Expenditure Reforms Commission

First Report

February 2010

(For Official Use Only)

Chairman:
Shri B.K. Bhattacharya, Retired Chief Secretary, Government of Karnataka.
Members:
Shri Mohandas Pai, Director (Human Resources), Infosys, Bangalore.
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IIM Bangalore.
ACS and Principal Secretary to Government, Finance Department.
Secretary to Government, Planning Department.

Expenditure Reforms Commission

No. ERC/BLR-REPT/1/2009-10 11th February 2010

Dear Sri. Sreenivasa Murthy,

I am happy to forward the First Report of the Expenditure Reforms Commission, constituted by the Government of Karnataka vide G.O. No F.D 76 Sa.Ma.Ya 2009 dated 6.6.2009

In the Introductory Chapter of the Report, the general approach to the subject and the methodology of work adopted by the Commission have been explained. The Commission has entrusted studies relating to different aspects of the ToR (Terms of Reference) to several independent Research and Consultancy Institutions, in keeping with the indications regarding formation of study groups given in the G.O itself.

As requested by you, the Consultants were asked to give interim draft Reports with recommendations on a few important issues relating to selected Departments, based on information collected and discussions held so far. (More thorough and complete data will be compiled in the coming months.)

The Report contains Recommendations regarding:

1. Certain prudential principles governing management of Government Expenditure, including inter-sectoral prioritisation, formulation and implementation of projects/Schemes etc.

2. Specific Recommendations pertaining to the Organisational Structure and review of Schemes of six Departments viz: Primary & Secondary Education, Employment & Training, Social Welfare, PWD, Horticulture and Agriculture.

3. Proposals regarding dropping / merger of certain Schemes in respect of six Departments (Primary and Secondary Education, Employment & Training, Social Welfare, Horticulture, Watershed Development Dept. and Health Dept.).

The present Report is based on the Interim Reports given by the Consultants, and discussions held thereon by the Commission with the Departments concerned. I am thankful to the Consultants and the officers of these Departments for their prompt response.

I take this opportunity to thank all the Members of the Commission who have actively participated in the deliberations at each meeting, and have given invaluable suggestions both during discussions and through e-mail.
Sri Ajay Seth, Secretary Finance (B&R) has given sustained assistance by way of time, administrative support and intellectual input from the outset, and I thank him for the same.

In the absence of a full time Secretary, Sri. R.S. Phonde , Special Officer (PWD FC) and Ex-officio Deputy Secretary to Government, Finance Department & incharge Secretary of the Commission has very efficiently handled the administrative work of the office, facilitated the working of the Consultants & functioned as the major link between the Consultants, the Govt. Departments and the Commission. Sri P.R. Devi Prasad, Director Fiscal Policy Institute has made immense contribution to the preparation of the draft Report, and has provided logistic and Research support for the functioning of the Commission. I am thankful to both of them.

I also thank all the staff of the Commission for their sincere and dedicated work.

Finally, I would like to thank you personally for the whole hearted support and advice given to the Commission since its inception.

With warm regards,

Yours Sincerely,

B.K Bhattacharya
Chairman

Sri M.R Srinivasa Murthy,
Additional Chief Secretary to Government,
Finance Department,
Vidhana Soudha,
Bangalore.

CONTENTS

Chapter 1

Introduction

The Commission's General Approach and Methodology of Work

1.1 Following an announcement in the 2009-10 Budget speech of the Hon'ble Chief Minister, the Government of Karnataka constituted the Expenditure Reforms Commission vide G.O. No FD 76 Samaya 2009 dated 6.6.2009. The Chairman assumed office on 22nd June, 2009, and the first meeting of the Commission was held on 24th July 2009. The Commission has been functioning from MSIL House at Cunningham Road, assisted by secretarial staff provided by the Government of Karnataka, and with logistic and research support from the Fiscal Policy Institute, Bangalore.

1.2 As per its Terms of Reference, the task of the Commission is to draw up recommendations aimed at improving the quality of expenditure in order to obtain better outputs and outcomes (ToR at Appendix-1). The ToR is in keeping with the legislative mandate given under various provisions of the Karnataka Fiscal Responsibility Act 2002. After several years of successful implementation of the Fiscal Responsibility Act, it is a logical next step for the State to take up the vital issue of Expenditure Reforms with the objective of ensuring that public money invested on the formation of physical and social capital yields optimum returns.

1.3 The Commission has to address the core issue of achieving desired outcomes through efficient public expenditure. For this purpose, the Commission needs to study the following:

- The goals and objectives of selected Departments;
- Alignment of the Departments' schemes & programmes with their goals and objectives;
- Whether the strategies and policies underlying the schemes are based on objective analyses of ground realities;
- Mobilisation and optimum use of financial and human resources;
- Application of modern technology including computerisation, automation, etc;
- Achievement of cost effectiveness with accountability;

- Need for a Sunset Clause for every scheme: that is, fixation of date of completion beyond which fresh sanctions should be obtained as for a new scheme;
- Measures to ensure that assets already created with public funds are put to productive use, and not allowed to fall into disuse due to inadequate Operation and Maintenance (O & M) arrangements.

1.4 Assessment of the effectiveness of public expenditure in terms of contribution to desired outcomes is a complex exercise. The time lag between incurring of expenditure and realisation of outcome can be quite long. In many cases, the final outcome would depend on co-ordinated expenditure under schemes executed by different agencies of Government. Nonetheless, the Commission has undertaken the task of collecting detailed information regarding the schemes and programmes of several Departments, with a view to assessing their effectiveness in the light of the parameters mentioned in para 1.3 above. For this purpose, the Commission has engaged six Research/Consultancy Organisations with experience in appraising Government policies, programmes and projects. These organisations have been entrusted with specific studies relating to different aspects of the Commission's mandate.

1.5 The subject matter of these studies falls under two categories:

A) Department-specific issues in project formulation and implementation, and

B) Generic issues, such as framework for performance and outcome monitoring, institutional mechanism for service delivery, subsidies and levy of user charges.

1.6 The Organisations entrusted with the studies included in Category 'A' are required to review development programmes/projects of selected Infrastructure, Social Sector and Development Departments, covering the following aspects:

1. the process of project design and implementation by Government Departments / Organisations with reference to the overarching objective of ensuring the outcomes set by Departments and by relating the same to desired level of efficiency and cost effectiveness;

2. the organisational structure of the departments, the existing skill set and suggestions for rationalising the staff structure and improvement of knowledge and skills available in the implementing organisations;
3. the efficacy of programmes / schemes of the departments concerned and suggestions for their restructuring, if necessary, to facilitate improvement in their effectiveness;
4. the feasibility of application of new technology, including information technology in the operations of the Departments/Agencies concerned.
5. the existing situation regarding Public Private Partnership (PPP) in achieving the goals and objectives of the departments / agencies and the challenges in implementing such schemes; suggestions for meeting these challenges, keeping in view global best practices in this regard.

1.7 Details of the Consultancy Organisations and the respective Studies undertaken by them are given in the Table below:

Sl. No.	**Organization**	**Title of the Study**	**Selected Departments.**
i)	Infrastructure Development Corporation of Karnataka (iDeCK) & Karnataka Institute of Public Auditors (KIPA)	Review of Developmental Programs and Organisational Structure of selected Infrastructure Departments	Public Works, Irrigation, Urban Development
ii)	Karuna Trust, Bangalore	Review of Organisational Structure, Developmental Programmes / Schemes and implementation mechanisms.	Health & Family Welfare, ISM and Drugs Control Departments
iii)	Institute for Social and Economic Change (ISEC), Bangalore	Study on Frame-work for assessing Performance and Outcome monitoring of Programmes /Schemes implemented by Government of Karnataka	

Sl. No.	Organization	Title of the Study	Selected Departments.
iv	- do -	Study on Government Subsidies	
v)	- do -	Study on Review of Developmental Programmes and Schemes of Selected Departments	Agriculture, Horticulture, Animal Husbandry and Fisheries
vi)	Institute of Public Auditors of India (IPAI Karnataka Chapter)	Review of Developmental Programmes and Organisational Structure of selected Government Departments	1) Education including Primary and Secondary Education, Vocational Education; (2) Higher Education (including Collegiate Education, University Education and Technical Education); (3) Employment and Training; (4) Women and Child Development; (5) Social Welfare (6) Minorities Welfare.
vii)	Centre for Budget and Policy Studies (CBPS), Bangalore	Review of Process and Institutional mechanism of Programme Implementation and Service Delivery	
viii)	Centre for Budget and Policy Studies (CBPS), Bangalore	Levy of User Charges for providing services	Roads, Irrigation, Urban Drinking Water Supply etc.

1.8 Based on their initial interactions with the Departments, these Organisations have submitted preliminary assessments to the Commission. They are pursuing further discussions with these Departments, using structured questionnaires to obtain quantitative and qualitative information. They are expected to submit further comprehensive Reports to the Commission by March / April 2010. The Commission has held 15 meetings during the past 6 months. At these meetings, discussions were held with the Departmental officers regarding these preliminary assessments and suggestions of the Consultants, and the constraints, if any, in optimizing the returns on government expenditure. The current status of various programmes, the need for reprioritization of some schemes, organisational restructuring etc., were also discussed. Going forward, the Commission will continue its interactions with the various Departments and the Consultants, with a view to arrive at a fuller appreciation of the various issues involved, and formulate its final recommendations.

