the end of January or in February when that Division is pre-occupied with the main budget work of the Central Government and of the States and Union Territories under the President's rule. In a number of cases, the Ministries/Departments send the material simultaneously to the Press and desire that the Budget Division should give its remarks in a day or two. It will be appreciated that in such a situation, the Budget Division can hardly make any meaningful scrutiny and offer useful comments. Even in cases where the Budget Division has, inspite of the limited time at its disposal, given some suggestions, it is generally seen that it has not been possible for the Ministries/Departments to incorporate these in the document before it is printed. In fact, with a few exceptions, the Ministries/Departments do not seem to take note of such suggestions even at the time of preparing the document for the next year.

2. In order that the Budget Division may have reasonable time for scrutinising the draft performance Budget and offer its suggestions well in time, it is necessary that the drafts are sent to it by the Ministries/Departments by the end of December. In a number of cases, however, the estimates of plan expenditure cannot possibly be finalised by that time, pending completion of annual plan discussions. I would therefore suggest that in such cases, the Ministries/Departments may prepare the drafts on the basis of their own projections and indicate the position suitably. The Budget Division may scrutinize the drafts on that basis and offer its remarks. Thereafter, the Ministries/Departments may themselves finalise the material in the light of these remarks and such modifications as may be necessary with reference to the approved plan outlays. I shall be grateful if you will kindly arrange for the draft performance budget of your Ministry/Department for 1980-81 to be prepared on the lines suggested above and send it to the Budget Division by the 31st December, 1979.

3. I hardly need stress the importance of performance budgets as these are presented to Parliament and the Estimates Committee has been repeatedly emphasizing that their content should be improved. I have no doubt that you will devote your personal attention to the preparation of performance budget of your Ministry/Department so as to make it a complete and useful document.

Yours sincerely

Sd/-  
(S. VASUDEVAN)

Shri  
Financial Adviser,  
Ministry/Department of

IMMEDIATE

F.No.13(16)-B(PB)/80  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 24th December, 1980.

#### OFFICE MEMORANDUM

*Subject:- Performance Budget for 1981-82-Preparation of by the Ministries and Departments.*

The guidelines for preparation of the Performance Budget document by the Ministries/Departments have been laid down by this Ministry with special reference to the observations made by the Estimates Committee of Parliament, from time to time. While, by and large, these have been followed and the performance budgets show



improvement over the last few years, certain deficiencies still persist which would need to be rectified to enhance the usefulness of the document. For example, it has been observed that in many cases, the achievements or likely achievements in the preceding year are not properly analysed and the shortfalls and the reasons therefor are not brought out adequately. This makes it difficult to appreciate the targets set for the Budget year. Further, in respect of major projects, an appraisal as to whether these are progressing according to schedule is not given in many cases. Similarly, cost overruns, if any, and the reasons therefor and the remedial action taken are not adequately brought out. In respect of projects/schemes which have been commissioned, the state of capacity utilisation is often not brought out. Lastly, there is also some duplication in the material included in different chapters.

2. Ministries/Departments concerned are requested to kindly rectify these deficiencies while preparing the performance Budget for 1981-82. Attention is also invited to the format of the document and guidelines circulated with this Ministry's D.O. letters No.F.16(1)-B/74 dated 19.2.1975 and F.No.16(6)-B(PB)/77 dated 27.12.1977. In the case of some Ministries/ Departments, certain specific suggestions for improving their Performance Budgets have been communicated by this Ministry in previous years. These suggestions may also kindly be kept in view.

3. The Ministries/Departments may, as usual, kindly show the draft of the Performance Budget for 1981-82 to the Budget Division of this Ministry before it is printed. They may also kindly ensure presentation of this document to Parliament well before their Demands for Grants are taken up for discussion. In this connection, Ministries/Departments will no doubt take into account the time schedule laid down by the Directorate of Printing in their O.M.No.L-15057/2-80-P dated 11.11.80 regarding printing of Performance Budgets and take such action as may be necessary for getting the document ready well in advance of the discussion of their Demands for Grants in Parliament. After the document is presented to Parliament, thirty copies of its English version may kindly be forwarded to the Budget Division.

