

**THE CONTINGENCY FUND OF INDIA
(AMENDMENT) BILL, 1976**

THE DEPUTY MINISTER IN THE
MINISTRY OF FINANCE (SHRIMATI
SUSHILA ROHATGI) : Sir, I beg to
move :—

“That the Bill further to amend the
Contingency Fund of India Act, 1950,
as passed by the Lok Sabha, be taken
into consideration.”

Sir, the Bill seeks to further amend the
Contingency Fund of India Act, 1950, for
the purpose of raising the corpus of the
Contingency Fund of India from Rs. 30
crores to Rs. 50 crores.

The Contingency Fund of India was
established under article 267(1) of the
Constitution in 1950 with a corpus of
15 crores of rupees to enable advances to
be made out of it for purposes of meeting
requirements of unforeseen expenditure of
Civil, Railways, Defence and Posts and
Telegraphs Departments pending authori-
sation of such expenditure by Parliament
by law under article 115 or article 116
of the Constitution. The corpus of the
Fund was raised to Rs. 30 crores in 1970.

The augmentation of the Corpus of the
Contingency Fund in 1970 followed the
recommendation of the Administrative Re-
forms Commission that the corpus of the
Fund should be enhanced to enable funds
being found for urgent schemes and projects
which could not be postponed till approval
by Parliament. Another contributory factor
was the convention then established in pur-
suance of the recommendations of the
Public Accounts Committee that additional
requirements for investments in or loans
to private institutions and certain types of
subsidies, in excess of certain limits, even
where these could be met by reappropriation
of savings, should be treated as ex-
penditure requiring specific parliamentary
approval. This necessitates recourse, in
urgent cases, to the Contingency Fund, if
adequate time to seek supplementary pro-
visions from Parliament is not available.

The corpus of the Fund was temporarily
raised to Rs. 100 crores from 9th Febru-
ary to 30th April, 1972 to meet the addi-
tional demands following the emergence
of Bangladesh.

The position was reviewed recently. The
total size of the Budget has more than
doubled since the corpus of the Contingency
Fund was raised in 1970. This, coupled
with the aforesaid convention, has led to
the need for a larger imprest with the
President, in the absence of which im-
plementation of urgent schemes will have
to be deferred until Parliamentary approv-
al is available. This will obviously
be not in the public interest. Ut-
most caution and restraint will
continue to be exercised in drawing
upon the Contingency Fund.

The Contingency Fund of India (Amend-
ment) Bill, 1976 involves a withdrawal of
Rs. 20 crores from the Consolidated Fund
of India for transfer to the Contingency
Fund of India. At this stage, however,
this transfer does not involve any real
outgo of cash.

Sir, I move.

The question was proposed.

SHRI JAGANNATH BHARDWAJ
(Himachal Pradesh) : Sir, I support the
Bill because the Lok Sabha has also passed
this and it is going to receive the assent
of the President of India. But, while sup-
porting this Bill I have to make one or
two observations.

Firstly, I am not very clear about the
urgency of the Bill at this stage. If it
were brought forward in the year 1974
or 1975 I could have well understood it
because the prices were at the peak level.
Now in 1976 when we are trying to reduce
inflation and the prices have fairly come
down, I do not see any urgency about
bringing forward this Bill. We could carry
on with the amount that was asked for
when the Act was enacted and when we
could carry on for so many years, I do
not see why it was necessary to ask for
the amount in this year. Even then, we

[Shri Jagannath Bhardwaj]
could have understood if the demand was made for Rs. 5 crores this year and Rs. 5 crores next year, but to ask for Rs. 20 crores at a time is rather understandable and I am not very much satisfied that we should make such a demand when we are making all efforts to curb inflation.

The other thing is, we are all out for austerity. If you go on taking so much money out of the Consolidated Fund of India, there is more and more tendency of spending in the offices. I have seen, in the name of 'contingency', very beautiful tables, colourful lamps, ink-pots and so many other things are purchased in offices. Sometimes you do not spend in the beginning of the year but when the year comes to a close, so many things are purchased and so much money is spent.

These are my two observations that I wanted to make. Our finances are on way to a great recovery. We have recovered a lot. When we are doing our utmost to reduce inflation and we are very much interested in austerity, we should try to save as much as possible.

With these observations, I support the Bill. It is just a formal Bill and I support it.

SHRI NABIN CHANDRA BURAGO-HAIN (Assam) : Sir, unlike my friend, Mr Bhardwaj, I am but convinced of the grounds given by the hon. Minister. From the Government side it is shown how the contingencies have arisen in the midst of the financial year.

They say the State Governments need more money for agricultural loans, for implementation of the Rural Banks scheme and for development of co-operative societies for distribution of essential goods. I think these grounds prove that there is successful implementation of our 20-point programme.