1.9 The Additional Chief Secretary to Government (Finance Department) has suggested that, while detailed recommendations could be given in the subsequent Reports, the Commission could give its First Report in February 2010 with recommendations on some important issues pertaining to selected Departments, viz:

a) Primary and Secondary Education
b) Employment and Training
c) Social Welfare
d) Public Works
e) & f) Agriculture & Horticulture.

These recommendations are contained in Chapter 4 of the present Report.

Chapter –2

Trends in Government Expenditure

2.1 Karnataka is the first state to have passed a Fiscal Responsibility Act. The Legislative objective mentioned in the Act states "*...it is expedient to provide for the responsibility of the State Government... to enhance the scope for improving social and physical infrastructure and human development by achieving sufficient revenue surplus."* In the course of fiscal consolidation, Karnataka has been experiencing a revenue led recovery. For instance, the own tax to GSDP ratio of Karnataka has been increasing. The average own tax to GSDP ratio which was 8.18 percent in 1999-2002 has increased to 12.69 percent in the recent years (2006-07 to 2008-09) while tax to GSDP ratio of other states was about 8.37 percent during 2006-09.

2.2 Table-1 on next page shows the trends in expenditure indicators of Government from 2003-04 to 2008-09 (Actual) and 2009-10(BE). Share of committed expenditure on interest payments as a percentage of GSDP has declined. Wage Bill (Salary etc) (as a percentage of GSDP) had shown a decline between 2003-04 and 2007-08, while the increase next year was due to implementation of the State Pay Commission's recommendations. Pension payments (as a percentage of GSDP) show a trend similar to Wage Bill (Salary etc.). No conclusion regarding trends in subsidies can be drawn without detailed study of definition of Subsidy appropriate to each sector and whether the figures shown are on actual outgo basis or accrual basis. Development expenditure and expenditure on social services have been on the increase. Revenue expenditure has been contained resulting in creation of some fiscal space.

Table –1

Trends in Expenditure Indicators in Karnataka
(As a percentage of Gross State Domestic Product (GSDP) at current prices)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (BE)
Revenue Receipts	16.50	17.89	18.13	19.96	19.11	17.55	17.32
Revenue Expenditure	16.92	16.51	16.75	17.76	17.36	17.23	16.91
Development Expenditure	12.84	13.59	14.28	16.78	16.52	16.19	15.65
Social Services	6.08	5.69	6.06	6.67	7.37	7.74	7.72
Economic Services	6.26	7.36	7.53	9.24	8.26	6.89	6.60
General Services	7.29	6.76	6.13	5.70	5.21	5.82	5.41
Interest Payments	2.95	2.55	2.25	2.25	2.09	1.96	2.00
Wage Bill (Salary, etc.)	4.23	3.63	3.52	3.48	3.91	4.68	4.05
Pensions	1.51	1.45	1.34	1.33	1.51	1.72	1.43
Subsidies (of which)	1.99	1.84	2.22	2.32	2.31	1.49	1.56
Power	1.64	1.16	1.09	1.26	1.07	0.76	0.86
Transport	0.06	0.08	0.06	0.14	0.11	0.04	0.06
Food	0.14	0.40	0.44	0.40	0.30	0.30	0.27
Other Subsidy	0.08	0.15	0.57	0.06	0.06	0.05	0.04
Capital Expenditure	2.41	3.15	3.48	4.54	4.02	3.87	3.80
Total Expenditure	19.33	19.65	20.23	22.30	21.38	21.10	20.71

2.3 The above trends do not include off budget flow of funds, which are directly released by the Central Government to the implementing agencies in the districts, most such releases being into the Education and Health sectors. Thus, the above table does not give a complete picture of flow of funds into districts for various Social Sector interventions that would have a direct bearing on human development. It is expected that, by the time the Commission prepares its Final Report, such data would be captured and analysed further, enabling the Commission to make specific recommendations regarding changes in Inter-Sectoral priorities in Government Expenditure Planning.

2.4 In formulating its recommendations, the Commission will have to keep in mind two important objectives of fiscal management viz. increasing fiscal space by pruning unproductive expenditure, and enhancing efficiency by linking expenditure performance to the measurable and defined outcomes that lead to the broader objectives of growth, social justice and reduction in regional disparities. Towards this end, even during fiscally stressful years, enhanced capital expenditure is required for ensuring growth and resultant buoyancy in future tax receipts; and the expenditure on Education, Health, Nutrition, and Rural Water Supply and Sanitation, Social Welfare, etc. has to be protected on equity considerations. For this purpose the Commission is guided by the spirit and philosophy underlying the provisions of Section 4 (i) of Karnataka Fiscal Responsibility Act, which mandates that Government should pursue expenditure policies that would provide impetus for economic growth, poverty reduction and improvement in human welfare, including the need to protect high priority *Development Expenditure* from curtailment in the context of its adherence to fiscal targets set for a given year [vide provisions in Section 6 (4) of the Act].

Chapter –3

Some observations on Implementation and Monitoring of Schemes.

3.1 *Primafacie,* the quality of implementation and monitoring of schemes in the State is found to be dependent upon the requirements of the sponsor / lender involved be it the Central Government, the State Government itself, or an external bilateral or multilateral agency. The schemes or projects financed by the Central Government or by external aid agencies are relatively better implemented and monitored. One of the key reasons for this is that they are reportedly better designed, and their objectives are clearly stated. By contrast, the State schemes/projects are apparently often designed in haste without either specifying the measurable objectives or properly defining the time-frame of implementation, thus making evaluation difficult. Another reason quoted for poor implementation of the schemes/projects is the quality of human resources. For instance, the Agriculture and Horticulture sectors are facing new challenges, but the Departments' expertise is outdated in areas such as bio-technology, export procedures, seeds certification, post harvest technology, marketing etc.

3.2 One of the key reasons for the poor quality of expenditure is improper planning and announcements of new schemes without sufficient examination of the pros and cons of alternative strategies to reach the objectives, and without proper pre-appraisal of investment proposals. There is also an unfortunate practice of announcing expansion or upgrading facilities under existing schemes without adequately addressing the question of resource requirement both for providing the necessary infrastructure and for future O & M. This results in distorting the expenditure priorities of the Department. There are many instances of this kind in the Departments of Health, Public Works and Education. For instance, upgradations are announced of Major District Roads to State Highways, Lower Primary Schools to Higher Primary Schools, Primary Health Units to PHC's and Primary Health Centres (PHCs) to Community Health Centres (CHCs) etc. without providing for corresponding staff, infrastructure or maintenance. This has to be corrected. Any required upgradation must be properly planned, and backed by necessary resources allocation.

3.3 The vision and broader functional objectives of the Department are not always fully appreciated by many of the officers engaged in implementing the schemes. The Annual

Reports or Performance Budgets of the Departments are also not specific in spelling out their objectives. Schemes with very low allocation continue to be in operation, as well as schemes with similar / related objectives operating under different names with marginal variations in inputs or interventions. These place an unnecessary burden of monitoring on the Departments concerned.

3.4 Implementation of Centrally Sponsored Schemes often suffers for want of adequate allocation and timely release of matching State funds. Adequate Budget allocations should be made to enable the Department to fully utilize the Central funds. It is also necessary to enhance the capacity of Departmental Officials to monitor expenditure performance and ensure timely drawal of funds from central schemes.

3.5 Hitherto, monitoring had been focussed largely on Plan schemes. This would mean that around 75-80 percent of Government expenditure was excluded from a rigorous monitoring framework. Furthermore, the expenditure review continued to be undertaken using the MMR format designed in 1980s, which focussed largely on inputs and outputs, with little attention to outcome monitoring. Government has introduced the Monthly Programme Implementation Calendar (MPIC), in a simple format w.e.f 1.12.2008, which covers Non-Plan schemes above a certain threshold, as also the process of implementation. The progress of physical and financial performance as well as the processes involved would thus be brought into the public domain every month. It would be possible to assess the full impact of the MPIC only after it has been internalised by all the Departments, as envisaged by Government.

3.6 The need for greater use of Information Technology (IT) has been recognised by Government. Computer and Communication Infrastructure is already available up to the level of District and Taluk headquarters. The next appropriate step would be to make use of Intranet and Internet from the perspective of each department, in order to provide better service delivery and support services to citizens, if necessary by deploying call centres.

Chapter -4

Recommendations

4.1 Recommendations with regard to prudential principles to be practiced in Government Expenditure Management.

The fiscal reform process has still not focussed on redefining the 'Role of State' in the changing times. This is the opportune moment to make a systematic delineation of the responsibility of the State in terms of direct provision, facilitation, regulation etc. Expenditure reprioritized on these lines would not only right-size the Government, but would also help enhance fiscal space and allocative efficiency of public spending. Adequate allocation has to be made for discharge of the basic functions of the State, viz. protection of the life and property of citizens and administration of justice. Similarly, the State has the primary responsibility for providing basic services like Primary Education, Public Health, Drinking Water, Protection and Welfare of the Weaker sections of the Society. These areas should get overriding priority in expenditure planning, while at the same time ensuring a high degree of expenditure performance in relation to the objectives set for each of the interventions. In this connection, the Commission emphasises that the fiscal downturns should not adversely affect investment in social and economic infrastructure. Further, introduction of Central Sector/Centrally Sponsored Schemes in vital social sectors like Education, Health, Drinking Water Supply, Sanitation, Social Welfare etc., should not be made a reason for the State Government to reduce allocation for these sectors. These sectors should be insulated from any kind of ad hoc treatment by earmarking a reasonably prescribed minimum share in the GSDP, while also institutionalizing reliable and transparent expenditure performance monitoring systems.