Sd/- V. Lakshminarayanan  
Director (Budget)

To  
The Ministry/Department of  
(Shri  
Financial Adviser.

V.Lakshminarayanan,  
Director (Budget)  
Tele.No.373457.

**D.O.No.F.13(10)-B(PB)/82**  
**Government of India**  
**Ministry Finance**  
**Department of Economic Affairs**  
New Delhi, September 6, 1982.

Dear Shri

The Public Accounts Committee of Parliament (7th Lok Sabha) in its 65th Report has emphasised the need for Parliament being kept apprised of the progress in the execution of major projects involving heavy investments. In this context the PAC has recommended that a separate self-contained Chapter may be introduced in the Performance Budget by the Ministries/Departments giving appraisal reports in respect of Central sector projects/programmes where the estimated outlay is Rs.100 crores or more and also where the estimated outlay/investment subsequently exceeds this figure. Government of India has accepted this recommendation. In this connection you may kindly refer to Bureau of Public Enterprises O.M.No.BPE/14(41)/Adv(F)/81 dated the 14th May, 1982, addressed to the Secretaries of all Ministries/Departments (copy enclosed). This new Chapter may be introduced in the Performance Budget document from the year 1983-84.



2. At present, in the standard format of a performance budget document, the chapters in the main are:-

Chapter I	- Introductory
Chapter II	- A review of overall performance (of the Ministry/Department)
Chapter III	- Financial requirement tables
Chapter IV	- Narrative explanations of the financial requirements-giving the scope and objective of individual projects/programmes/schemes, their estimated costs, etc.

The new Chapter may be styled "Appraisal reports of major projects/programmes", and inserted as new Chapter III-the existing chapters III and IV becoming IV and V respectively.

3. The new Chapter may cover the performance in respect of Central sector projects/programmes

- departmentally undertaken (e.g. Badarpur Thermal Power Project, construction of national highways, etc.)
- executed through State/Union Territory Governments and other agencies (e.g. Accelerated Rural Water Supply Programme, National Rural Employment Programme, Integrated Rural Development Programme, Technical Education etc.)
- executed by public sector undertakings (e.g. power projects under NTPC and NHPC, oil exploration programmes of ONGC, setting up of new steel plants, fertilizer plants, refineries, Bokaro/Bhilai expansion programme, Phulpur complex of IFFCO, etc.).

The projects/programmes may be the new and ongoing ones and not those which are completed and commissioned. Further, in relation to projects in the public sector undertakings, both investments in the equity capital and loans to them may be taken into account in computing Government investments in them.

4. In the appraisal of performance, the following aspects may be covered in particular:-

- (i) Original estimated cost
- (ii) Revised estimated cost
- (iii) Specific reasons and factors responsible for upward revision in the cost
- (iv) Gestation period - the year/month of commencement and the scheduled year/month for completion (original and revised)
- (v) Year-wise performance (starting with the beginning of the Sixth Five Year Plan, that is, 1980-81, as in the proforma below:

Year	Estimated expenditure	Actual/likely expenditure **	Physical target	Actual/likely Achievement	Total expdr. upto the end of	Percentage of work still remaining
Upto						
31.3.1980						
1980-81						
1981-82						

\*\*\*'Actual' may be given upto the previous year. For the current year (1982-83) only the likely picture may be given, as the document will be prepared before the expiry of the year.

- (vi) In the analysis of the performance, it may be brought out in particular if the work is progressing according to schedule; if not, what are the precise causes; the effect of the slippages in terms of cost and other losses. etc. the remedial action and if the work completed is comparable to the



5. For other chapters in the document, the guidelines already issued by this Ministry from time to time may be followed. It may, however, be ensured that the data and other information given in different chapters do not, as far as possible, overlap.