Going forward, the medium term expenditure estimates as provided in the Medium Term Fiscal Plan (MTFP) of the Government year on year need to be firm, in order to minimise variation between the planned estimates and actual expenditure. More realistic estimation based on more accurate forecasting of expenditure requirements in the medium term will facilitate better fiscal management.

1. To begin with, and on a general plane encompassing all the departments, the Commission would like to make the following seven recommendations.

(i) In all the departments, Plan schemes with provision of less than Rs. 100 lakhs should be abolished. Schemes with provision between Rs.100 and Rs.500 lakh should be reviewed as regards their efficiency. If found useful, they could be merged with any other existing scheme of the Department having similar objectives.

(ii) All non-technical Group ‘C’ and Group ‘D’ posts lying vacant for more than 2 years should be abolished. If a Department feels that the duties attached to any such posts are of crucial importance and cannot be outsourced, then fresh sanction should be sought for re-creating the post in question.

(iii) Every department should disclose key goals for its operations so that all intervention/schemes are benchmarked against that goal. Such key goals should be stated in measurable terms in order to relate resources used to the results achieved, and the same should be disclosed to public every year with effect from 2010-11.

(iv) All schemes / programmes / projects should have a sunset clause, indicating the objectives/goals to be achieved, and specifying the terminal year in which such schemes/programmes/projects are to be closed. Towards this end, all Departments should be asked to specify in April 2010 the financial resources required for each scheme / project / programme in its life time, while also indicating the quantifiable output / objectives / goals sought to be achieved at the close of such schemes / programmes / projects, with yearly break-up of the same. In any case, all the Departments must terminate their existing schemes / programmes / projects within five years of the inception of the scheme, or as soon as the specified output / objective / goals are achieved, whichever is earlier.

(v) All departments should be directed to undertake this exercise annually w.e.f Financial Year 2010-11. Any extension of a scheme/ programme/project beyond the terminal year has to be done only after proper evaluation by an independent organisation and after obtaining fresh administrative sanction, with concurrence of the Planning and Finance Departments.

(vi) Beginning with the year 2010-11, the Finance Minister should make a statement on the floor of the House once in six months, explaining the progress of each project estimated to cost Rs. 50 crore and above; and the Karnataka Fiscal Responsibility Act 2002 should be amended to provide a mandatory impact analysis of all projects / schemes / programmes with outlay of Rs. 50 crore and above.

(vii) Departments/Offices that have outlived their utility, due to changes in economic environment or regulatory regime, should be merged with other departments/offices with similar or related objectives to ensure that the staff in these organisations are usefully deployed and their services properly utilised. For example, Employment Exchanges are no longer serving the originally intended purpose due to the changed environment in job markets. Similarly the staff of the erstwhile Small Savings Department or the Motor Vehicle Wing of Karnataka Government Insurance Department (KGID) have to be appropriately redeployed.

2. Capital investments need to be stepped up and protected from fiscal uncertainties through prudent allocations. Capital expenditure as a percentage to GSDP having reached a peak of 4.54 percent in 2006-07, has gradually declined to 3.8 percent in 2009-10 BE (Table - 1). While there is a need to separately undertake a detailed analysis of these trends with an objective of aligning capital expenditure to macro-economic growth objectives, in the interim period the Commission is of the view that Government needs to ensure that capital expenditure (excluding debt servicing) is maintained at 5 percent of the GSDP every year.

3. In addition to enhanced allocations, the expenditure planning and management aspects need to be adequately strengthened to facilitate formulation of alternative choices for informed expenditure decisions. For example: *ex-ante* expenditure management tools like investment/project appraisal used by Central Government or the donor agencies are not used in Karnataka. Such tools should be comprehensive

and be legally institutionalised to prepare and examine expenditure proposals for inducing fiscal discipline in implementation. For example: projects/schemes above a certain level say, Rs. 2 crore in the social sector and Rs. 5 crore in the infrastructure sector need to be subjected to techno-economic appraisal. Government may set up an Expenditure Finance Committee (EFC) on the line of the prevailing practices in Government of India. Detailed guidelines should be issued by the concerned Administrative / Planning / Finance Department in this regard.

4. The regional imbalances observed in the development of sectors like Health and Education need to be addressed not by merely earmarking increased allocations, but also by insisting on performance attainments against a set of pre-determined targets for expected outcomes in each sector, with a clear time line for the talukas identified as backward, more backward and the most backward. The Planning department needs to evolve detailed development plans for backward Talukas within the overarching goals indicated in the recommendations of High Powered Committee for Redressal of Regional Imbalances. Setting up of clear pre-determined targets are critical for reviewing the impact of interventions on an ongoing basis.

5. Karnataka ranks seventh among the major States of India in terms of Human Development Index (HDI). The HDI for Karnataka had improved from 0.412 in 1991, to 0.478 in 2001, while the all India HDI had improved at a faster pace, from 0.381 to 0.472 during the same period [vide National HDR 2001 prepared by the Planning Commission]. Investments in interventions that impact HDI should therefore be addressed on a priority basis, with earmarking of adequate allocations and emphasis on expenditure performance monitoring in relation to the objectives set for each scheme.

4.2. Recommendations relating to the selected Departments

Specific recommendations pertaining to each of the selected Departments have been included in the following paragraphs.

A Department-wise list of schemes (including Health Department) which should be considered for abolition / merger with an existing scheme is given at Appendix-2.

4.2.1 Education Department (Primary and Secondary Education)

The Department of Education spends a little less than 15 percent of total outlay of the state budget. In the year 2008-09, primary education was delivered through 23,719 Lower Primary Schools (LPS) and 22,482 Upper Primary Schools (UPS) in the Government Sector. In addition there are 11,319 primary schools run by private managements, out of which 2,449 are aided by Government. The aim is to have atleast one LPS within 1 km of every habitation and 1 UPS within 2-3 kms. A total of 48.97 lakh students receive benefit of primary education through these schools.

The main schemes of the Education Department include (i) Distribution of Text Books, School Bags, Uniforms and Bicycles (ii) Akshara Dasoha (iii) Pancha Soulabhya (iv) Block Cluster Resource Centre (v) Teachers quarters in 39 backward Taluks and (vi) Sarva Shiksha Abhiyan.

It is seen that during the last three years while the number of Upper Primary Schools (UPS) has been increasing the number of students enrolled in Government-run Upper Primary Schools has been declining. For instance the number of UPSs has increased from 19807 in 2006-07 to 21976 in 2008-09, but the number of students enrolled in these schools declined from 15.57 lakhs to 13.33 lakhs during the same period, notwithstanding the provision of mid-day meals and distribution of uniforms and text books.

1. It would appear that the students are attracted to private schools despite incentives like free text-books, uniforms etc., in Government Schools, because *Primafacie* the private schools are providing better linguistic and communication skills and a better foundation in Mathematics and Science, thus improving children’s prospects of further studies. The perceived superiority of private school teachers in Languages, Mathematics and Science as compared to those in the government schools is apparently a factor motivating parents and students to prefer private schools. While conforming to the Government policy regarding language teaching in schools, the department needs to strengthen language teaching (including English & Kannada) so that students acquire adequate ability in communication, in addition to proficiency in Mathematics and Science.

2. Presently the department is said to be adopting a norm of 1:25 as the teacher to pupil ratio in Primary Education with some variation. The Department needs to realise that key to better teaching outcomes is in the quality of teachers, and not in the teacher to pupil ratio alone. Hence, the Department should undertake annual surveys in each district starting from 2010-11 to assess the quality of its teachers on a statistically acceptable sample basis, and the District wise results to be disclosed to public.

3. Karnataka School Quality Assessment Organisation (KSQAO) has been conducting learning outcome assessment based on a state-wide census during the past 3 years. Such a census based annual exercise involves huge manpower and costs. When such quality assessment can be done by using reliable time-tested statistical sampling techniques the rationale for opting for a high cost census is not clear. Hence, KSQAO and its operations should be quickly evaluated for framing proper guidelines for assessing students' attainment levels.

4. The quality of teaching in English, Mathematics and Science needs to be improved. At present, teachers are appointed in Higher Primary Schools, with the minimum qualification of Pre-university plus D.Ed. It is important to try to fill at least some percentage of teaching posts in Higher Primary schools with graduates who have studied English, Kannada, Mathematics, Physics, Chemistry or Life Sciences as optional subject in their Degree Courses. Teachers in the younger age groups who do not have Degree qualifications in the above subjects should be deputed by Government to pursue Degree courses in these subjects. Candidates who already have such qualifications should be given some weightage (say 5% of marks) at the time of recruitment, by making suitable provision in the Cadre and Recruitment (C & R) Rules. Existing Graduate Teachers in Higher Primary Schools who have studied Mathematics, Physics, Chemistry, Life Sciences, Kannada or English Literature, as an optional subject may be given an additional increment.

5. A Pre-University (PU) Course with the combination of Economics, Statistics, Mathematics and Computer Science (one of the latter two subjects being

optional) should be offered in Government Institutions and Aided Institutions. This will enable the students to study Economics with more quantitative focus, so that their employability improves.

6. Considering the poor state of science laboratories at schools / colleges, Government may consider setting up fully equipped centralized laboratories, making the same available to students from a cluster of schools / colleges on a time-sharing and payment basis. Such access may also be given to students studying in private establishments. Further, the PPP mode should be explored to establish and maintain such laboratories in every district. Similarly, not-for-profit NGOs such as Karnataka Vigyan Parishat, Science Foundation, etc. may be encouraged to implement the scheme.

7. The Department should examine whether the amount provided in the Budget for the scheme of distribution of bicycles to 8^{th} standard students could be utilized in a more flexible manner i.e., by giving an option to the students/parents to take a bicycle, or use the equivalent amount for incurring travel expenditure using any other mode of travel or any other education related expenditure, or by introducing a monthly scholarship scheme.

8. Since 2650 posts of Cluster Assistant Education officers have been abolished, the corresponding budget provision needs to be withdrawn.

9. The Department needs to aim at discontinuing single room schools and single teacher schools, and must ensure that every student attains up to 10^{th} standard of schooling.

10. Standards for providing school infrastructure in the form of tables, laboratories, toilets and drinking water facilities, playground, library need to be specified in terms of units for a given number of students. The department should plan to provide all such facilities to each of the schools in a time frame of three years.

11. The Government Presses engaged in printing of school text books may be wound up, as modernisation of such presses on a regular basis is not cost effective.

12. The Department has to take note of the fact that inclusion of the 8th Standard in Higher Elementary School, on the All-India pattern, would enable them to claim Rs.199 crore (approx) from Government of India (GoI) under Sarva Siksha Abhiyan (SSA). There may be operational difficulties in terms of transferring teachers, creating Infrastructure, etc. but the Commission recommends nonetheless that the Department takes prompt action in this regard to derive maximum benefit under the SSA.

4.2.2 Employment and Training Department

This department was created in 1946 to handle post World War-II rehabilitation activities for defence personnel taking up civil employment. Gradually it expanded to handle the employment requirements in the Public Sector which was expected to occupy commanding heights in the growing economy, and also to some extent in the Private Sector as well. In the post 1990s, the initiation of economic reforms resulted in much greater employment opportunities opening up in the private sector. In the Government and the Public Sector, however, measures to right-size the PSUs and to contain the Government wage-bill have restricted the employment opportunities. The role of this Department in matching Demand and Supply of manpower in the Public and the Private Sector is becoming more limited. In spite of this, expenditure on the Employment Exchanges has been increasing. As against an expenditure of Rs.29.45 lakh (Plan) and Rs.426.12 lakh (Non-Plan) during 2008-09, an allocation of Rs.32.01 lakhs and Rs.437.62 lakhs, under Plan & Non-Plan respectively, has been provided for 2009-10 . During the year 2008-09 of the 6,811 vacancies notified by public and private sectors, only 1,159 candidates were selected through this Department. During the current year, until January 2010, only 4,201 vacancies were notified, against which 794 candidates were selected. This appears to indicate that the prospective employers have not found the desired level of employability in the candidates sponsored by the Department.

As per the existing law the prospective employers have to notify vacancies to the Employment Exchanges. In the changing economic environment such a legally mandated approach to filling up vacancies has outlived its utility. In any case, the job presently being done by Employment Exchanges can be done through a Virtual Employment Exchanges (VEE), thereby dispensing with physical location of the offices in every district. A virtual employment exchange is technologically feasible and such VEE can be handled by Karnataka Vocational Training & Skill Development Corporation (KVTSDC). Therefore, the Department may take legal and administrative steps to close the Employment Exchanges as they exist now and transfer all the staff of Employment exchanges to KVTSDC and other Departments while entrusting the task of managing the Virtual Employment Exchanges to the KVTSDC. Simultaneously, the Department needs to suitably amend the law relating to the Employment Exchanges by taking up the same with Government of India.

In addition to the above, the following recommendations are made in order to get the best value for public money from the 18 Schemes currently implemented by the Department.

1. The Scope of the newly formed Karnataka Vocational Training and Skill Development Corporation (KVTSDC) could be enlarged to ensure that all the tasks relating to registration, training, examination of skills, certification, and placement of job-seekers is done at one place.

2. Vocational training programmes must be introduced for all students who discontinue studies after SSLC or without completing the SSLC, but have studied upto at least the 8^{th} Standard. Such courses should be of appropriate duration (not less than six months) to equip them better for the job market or self-employment. According to data given by the Education Department, in 2008, enrolment was 9.64 lakhs in the 8th standard, 8.31 lakhs in 9th standard and 7.2 lakhs in 10th standard. Thus the number of dropouts between 8th and 10th standard is 2.4 lakhs. Admission to PUC in 2008 was 5.34 lakhs; which implies that 1.86 lakh students finish 10th standard but drop out later. Thus the total drop out from the Education System, after the age of 14 (approx) will be 4.3 (approx) lakhs out of which 2.4 lakhs would have studied upto 8th standard only, and 1.9 lakhs upto 10th standard. These two age groups (14 and

beyond with 8th standard qualification and 16 and beyond with 10th standard qualification) must to be given vocational education suited to their capability. As against this, 158 Government run Industrial Training Institutes (ITI) train about 32,000 students every year. The number of students in the 927 private ITIs and in other Institutes / centres providing job-oriented training for the youth is not readily available. However, it is apparent that there is a large number of young drop-outs (probably between 2 to 3 lakhs) who need to be brought under the cover of systematic job-oriented training. The KVTSDC should draw up a 5 year plan to organise such training for young people in sufficiently large numbers, starting with 1 lakh trainees in 2010-11 and going up to 2 lakh by the end of a 5 year period. On a rough estimate, training for 1 lakh youth can be organised in 30 districts through 1,000 centres at an approximate cost of Rs.30 crore (capital cost) plus annual recurring cost of Rs. 60 crore. The Department of employment and training should take up a scheme of this order (to be implemented by KVTSDC) from 2010 -11 itself. Over a 5 year planning period, the target could be increased to 2 lakh trainees per year requiring annual recurring cost of Rs.120 crore and corresponding increase in capital cost. This suggestion has to be implemented in consultation with employers organisations like FKCCI, CII, Greater Mysore Chamber of Commerce, Electronic & Electrical Industries Association, Builders' / Contractors' Association and similar other professional organisations and also the Departments of PWD, Irrigation, Health, Agriculture, Horticulture, Fisheries, etc.

3. The KVTSDC should also explore short-duration skill improvement programmes of three months for those who are already working (self employed or employed), in order to raise their professional skills particularly relating to repairs and maintenance. Such programmes can be offered through Rural Development & Self Employment Training Institutes (RUDSETIs) and other competent NGOs.

4. The scope of KVTSDC be expanded to cover training programmes sponsored by other departments like Women and Child Development, Social Welfare, Minorities Development etc., Such programmes may also include training in languages like spoken English, so that the trained personnel can look out for skilled jobs in Bangalore and other large urban centres, and also outside Karnataka/India.

5. Motor Driving Schools need to expand their activities by providing training to the trainers in Private Driving schools. The exponentially expanding automobile sector and construction of highways require more and more safe driving skills. Hence, modern methods of teaching motor driving skills need to be promoted by effectively regulating the private motor driving schools. While the private motor training schools attend to the demand for training from light motor vehicle drivers, the Department in collaboration with Transport Department has to provide training for heavy vehicles / commercial vehicle drivers through the facilities attached to the KSRTC bus depots established across the state and also using infrastructure of other public transport organizations. The possibility to evolve this activity into revenue generating model also needs to be explored.

4.2.3 Social Welfare Department

The Department implements the schemes that are specially designed to bring about perceptible and qualitative changes in the life of people belonging to communities identified as socially or economically backward. There are four departments and six corporate entities (societies/corporations) to deliver the services. Schemes such as Ganga Kalyana, Scholarships, Maintenance and Construction of Hostels are implemented by these entities, often with overlapping activities. The Schemes implemented by Zilla Panchayats are under dual control of the department and the local bodies. Keeping this background in mind the following recommendations are made:

1. There are a large number of scholarships schemes. Most of them suffer from procedural delays or delay in release of funds, defeating the intended purpose of a scholarship. To avoid delay in disbursement and reduce unnecessary administrative burden on the department officials, all financial benefits/scholarship to students need to be administered through electronic transfers. This would need creation of a reliable data-base to be synchronized with the soon to be introduced Unique Identity (UID) number system.

2. There are 37 Schemes relating to management and maintenance of hostels and hostel buildings. Considering the poor maintenance of hostels and hostel infrastructure, the management of all government hostels needs to be rationalised and entrusted to a

specialised agency, which can address the issues of hostel infrastructure, ensure quality of maintenance and upgrade the skills sets of the human resources required for the hostels. All government departments running hostels can source the services of such an Agency, which can provide facility management support of superior quality.