6. The draft of the document may, as usual, kindly be shown to the Budget Division well in time keeping in view the printing schedule (to be circulated by the Directorate of Printing). It has been noticed in the past that in some cases, the draft was sent to Budget Division at a very late stage leaving practically no scope for making any suggestions for improvement that could be effectively considered by the Ministry/Department before finalising the document. It is, therefore, suggested that where the draft cannot, due to time-constraints, be shown to the Budget Division well in advance, the manuscript may be sent to the Press without waiting for the comments of the Budget Division, which will, however, be made available as early as possible. After the document is presented to Parliament, 30 copies of its English version may kindly be forwarded to the Budget Division.

Receipts of this letter may kindly be acknowledged.  
with regards.

Yours sincerely,  
Sd/-  
(V.Lakshminarayanan)

Shri  
Financial Adviser  
Ministry/Department of

No.BPE/14(41)/Adv(F)/81  
Government of India  
Ministry of Finance  
Bureau of Public Enterprises

New Delhi, the 14th May, 1982.

#### OFFICE MEMORANDUM

*Subject:- Appraisal Report of Central sector projects/programmes with estimated outlay of Rs.100 crores or more.*

In our previous O.M. of even number, dated 31.10.81 on this subject, Government's reply to the recommendation contained in the 25th Report of the Public Accounts Committee (7th Lok Sabha) on Salal Hydro-electric Project-Para 1.161 - was communicated, PAC in its subsequent action taken report (65th Report) has stressed on inclusion of a separate chapter in the performance budgets of the administrative Ministries dwelling on year-wise physical and financial progress against targets set, reasons for delay and non-fulfilment of targets, corrective steps taken from time to time, etc. in respect of the projects sanctioned or estimated to cost Rs.100 crores or more. Government accepts this recommendation. The Ministries are requested to cover this information in a separate chapter of their performance budgets.

Sd/-A.K. Roychowdhary  
Joint Adviser,BPE

To  
The Secretaries of all Ministries/Departments.



V.Lakshminarayanan,  
Director (Budget),  
Tel.373457.

D.O.No.F.13(10)-B(PB)/82  
Government of India  
Ministry of Finance  
Deptt. of Economic Affairs

Dear Shri

New Delhi, October 15, 1982.

Kindly refer to my D.O. letter of even number dated the 6th September, 1982 regarding preparation of performance budget for 1983-84.

2. In regard to the new chapter to be introduced in the performance budget documents (where necessary) giving appraisal reports of major projects/programmes which are estimated to cost Rs.100 crores or more, a question has been raised whether the limit of Rs.100 crores is to be determined with reference to the approved outlay in the current year or the total expenditure that has taken place on the projects/programmes since inception (may be, prior to the current Sixth Five year Plan). It is clarified that while in the case of projects (e.g. Salal Hydro Electric Project, etc.) the total estimated/approved cost may be reckoned for this purpose, in the case of programmes other than projects (e.g. National Malaria Eradication Programme, etc.), the *approved outlay in budget year* may be taken and self-contained appraisal report prepared, if such approved outlay is Rs. 100 crores or more. The other projects and programmes may as usual be covered in Chapter IV (to be renumbered Chapter V, where necessary) of the Performance Budget.

[Secretary (Expenditure) has seen]

Yours sincerely,  
Sd/- (V.Lakshminarayanan)

Shri  
Financial Adviser,  
Ministry/Department of

K.P. Venkateswaran,  
Director (Budget)  
Tel. No. 373457

D.O.No.F.13(25)-B(PB)/84  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 12th December, 1984.