3. Hostels so managed should be open to eligible students of all categories of social groups viz., SCs, STs and BCs as per the entitlements. In other words, student population in the hostel should be more of mixed groups. Such mixed social groups also need to be ensured in girls' hostels.
4. Pre-matric scholarship to children of parents engaged in unclean professions may be revisited as funds are being surrendered during the last two years indicating a problem either in conceptualisation or implementation of the desired program. Further, most of the scholarship schemes were introduced when support in the form of hostel facilities, uniforms, text books mid-day meals and bicycles etc. were not in existence. Considering the fact that many non-monetary benefits have been introduced in the recent years to support pre-matric students, a fresh look needs to be taken at these schemes, and an effective programme re-drawn for this category of beneficiaries.

5. It is necessary to merge all schemes relating to eradication of untouchability. These schemes are (i) Removal of Untouchability, (ii) Machinery for enforcement of untouchability offences, (iii) Compensation to SC/ST victims, and (iv) Eradication of untouchability. (list of schemes to be merged is at Appendix -2)

6. Recovery of loans extended for promotion of Self-employment by Dr. B.R. Ambedkar Development Corporation (for the economic benefit and social development of SC / ST families) is poor.

   This scheme was formulated mainly to help unemployed, underemployed S.C persons to improve their economic conditions by taking up gainful economic activities. The Corporation is providing financial assistance through banks and financial institutions for setting up of self-employment activities.

   i. For project cost upto Rs. 50,000, the corporation sanctions a maximum subsidy of Rs.10,000 and the remaining amount as loan.

ii. For project cost from Rs.50,000 to Rs.1,00,000, the corporation sanctions a maximum subsidy of Rs.10,000 and the remaining amount as loan.

iii. For project cost above Rs.1,00,000, the corporation sanctions 20% as margin money (maximum of Rs.1,00,000) and the remaining 75% as loans from banks and financial institutions and 5% as beneficiary contribution.

iv. For some selected schemes, direct loan is sanctioned by the Corporation after availing loan from National Scheduled Castes and Tribes Finance and Development Corporation (NSFDC), 5% of the project cost will be beneficiary contribution, 20% margin money from Dr. B.R. Ambedkar Development Corporation Limited (Rs.1,00,000 maximum) and the remaining 75% is NSFDC loan.

The position of demand, collection and recovery of loan under this programme is given in Table-2 for the last three years, which reflects a negligible recovery, leaving room for doubt about the effectiveness/success of the programme.

Table -2

(Rs. in Lakh)

Year	Demand	Collections	Percentage of recovery
2006-07	1642.90	0.89	0.05
2007-08	1986.67	1.24	0.06
2008-09	2441.36	2.11	0.09

The department attributes non-availability of recovery personnel as a key reason for poor recovery. However, the very design of the schemes, the process of identifying the beneficiaries and scrutiny of proposals seem to be suffering from many imperfections. Hence, the department should encourage financial institutions to consider loan applications from prospective entrepreneurs, while limiting its support to providing of margin money or subsidy. The Department should also explore the possibility of utilizing the services of the Karnataka Vocational Training and Skill Development Corporation (KVTSDC) to provide enterprise management skills to beneficiaries.

Similar problems seem to be faced by the other Corporations set up to assist Backward Classes and Minorities. The functioning of all these Corporations needs to be reviewed to strengthen their implementation capabilities.

7. The Ganga Kalyan scheme was being implemented in a piecemeal manner with different service providers working for the same beneficiary but independent of each other. Consequently, the beneficiaries were finding it difficult to co-ordinate with multiple number of service providers. The entire process of sinking bore-well, installing pump set and energising it should be done on a Turn-Key basis in such a way that the farmer quickly and painlessly gets a bore-well, fixed with an energised pump-set.

8. The training programmes sponsored by the ST Development Corporation, BC Development Corporation and also by the Department need to be transferred to the Karnataka Vocational Training and Skill Development Corporation. Presently, there is lack of control and insufficient monitoring of these programmes, particularly with regard to employment after training.

9. Construction of School and Hostel Buildings is covered under 11 schemes; execution is entrusted to agencies like KREIS, PWD, Karnataka Land Army, Nirmithi Kendra, Zilla Panchayat Engineering Division, without assessing their respective capacity at a given point of time. The selection of agency should be based on the available capacity of the executing agency including their ability to ensure quality control checks. Further, provision of drawings for construction of the buildings need to be based on type designs (standard architectural designs) with flexibility to modify the drawings for local terrain/needs. This will avoid delay in implementation of the projects. If any of the selected agency sub-contracts the work to any private contractor it should be done in accordance with the procedure laid down in the Karnataka Transparency in Public Procurements Act.

4.2.4 Public Works Department

Public Works Department is the nodal department in charge of all matters relating to public works, ports and inland water transport. The mission of the PWD is to plan, construct, and maintain a safe, functional, cost effective core road network, public buildings, and port infrastructure in the state. The total road length in the state in 2009 is 62,659 Kms, of which 4,490Kms is National Highways, 20,226 Kms is State Highways and 37,943 Kms are Major District Roads (MDRs). It came out during the course of discussions with the officers of Public Works Department that the challenge of road management in the State lies not in increasing the length of roads but in increasing their lane capacity and improving the quality of construction and maintenance. Keeping these challenges in view, the following recommendations are made pertaining to the road sector viz., State Highways and Major District Roads.

1. A State Highways Authority of Karnataka (KSHA) should be created on the lines of National Highway Authority of India (NHAI). There is already a Karnataka Highways Act 1964 with almost similar objectives as the National Highways Authority of India Act 1988, its key focus being on issues relating to land acquisition, betterment charges and prevention of ribbon development along the highways. Construction and maintenance of roads is also mentioned in Section 19-A (1) of the Act which deals with power of the State Government. However, the functions of National Highways Authority as defined under the provisions of Section 16 of that Act are oriented towards financing, construction and maintenance of roads for ensuring smooth flow of traffic on National Highways. In Karnataka, the KRDCL, which was established as a Special Purpose Vehicle (SPV) for the purpose of raising money from HUDCO and other sources is in reality functioning like a Government Department and not on a project mode. The borrowings of this organisation are being serviced by the Government as it is not raising revenue through tolling of roads. As it appears to have failed to fulfil its envisaged role, the relevance of KRDCL and its continuity be reassessed in the context of suggested creation of the State Highways Authority, and the State Act be amended suitably. The Act may provide for financing the Authority, by creating a Road Fund which would have access to borrowed funds from the market, receive government grants, toll receipts, and betterment charges to be levied on lands along the highways constructed. The Authority could also generate revenue from sale / lease of commercial property to be created on the Highways as part of

public utilities, while retaining the existing objective of containing ribbon development along the State Highways.

2. Such Authority can be entrusted with O & M operations of existing Highways, building new roads, converting 2 lane roads to 4 lane / 6 lane roads, major improvement / strengthening of roads, etc. Optimally, renewal (costing approx. Rs.15 lakhs per Km as per present cost) should be carried out every 3-5 years and strengthening of roads (costing approx. 1.5 crore per Km) should be carried out once in ten years. The Authority should have updated 'Road Condition Database'. This approach will minimize random maintenance of roads while encouraging need based allocation of resources and objective short listing of roads for maintenance and renewal works.

3. A specific Strategic Option Study (SOS) be carried out for State Highways excluding the roads under KSHIP II for which agreement has been signed with the World Bank. About 10,000 Kms of road length according to priority listed in the SOS could be taken up for improvement in stages under this "Special Programme on State Highways". Funds required for this have to be raised from external Agencies (e.g. ADB) State Budgetary support, borrowing from the market, including HUDCO etc. The State Government could think of levying a cess on Petroleum Products (Petrol & Diesel) for partly financing this special Programme.

4. Projects should be proposed with reference to traffic density, and the DPR prepared should be subjected to Detailed Project Appraisal. The standards set by the Indian Road Congress (IRC) for new roads and widening of existing roads, and construction of bypasses must be followed.

5. Project Management Consultants (PMCs) should be attached to every project above a threshold limit (say, Rs.10 crore) in order to ensure that the Detailed Project Report (DPR) is prepared as per standards specified, and to support the department during the project execution stage.

6. Before the bid process is set in motion at least 80% of the required land should be in the legal ownership and possession of the implementing agency to avoid any possible delay in execution and consequential litigation/cost escalation.

7. For timely shifting of utilities on the Right Of Way (ROW), an inter-departmental committee at district level could be constituted.

8. It should be made mandatory for projects to be designed correctly at the DPRs stage, to avoid time and cost over runs. The DPR should also identify implementation constraints such as clearing of encumbrances, time required for environmental clearances or railway approvals, etc.,

9. Revising the estimates for any project has to be normally avoided. If this is at all necessary, such estimates should be prepared before fifty percent of the project is completed. Thereafter no upward revision should be undertaken.

10. The period of Project Maintenance, by the contractors / executing agency needs to be extended from one year as at present to three years. This would ensure that contract performance is not done with a short-term mind set. Although the bid amount may become somewhat higher in this process, there is likelihood of substantial benefits to the project over a longer period.

11. Numerical identification/numbering of roads should be extended to district and Zilla panchayat roads in line with numeric identification used in National Highways. Such numbers have to be brought into public domain, and these numbers should be used while identifying projects for repairing and strengthening of roads.

12. Roads should not be upgraded from MDRs to State Highways without providing for an O & M Plan.

13. Field level officers of PWD should be given intensive training in the use of e-tendering platform. Further, it is recommended to depute officers of all Infrastructure Departments (including PWD) to Project Management Institute (PMI) for in-service Training.

14. The PWD should prepare a district wise panel of Architects and Engineers to prepare designs in time for execution. Similarly, a panel of independent inspectors / institutions for third party quality validation of works should be prepared.

15. PWD should prepare type designs and standard estimates for buildings for schools, colleges, hostels, taluk offices, courts, primary health centres, etc., to minimise time taken for preparation of plans and estimates and to achieve economy in construction.

4.2.5 Departments of Agriculture & Horticulture

The share of Agriculture in the Gross State Domestic Product in 2008-09 was estimated to be about 16.4 percent. Agriculture continues to support about 56 percent of the total work force. A large extent of the arable area in the state is rain-fed, and the average size of land holding is 1.63 ha, which itself is declining to still lower unviable levels. In fact, 42 percent of total holdings in the state measure less than 1.0 ha. each. Apart from this, production in irrigated areas too is stagnating. The technology promoted is supply driven and there is often poor demand for such improved technology for various reasons. Overall, the Agriculture sector in the State is both diversified and segmented. The departmental activities in conjunction with that of Watershed Development Department *interalia* relate to crop management, soil and water conservation, extension, post harvest technology, marketing, research & development.

It has been brought out in the course of discussions with Departmental officers that the agriculture sector suffers from low level of productivity for many crops, and steps have to be taken to improve the same. A special mention was made about the potential crisis in pulses productivity. Productivity of pulses productivity in Karnataka is lower than that of other states. For instance, in 2006-07 pulses yield in Karnataka was 377kg/per ha while the all India Average is 612kg/ha. This points to a need for intensive research in productivity of pulses by the Universities of Agriculture Sciences (UAS) besides propagating the knowledge on dry land cultivation in collaboration with other specialised Institutions like International Crops Research Institute for the Semi-Arid Tropics (ICRISAT).

In so far as Plan Allocation for the Department is concerned, out of the total budget of Rs.773 crore (excluding Central Sector Schemes), for 2009-10 Rs.250 crore is allocated as interest subsidy for crop loan while Rs. 100 crore is allocated to organic farming. The interest subsidy is linked with prompt payment of loans by farmers to Commercial Banks which, however, is contingent on several other factors. The other scheme relates to Organic Farming, whose viability and sustainability have not been pre-tested.

Horticulture occupies 18.24 lakh ha of area with a production of 143.45 lakh tonnes. With the existing infrastructure the department claims to having capacity to meet 40 percent of total requirement of planting material with respect to fruit crops. About 30 percent of post harvest losses are suffered in horticulture crops. The mandate of the department *interalia* is to enhance area under horticulture based on agro-climatic suitability; help farmers in value addition and export of horticulture produce, encourage high-tech production techniques; to give boost to dry land horticulture crops, to achieve a high degree of human resource development.

Keeping the above aspects in view, the following recommendations are made for both the departments.

1. Presently, both the departments engage their respective extension officials independently although both of them reach out to the farmers. This thinly spreads the available extension staff. The problem is compounded particularly when the turnout of qualified students from Agriculture colleges cannot meet the separately estimated need for extension officials. Therefore, all the officials of the Departments of Agriculture & Horticulture (and possibly Sericulture) dealing with farmers should operate from one Hobli level office of the Raitha Samparka Kendras (RSK). There should be convergence in their extension activities. Officials of Agriculture Department should be trained in improved horticultural practices and vice versa. This will enable them to answer queries from farmers which may cover both agricultural and horticultural crop production practices. The Krishi Vigyana Kendras (KVK) sponsored by University of Agriculture Sciences (UAS) or other institutions should have Agricultural and also Horticultural experts. Principal Secretary Agriculture should arrange this in consultation with Vice Chancellor UAS Bangalore and Secretary Horticulture.

2. To optimise the use of limited resources, both the departments need to migrate from individual-based approach in extension services and technology support to a group based approach, by deriving advantage of size and scale of operations. For this

purpose, farmers' groups with membership of 20-50 should be formed in every village keeping in view common cropping needs of their members.

3. Wherever cash subsidies are given to farmers the same may be transferred through Electronic Clearing Systems (ECS) to enhance efficiency in transfers. Such transfer could be linked to the soon to be established UID numbers, instead of paying it to the input providers. The department has to computerise the database of staff and 75.82 lakh farmers indicating land holdings, crops, soil types etc.,

4. The interest subsidy scheme of Rs. 250 crore (2009-10 BE) accounts for 43 percent of the Plan Budget of the Agriculture Department. It is likely that during the current year the department may not utilize the entire allocated amount. Since the expenditure under the interest subsidy scheme is linked to timely repayment of loan taken by farmers, the department may take up a campaign to encourage farmers to repay loan on time and avail of subsidy.

5. Currently, Contract Farming is prevalent in high value crops such as gherkins, medicinal and aromatic plants as also in seed preparation. There is a need to promote contract farming among marginal and small farmers growing other crops also to enable them to take advantage of technological and pecuniary benefits from contract farming practices. The Commission recommends creation of a Contract Farming Cell (CFC) in order to protect the farmers from unintended and adverse impact of contractual obligations. CFC can be designed to provide technical, legal and managerial support and protect the farmers from such adverse impact. CFC may consist of a few technical officers of the Department and experts drawn from University/ Law Colleges/ Legal Firms/ Management Consultants etc., on contract basis or on the basis of procurement of outsourced services.

6. The Departments of Agriculture and Horticulture should open Group 'B' and Group 'A' posts to graduates in either Agriculture or Horticulture. These Departments which are facing shortage of qualified personnel could open the doors for B.Sc (Sericulture) and M.Sc (Sericulture) also.

7. Apart from recruiting persons with University qualifications in areas of Bio-technology etc., the departments should recruit graduates from Management Institutions / CFTRI with degree /post graduate diploma in marketing, processing/ diploma in post-harvest technology etc.,

8. Presently there are approximately 600 vacant posts of gardeners / unskilled workers in the Horticulture Department. After providing for regularisation of eligible casual workers, if any, in accordance with Court pronouncements, the balance of such posts should be abolished. Wherever required such services could be outsourced in a transparent manner.

9. The Department of Horticulture is planning to set up markets for Agricultural / Horticultural produce on PPP mode under the National Horticultural Mission. It is suggested that the private partners in such ventures may be selected in a transparent manner and viability gap (subsidy) element can be decided after following a competitive bidding process.

10. It is necessary to evaluate the costs of promoting organic farming per unit of land or per unit of family, before up-scaling the scheme. *Primafacie,* calculations reveal that at the current cost structure the scheme cannot be sustained or expanded to cover a large number of farmers. Hence, field level study on the results obtained from the use of new techniques for the stated objectives of the scheme need to be conducted on a pilot basis in different agro-climatic zones of the State before up-scaling the scheme. The techniques adopted should ideally be validated by UAS or ICAR Institutions. Independent of the above, the Government needs to switch its resource on interventions like subsidy which have short-term individual focussed benefits, to investment in research and training that enhance yield and benefit groups of farmers.

    The schemes of the Horticulture and Watershed Development Department that are suggested for merger are shown in Appendix-2, while those of Department of Agriculture which were merged during the year 2009-10 have been shown at Appendix-3.

The Commission submits its First Report with a limited number of recommendations pertaining to selected Departments and hopes that the same would be found useful for policy corrections by Government in the near term. The complete set of recommendations focussing on various dimensions of expenditure management pertaining to these and a few other Departments will be submitted in due course before the term of the Commission comes to an end. The Commission wishes to thank the officers of Government of Karnataka in the Departments concerned for their support in preparation of this report.

Shri M.R. Sreenivasa Murthy
Member

T.V. Mohandas Pai
Shri Mohandas Pai
Member

Shri B.K. Bhattacharya
Chairman

Shri Sanjiv Kumar
Member

G. Ramesh
Shri G. Ramesh
Member

Place: Bangalore

Date : 11-02-2010

APPENDIX -1

Annexure to G.O No. FD 76 Sa .Ma .Ya. 2009, dated :6-6-2009

Terms of Reference of Expenditure Reforms Commission.

(1) Review the efficacy of programmes / schemes of major departments, and make recommendations for their restructuring and convergence to facilitate improvement in their development effectiveness;

(2) Suggest a framework for performance and outcome monitoring of the development schemes / programmes;

(3) Review the scope for consolidation of smaller schemes and expenditure items with Common / complementary objectives into a fewer number of viable programmes ;

(4) Review the processes and institutional mechanisms of programme implementation and service delivery to improve efficiency and cost effectiveness ;

(5) Review the framework of all subsidies, both explicit and implicit, examine the economic rationale for their continuance and make recommendations for making subsidies transparent and suggest measures for maximizing their impact on the target population at minimum cost ;

(6) Suggest an effective strategy for meeting a reasonable proportion of expenditure on services through user charges ;

(7) Suggest areas of adoption of new technologies including information technology for effective implementation of programmes and delivery of services ;

(8) Recommend measures for optimising the staff strength of Government Departments, attached offices and institutions, for skill-upgradation of existing staff, and for redeployment of surplus staff ;

(9) Consider any other relevant issues concerning expenditure Management in Government and make suitable recommendations.