Dear Shri

As you are aware, the Performance Budget of your Ministry/Department for the year 1985-86 is required to be prepared and presented to Parliament before the Demands for Grants are taken up for detailed discussion in the House. I hope necessary action would have already been initiated by your Ministry/Department to prepare the Performance Budget for 1985-86. This Ministry has been issuing, from time to time, broad guidelines for the preparation of these documents keeping in view the observations of the Estimates Committee/Public Accounts Committee of Parliament. In this connection, the undermentioned communications may kindly be referred to :-

1. O.M. No. F.16(1)-B/74 dated 2.1.1975
2. D.O. letter no.F.16(1)-B(PB)/74 dated 19.2.75
3. D.O. letter no.F.16(3)-B(PB)/76 dated 24.12.76
4. D.O. letter no.F.16(6)-B(PB)/77 dated 27.12.77
5. D.O. letter no.F.13(10)-B(PB)/82 dated 6.9.82  
read with D.O. letter dated 15.10.1982.



2. It has been observed that while, by and large, the guidelines have been followed, deficiencies still persist. In some cases the material incorporated in the Annual Report of the Ministry/Department is reproduced verbatim in the Performance Budget. There are instances where the achievements or likely achievements in the preceding year are not properly analysed and the shortfalls and reasons therefor are not brought out clearly. The reasons for cost over-runs and remedial action taken therefor have not been brought out in certain cases.

3. You may kindly have the Performance Budget for 1984-85 of your Ministry/Department reviewed critically to see whether they conform to the guidelines so that the deficiencies can be rectified in the Performance Budget for 1985-86.

4. The draft Performance Budget for 1985-86 may, as usual, be shown to this Ministry for vetting, well in time in accordance with the normal schedule. The printing of the document may be so arranged that it can be presented to Parliament well before the discussion on the Demands for Grants of your Ministry/Department comes up in the House.

5. After the document is presented in Parliament, 30 copies of its English version may kindly be forwarded to the Budget Division of this Ministry.

Receipt of this letter may kindly be acknowledged.

Kind regards,

Yours sincerely,

sd/-

( K.P. VENKATESWARAN )

Shri  
Financial Adviser,  
Ministry/Department of

K.P. VENKATESWARAN,  
DIRECTOR (BUDGET),  
Tel. No. 3013457

D.O.No.F.13(27)-B(PB)/85  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
New Delhi, the 25th November, 1985.

Dear Shri

As in the past, the Performance Budget for the year 1986-87 of your Ministry/Department is required to be prepared and presented to Parliament, before the Demands for Grants are taken up for detailed discussions in the House. It is presumed that the work has been taken on hand. In my D.O. letter No.F.13(25)-B(PB)/84 dated the 12th December, 1984, the deficiencies noticed in the Performance Budget 1984-85 were indicated with a request to take remedial measures to rectify them in the Performance Budget 1985-86. These deficiencies were however, found to be repeated and these were communicated to the Ministries/Departments concerned at the time of vetting the Performance Budgets 1985-86. The communications in which various guidelines had been issued by this Ministry were also listed in the aforesaid letter and a copy of the Brochure issued by this Ministry was also supplied. The general deficiencies noticed in the Performance Budgets 1985-86 are recapitulated in following paragraphs so that these can be avoided in the Performance Budgets 1986-87.

2. Chapter I of the Performance Budget should contain a brief introductory note on the objectives of the Ministry/Department the broad programme classifications and the organisation of the implementing agencies connected with them. In some Performance Budgets 1985-86, however, this chapter was found to contain superfluous details which blurred a clear perception of the objectives and structure of the Ministry/ Department.

3. (i) Chapter II should give a review of overall performance of the Ministry/Department detailing the targets and achievements during the past year (1984-85) in terms of broad physical dimensions and financial outlays. Where achievements are below the targets, reasons therefor and corrective action taken are required to be explained. The targets and projected achievements for the current year (1985-86) and the targets set for ensuing Budget year (1986-87) should also be brought out in this Chapter. In some Performance Budgets 1985-86 this chapter was very lengthy and contained lot of material which were not relevant from performance angle. Material from Annual Reports were reproduced in some cases. The analysis of achievement vis-a-vis targets in broad terms were not given. It is necessary to indicate the demand projections and percentage of fulfilment



wherever relevant e.g. power requirement and actual generation, transport demand and the extent to which it is met, housing needs and satisfaction thereof etc. In this connection attention is invited to this Ministry's D.O. letter No.F.16(6)-B(PB)/77 dated the 27th December 1977.