Sd/-
(Ajay Seth)
Secretary to Government (B&R)
Finance Department

APPENDIX-2

Statement indicating proposed merger, discontinuation of certain Schemes

1. PRIMARY AND SECONDARY EDUCATION.

Sl. No.	Schemes / Head of Accounts and Allocation of 2009-10 (Rs. in Cr.)	To be merged with
1	Reimbursement of Non-Govt. Fees of SC/ST students studying in Government high schools. (2202-02-800-1-06) Rs. 20.00	It is recommended to merge this scheme with other incentive / scholarship schemes so that reimbursement of these non grant fees is also covered.
2	Cluster School complex (2202-04-001-0-04) Rs. 5.00	This scheme is no longer relevant and can be abolished.
3	Student Centric GIA scheme. (2202-01-800-1-76) Rs. 1.00	This scheme can either be discontinued or merged with other schemes.
4	a)Masti Venkatesh Iyengar (2202-80-800-0-32) Rs. 0.40	The three schemes can be merged together.
	b)Kuvempu Model School (2202-01-800- 0-72) Rs. 0.80	
	c)SCP (2202-01-800-1-72-422)	
5	a)Block and Cluster Resource Centre. (2202-012-800-1-41) Rs. 32.00	Can be merged under Activities to provide Universalisation of Elementary Education.
	b) Improvement of Primary Education. (2202-01-800-1-13-059) Rs. 6.00	
	c) Policy Planning Unit. (2202-01-800-1-04) Rs. 2.00	
	d) Student Centric Grant. (2202-01-800-1-75)	
6.	a) Incentive for Exemplary Performance (2202-01-800-01) Rs.2.00	To be merged.
	a) Chaitrala Chiguru Prathibha Karanji. (2202-01-800-1-35) Rs. 12.60	
	b) Minority Students encouragement programme. (2202-01-800-1-35)	
7.	Cluster School Complex. (2202-01-800-1-74) Rs. 5.00	

2. EMPLOYMENT & TRAINING.

Sl. No.	Schemes / Head of Accounts and Allocation of 2009-10 (Rs.in cr.)	To be merged with
1	Employment Parks (2230-02-101-0-07) Rs. 0.01	Employment Exchanges (2230-02-101-0-01) / KVTSDC
2	a)Starting ITI at Mundagodu (2230-03-101-0-28) Rs. 6.40	Merge these four schemes
	b)New ITIs for women (2230-03-101-0-34) Rs. 2.17	
	c)New ITIs in 10 Taluks (2230-03-101-0-35) Rs. 15.00	
	d)New ITIs in Backward Taluks (2230-03-101-0-37) Rs. 5.30	
3	State Project Implementation Unit (SPIU) (2230-03-101-0-30) Rs. 0.10	This forms a part the duties of the Directorate; SPIU can be merged with the scheme "Director of Employment and Training".
4	Motor Driving and Training School (2230-03-101-0-32) Rs. 0.30	It is advisable to either merge this scheme with ITI (2230-03-101-0-01) or can be assigned to the KVTSDC.

3. SOCIAL WELFARE .

Sl. No.	Schemes / Head of Accounts and Allocation of 2009-10 (Rs.in cr.)	To be merged with
1	a) Post- Matric Scholarship Rs. 122.43	Recommended to consolidate all schemes relating to scholarships and benefits of students and administer them through electronic transfer.
	b) Pre-Matric scholarships Rs. 4.68	
	c) Reimbursement of fees under OBC. (2225-03-277-2-52)	
2	a)Financial assistance for admission to reputed institutions. (2225-01-277-0-12) Rs. 8.00	

<table>
<tr><td rowspan="14"></td><td>b) Financial assistance to meritorious SC students. (2225-01-277-0-44) (included in the next line)</td><td rowspan="14">Considering the related nature of the objective behind each of the programme, the schemes can be amalgamated in to a single programme for SC/ST for effective monitoring and exercise efficient control in operating these schemes.</td></tr>
<tr><td>c) Fin. Assistance to merit girls.
(2225-01-277-0-44) (included in the next line)</td></tr>
<tr><td>d) Encouragement to merit SC girls.
(2225-01-277-0-44) Rs. 0.50</td></tr>
<tr><td>e) Prize money to college students.
(2225-01-277-0-60)</td></tr>
<tr><td>f) Encouragement to merit SC Students.
(2225-01-277-0-62) Rs. 2.00</td></tr>
<tr><td>g) Other concessions to SC Students (P).
(2225-01-277-0-89)</td></tr>
<tr><td>h) Other concessions to SC Students (NP). (2225-01-277-0-54)</td></tr>
<tr><td>i) Other concessions to SC Students (P).
(2225-01-277-0-55)</td></tr>
<tr><td>j) Fin. Assist. To ST students for upgrading merit.
(2225-02-277-0-36) Rs. 2.25</td></tr>
<tr><td>k)Other concession to ST students.
(2225-02-277-0-81) Rs. 0.397</td></tr>
<tr><td>l) Incentives to girl students.
(2225-02-283-0-02).</td></tr>
<tr><td>m) Incentives to PTG Students.
(2225-02-283-0-02)</td></tr>
<tr><td>n) Prize money to merit students.
(2225-02-283-0-02)</td></tr>
<tr><td>o) Fin. Assist. For Higher Studies.
(2225-01-283-0-02)</td></tr>
<tr><td rowspan="2">3</td><td>a) Removal of Untouchability.
(2225-01-197-6-05) Rs. 3.78</td><td rowspan="3">These schemes can be merged, in view of their common / related objective.</td></tr>
<tr><td>b) Machinery for enforcement of Untouchability offences Act .
(2225-01-800-0-03) Rs. 7.04</td></tr>
<tr><td></td><td>c) Compensation to SC/ST victims (Central Share is yet to come).
(2225-01-800-0-13) Rs. 7.04</td></tr>
</table>

	d) Eradication of untouchability (inter caste marriage). (2225-01-800-0-18) Rs. 1.50	
4	a) Maintenance of New MD Residential Schools (2006-07). (2225-01-277-0-62) Rs. 2.00	It is advisable that the maintenance of all residential schools including Ashram Schools and Hostels be entrusted to the KREIS or any other organization.
	b) Maintenance of New MDR (P)). (2225-01-277-0-76) Rs. 13.41	
	c) Maintenance of Residential Schools (P). (2225-01-277-0-77) Rs. 25.60	
	d) Maintenance of New Residential Schools (P). (2225-01-277-0-24) Rs. 0.63	
	e) Maintenance of New MD Residential Schools (NP). (2225-01-277-0-76)	
	f) Maintenance of New MD Residential Schools (NP). (2225-01-277-0-77) Rs.0.0995	
	g) Residential schools transferred from education department (NP). (2225-01-277-0-80) Rs.13.02	
	h) Maintenance of MDRS (2006-07). (2225-02-277-0-34)	
	i) Maintenance of MDRS. (2225-02-277-0-76). Rs. 10.58	
	k) Maintenance of New MDRS (2225-03-277-2-62)	
5	a) Maintenance of College hostel. (2225-01-277-0-28) Rs.12.0519	Maintenance of hostel and hostel buildings both constituting revenue expenditure on hostels could be clubbed in to single scheme instead of multiple schemes as all these schemes (6 under SC, 2 under ST and 4 under OBC) represent provisions on maintenance and upkeep of hostels.
	b) Maintenance of of College hostel. (2225-01-102-0-08)	
	c) Maintenance of College Building (2225-01-277-0-01) Rs.5.40	
	d) Maintenance of College hostels. (2225-01-277-0-82) Rs.8.837	
	e) Improvement to hostels. (2225-01-277-0.61) Rs.7.137	
	f) Repairs to hostels Buildings (2225-01-102-0.08)	
	g) Maintenance of hostels. (2225-02-277-0-01)	

	h) Repairs to hostels Buildings (2225-02-283-0-02)	
	i) Maintenance of Post-Matric new hostel. (2225-03-277-2-53)	
	j) Maintenance of PM hostels (P). (2225-03-277-2-71) Rs.22.34	
	k) Maintenance of PM hostels (NP). (2225-03-277-2-71) Rs.113.80	
	l) Maintenance of PM Hostels. (2225-03-277-2-83) Rs.1.7324	
6	Construction of Hostels and Ashram schools. (4225-02-277-2-01)	Construction of Hostel Buildings. (4225-02-277-0-84)
7	a) Koushalya . (2225-03-277-2-37)	Training programme for B.Cs. (2225-03-277-2-37)
	b) Air Hostess and travel management. (2225-03-277-2-56)	
8	a) Starting of hostels. (2225-03-277-2-53) Rs.1.0282	Starting and maintenance of Hostels for B.C (2225-03-277-2-53).
	b) Starting of Girls Hostels. (2225-03-277-2-70)	
9	a) Savitha Samaja	To be amalgamated into single programme.
	b) Uppara Samaja	
	c) Shrama Shakthi	
	d) Vividha Samudayagalu	
10	Extra boarding & lodging charges. (2225-03-277-2-34) Rs.0.0568	EBL Charges for B.C students. (2225-03-277-2-76)
11	a) Award of prize money. (2225-01-277-0-60) Rs.0.05	Assistance to college students. (2225-01-277-0-44)
	b) Other concessions to SC students. (2225-01-277-0-89) Rs.0.086	

4. HORTICULTURE.

Sl. No.	Schemes / Head of Accounts and Allocation of 2009-10 (Rs.in cr.)	To be merged with / dropped
1	Horticulture Buildings (2401-00-119-6-03) Rs. 3.00	District Sector Scheme to be merged with the State Sector scheme with similar objective
2	Processing in Horticulture (2401-00-800-2-28) Rs. 1.00	To be continued with the merger of Subvention for Cold storage under District Sector
3.	Introduction of New Varieties of Vegetables (2401-00-800-2-33) Rs. 1.50	To be continued with change of the scheme name as Integrated Development of Vegetables in potential areas & Components
4	a) Horticultural University, Bagalkot (2401-00-800-2-34) Rs. 5.00 b) Kolar Horticulture College (2401-00800-2-44) Rs. 5.00 c) Horticulture University, Bagalkot (4401-00-800-2-00) Rs. 10.00 d) Horticulture College in Bidar (4401-00-800-3-0) Rs. 4.00 (4401-00-800-4-0)	All these schemes could be merged into a single scheme as all Horticulture Colleges come under Horticulture University. Allocations can be made under a single head for Horticulture University and titled as University of Horticulture Science Bagalkot
5	Advanced Research on Bacterial Blight in Pomegranate (2401-00-800-2-37) Rs. 0.20	This scheme may be dropped from 2010-2011. This scheme was introduced during the year 2007-08 for carrying out advanced research for controlling Bacterial blight in Pomegranate in three different Phases for a period of three years.
6	Horticultural Mechanization (2401-00-800-2-38) Rs.2.00	The scheme may be dropped from 2010-2011 as this component is taken up under RKVY scheme.
7	Maintenance of Horticultural farms (2401-00-119-4-71) Rs.1.68	The Department is in forever of merger with State Sector Scheme. On the ground that Karnataka State Horticulture Development

		Agency has been created with the objectives of managing all Horticulture Farmers. However, the Department has to examine the issues in greater detail.
8	a) Publicity and Literature (2401-00-119-3-74) Rs.0.38	The schemes could be merged into a single scheme as it is meant for taking up training and publicity programmes. The scheme could be renamed as Horticulture Information & Training.
	b) Training to Farmers (2401-00-119-3-75) Rs.0.33	
9	Horticulture Buildings (Dist. Sector) (2401-00-119-6-71) Rs.1.80	To be merged with State Sector Scheme
10	Cold Storage Subvention(Dist Sector) (2401-00-800-2-25) Rs. 0.39	To be merged with State Sector Scheme
11	Oil palm cultivation in Potential States (2401-00-108-2-18) Rs. 6.00	To be merged with State Sector Scheme
12	Scheme for Integrated Farming in Coconut for Productivity / Improvement with the Assistance of Coconut Development Board (2401-00-108-2-35) (Dist. Sector) Rs.3.00	This scheme can be dropped as it has already been shifted to state sector with the same title.

5. WATERSHED DEVELOPMENT.

Sl. No.	Schemes / Head of Accounts and Allocation of 2009-10 (Rs.in cr.)	To be dropped
1	Rejuvenation of Dried Up Open Wells. (2402-00-800-0-10) Rs. 20.00	It is suggested to discontinue this scheme since it did not achieve much progress and also it is not aligned to the core mandate of the Department.
2	Development of Saline and Alkaline Water Logged Areas. (2402-00-800-0-02) Rs.14.39	It is suggested to discontinue this scheme since it did not achieve much progress and also it is not aligned to the core mandate of the Department

6. HEALTH AND FAMILY WELFARE.

Sl. No.	Schemes / Head of Accounts and Allocation of 2009-10 (Rs.in cr.)	To be merged with / dropped
1	a) PG Courses in Rasashatra Bhyshajyakalpana, Bellary. (2210-05-200-0-04) Rs.0.34	2210-05-200-0-04 - PG Courses in Ayurveda.
	b) PG Course in Panchakarma. Bangalore. (2210-05-200-0-10) Rs.0.30	
	c) PG course in Siddantha, Mysore. (2210-05-200-0-12) Rs.0.30	
2	a) Govt. Ayurvedic Dispensaries. (2210-04-101-1-71) Rs. 7.94	2210-04-101-1-72 - Opening and Maintenance of Hospitals and Dispensaries under AYUSH.
	b) Opening and Maintenance of Hospitals and Dispensaries under ISM. (2210-04-101-1-72) (clubbed with next line)	
	c) Health Care centres of ISM. (2210-04-101-1-72) Rs. 0.10	
3	a) Drugs and Chemicals to ISM. (2210-03- 103-076) Rs.4.54	2210-03-103-0-76 - Drugs and Chemicals to AYUSH.
	b) Supply of Homeopathy Kits and ISM Drugs in rural areas. (2210-05-200-0-09) Rs.2.21	
	c) Buildings (2210-04-101-1-76) Rs. 3.13	
	d) Opening and Maintenance of Unanai Dispensaries. (2210-04-103-0-02) Rs. 0.95	
4	a) Upgradation of PHC/CHC. (4210-01-110-1-03) Rs. 28.41	The Capital works can be merged under one Head of Account. However the provision for Special Development Program (SDP) for Backward Areas to be earmarked separately.
	b) Upgradation of TQ level Hospitals (4210-01-110-1-07) Rs.29.46	
	c) Upgradation of TQ level Hospitals to 1st Referral Units. (4210-01-110-1-09) Rs. 8.91	
	d) Capital releases to PHCs. (4210-01-110-7-01) Rs. 2.01	

	e) Capital releases to CHCs. (4210-01-110-7-02) Rs. 2.01	
	f) District Hospitals, Gulbarga & Chamrajanagar. (4210-01-110-1-08) Rs. 16.00	
	g) Arogya Bhavana. (4210-01-200-1-02) Rs. 1.00	
	h) General Hospital, Indranagar, Bangalore. (4210-01-110-1-06) Rs. 5.00	
5	Telemedicine . (2210-01-110-2-40) Rs. 1.00	A Trust has been formed and hence the interest accumulated is sufficient for implementation of the programme and hence no budget is required for coming years.
6	Peripheral Cancer Centres and Trauma Care Centres . (2210-01-110-2-31) Rs. 0.12	Under this scheme Grant in Aid was given to District Cancer Control Society at Mandya and Gulbarga. Now the Mandya Cancer Control Society has been merged with Medical College Mandya coming under Medical Education and KIDWAI has withdrawn staff from Gulbarga Cancer Control Society. As such this scheme can be dropped.
7	National Guinea Worm Eradication Programme. (2210-06-101-7-06) Rs. 0.08	As there are zero cases of Guinea worm cases, this scheme can be dropped.
8	Karnataka State AIDS Prevention Society. (2210-06-101-7-15) Rs. 0.50	As sufficient funds are being received from NACO this scheme can be dropped.
9	National Programme for control of blindness. (2210-0-101-8-01)	Can be merged with Control of Blindness- 2210-06-101-8-03.
10	Incentives to SC/ST for ANMs Training Programme and School Health Services. (2210-03-800-0-06) Rs. 0.09	Can be merged with Scheme Bureau of Health Education - 2210-06-112-0-01.
11	a) National Leprosy Control Scheme. (2210-06-101-4-05) Rs. 0.40	Can be merged with Mental Health, NMEP, Cholera, FCP

	b) Voluntary Health Organizations for Leprosy Control. (2210-06-101-4-06) Rs. 0.28	and KFD -- 2210-06-101-1-06.
12	National TB control Programme. (2210-01-110-3-06) Rs. 0.16	Can be merged with Psychiatric clinics, Hospital for Epidemic diseases and TB sanitoria -- 2210-01-110-1-22.
13	National Programme for control of blindness. (2210-06-101-8-01) Rs. 2.30	Can be merged with Control of Blindness--2210-06-101-8-03.

APPENDIX-3

AGRICULTURE.

List of Schemes merged / dropped during 2009-10.

Sl. No.	Head of Account with State sector scheme	Budget 2009-10	Remarks
1	Support for dry land farmers (2401-00-103-0-18)	0.00	This scheme is discontinued.
2	Raitha Samparka Kendra (4401-00-001-1-04)	0.00	Strengthening of RSKs taken in RKVY project and no further grants were released so this scheme has been discontinued.
3	Pulse Development Programme (2401-00-196-6-04)	0.00	These three schemes are merged as ISOPOM-Oilseeds (2401-00-196-6-13)
4	Oil Seed Development Programme (2401-00-196-6-13)	1650.02	
5	Accelerated maize development Programme (2401-00-196-6-18)	0.00	