(ii) The Sixth Five Year Plan ended on 31st March, 1985. The Seventh Five Year Plan document has been finalised and approved by the National Development Council. It is necessary to review the achievement during the Sixth Plan period as a whole and the goals set for achievement during the Seventh Five Year Plan. In this chapter, therefore, an overall review of the targets set for your Ministry in the sixth Plan and the actual achievements vis-a-vis the targets indicating the reasons for shortfall in achievements if any, and its impact on the long term objectives may be brought out. The goals set for the Seventh Plan and the plan of action for achieving the same may be spelt out. This information may be given in the beginning of the Chapter in a separate section under the heading "a review of the achievements during the Sixth Plan period and goals set for the Seventh Plan".

4. In chapter III, while bringing out appraisal of performance of major projects/programmes estimated to cost Rs.100 crores or more, specific reasons and factors responsible for upward revision in the cost, gestation period, the year/month of commencement and the scheduled year/month for completion, year-wise performance and whether progress is according to schedule are to be given. Some of these information were not available in some Performance Budgets. This being a very important part of Performance Budget, greater attention requires to be devoted in its compilation. In this connection, the Budget Division's D.O. letter No.F.13(10)-B(PB)/82 dated the 6th September, 1982 may please be referred to.

5. The Financial requirements in Chapter IV should be in three parts - Part A showing the expenditure in terms of activity/project/scheme classification; Part B showing object-wise classification and Part C showing sources of finance. It was noticed that the classifications are not shown correctly and in sufficient details in some cases.

6. Chapter V explaining the scopes and objectives of individual projects, programmes and schemes should follow the same sequence as in the activity classification given in chapter IV. This chapter, in some Performance Budgets 1985-86, was loaded with lot of material which were not relevant strictly from Performance Budget angle, but at the same time essential information regarding reasons for non-achievement of targets, cost overruns, slippages of schedules and remedial action taken had not been spelt out. Information regarding generation of unit cost, details of norms and standards evolved for setting targets and measuring performance, correlation between inputs and outputs had not been given. The technique of Performance Budget had not been followed down to each cost centre. The instructions contained in Budget Division's D.O.letter No.F.16(3)-B(PB)/76 dated the 24th December, 1976 may kindly be borne in mind while compiling this chapter. How the individual schemes fit into the national objectives and priorities should be brought out and the continued relevance of the schemes and even the objectives should be evaluated and the results indicated. In respect of projects already commissioned, the extent of capacity utilisation and cost benefit analysis have to be brought out.

7. Attention is invited in this connection to Budget Divisions D.O.letter No.F.13(12)-B(PB)/79 dated 17th December, 1979 as per which the draft Performance Budgets with tentative date subject to modification on finalisation of Plan outlays for the Budget year are required to be made available for vetting by 31st December. The draft Performance Budgets 1985-86 were received very late leaving no time for this Ministry for proper scrutiny. It is, therefore, requested that the time schedule may kindly be observed strictly. It is not necessary to delay the preparation of draft performance budget till all the financial allocations are finalised.

8. As more than forty Performance Budgets have to be vetted by this Ministry in a short span of time, our scrutiny will be mainly to see whether the form and contents generally conform to the guidelines issued from time to time. Before the document is printed, you may kindly ensure that there is tally of figures with the Budget documents. Discrepancies in this regard were pointed out last year in some cases.

9. After the Performance Budget of 1986-87 is presented to Parliament, 30 copies of the English version may kindly be forwarded to the Budget Division of this Ministry.

10. Receipt of this letter may kindly be acknowledged.

Yours sincerely,

Sd/-

(K.P. VENKATESWARAN)

Shri  
Financial Adviser,  
Ministry/Department of