Sir, I should like to draw the attention of the House including that of the honourable Deputy Finance Minister through you, to a special situation in some of the States in India. India is a very large and populous country. India is usually vulnerable to dro-

ughts, floods and earthquakes. The north-eastern region is specially vulnerable to floods and earthquakes. Recently, the north-eastern region, including Assam, has had to face floods in successive years. This year too, Assam has had to face a difficult situation arising out of the havocs caused by the floods. According to the statistics available, the damage done by the recent floods in Assam came to about Rs. 30 crores; complete statistics are not available. As the Government agreed to the recommendation of the Sixth Finance Commission, the State is compelled to spend money out of the Plan money to salvage the damages caused by the floods. This year too, Assam is bound to spend a substantial portion of Plan money to salvage the damages done by the floods. Assam is a small State. If a substantial amount of money is spent to meet the ravages of natural calamities, then the Plan items of the State hamper too much. Assam is a very backward State and every year it is compelled to spend the Plan money to meet the ravages of natural calamities. So, I should like to draw the attention of the honourable Minister a particular situation which has arisen in Assam. If such a situation continues, I think the disparity between Assam and the other developing areas will become larger and larger. I think the Government should not yield to the recommendations of the Sixth Finance Commission in this regard and the Government should devise some plans so that the backward States like Assam which usually have to face natural calamities can be saved from having situations which are worse and worse.

With these words, I support the Bill.

SHRIMATI SUSHILA ROHATGI : I am extremely grateful to the hon. Members for their valuable suggestions and observations. The debate has been very short, they have not taken much time. But they have touched the very core of the subject. I appreciate their observations.

I would like to take the House into confidence and say that every effort is being made to see that there is economy in

expenditure; it will be our constant endeavour to see that avoidable expenditure is cut down. But the very fact is that our economy is poised for a take-off. We have now made a break-through. Today there is a buoyancy in the economic picture as a whole in the fields of both agriculture and industry. And there is a faith among the public; it is very much due to the hard work and confidence of the workers and to Government's policy. And as a result we find that the situation is much better poised for industrial development and agricultural production is going up higher. As such contingencies do arise when it is absolutely necessary and we cannot afford to postpone the expenditure because that may have bad effects upon production, upon consumption and upon the very basic factors upon which our economy is building up today Economy has to be observed, expenditure has to be contained and money supply has to be curbed. But we have also to see that production does not suffer. So it is sometimes necessary to make such expenditure out of the Contingency Fund. As a matter of fact, even at the initial stage when the Act was passed, this factor was taken into consideration, and the Contingency Fund was put at a very low ebb so that there was no unnecessary expenditure. And as I said during my speech earlier, it was only during a short period when the Bangladesh crisis arose that it was raised. Even the State Governments have Contingency Funds just as the Central Contingency Fund, sometimes even bigger than that.

I would like to say, Sir, that the economic picture would be constantly kept under vigilance; we have to see that there is no adverse effect upon our economy. One of the reasons why we have a Contingency Fund is that at the time of the Budget it is sometimes not possible to envisage every need that may arise in the future. There may be court decrees or other awards against the Government and all of a sudden we may be called upon to meet them and money is required for those purposes. Or there may be expenditure to be incurred on relief operations in national

calamities, as the hon. Member has mentioned. Of course, the Sixth Finance Commission has decided that it is mostly the responsibility of the State Government concerned to meet the expenditure along with the margin of money that may come from the Centre; and necessary advances are also made for that purpose through Central assistance.

SHRI B. N. BANERJEE (Nominated) : This Contingency Fund may be useful for providing for unforeseen expenditure like special allowances to MPs or for pensions, which are not provided for in the Budget.

SHRIMATI SUSHILA ROHATGI : I think I was discussing about natural calamity. It is a matter of great human anguish.

SHRI B. N. BANERJEE : What I mean is, certain things cannot be visualised. Therefore you cannot make provision for them in the Budget. That is what is contingency. Certain things may arise and you have to raise the Contingency Fund from the lower level to the higher.

SHRIMATI SUSHILA ROHATGI : Sir, he is a very knowledgeable person and I do not think that I have to make any comments on his remarks.

But contingencies do arise and they differ according to the nature of the situation. One of the very important things in our economy is the public sector undertakings or the sick units. We require money for them immediately. And denying money for a purpose at a particular juncture may defeat the very objective of our planning. Or there may be some expansion of the existing activities which may also require money.

Sir, in the supplementary demands which came up in the other House the other day, we find that there is a demand for advances amounting to Rs. 5,14,27,300 and they were sanctioned from the Contingency Fund of India after the last session of Parliament. These, of course, will be recouped, but the contingency did arise and this Fund met the need for which the contingency arose.

[Shrimati Sushila Rohatagi]

Now, the main reason why this corpus is sought to be increased is that last year, in October, 1975, after there was adequate rainfall, many of the State Governments naturally expected a greater consumption of fertilisers and pesticides, and there was a heavy demand for short-term loans from the various State Governments. The Ministry of Agriculture and Irrigation assessed the total additional demand for this important work at Rs. 20 crores. The Budget had already provided for Rs. 60 crores and in July, 1975 it was enhanced by Rs. 30 crores. A supplementary grant for the demand was obtained. But two advances of Rs. 5 crores each were sanctioned against this demand on the 29th October and 24th November. So we do find that for the off-take of fertilisers it was necessary. It has not only helped consumption of fertilisers, but it has also helped production of agricultural commodities. And I am very happy to say that an increase of 30 to 34 per cent has been witnessed in the off-take of fertilisers and this money has really gone to encourage increased agricultural production.

Also for the regional rural banks—this was another question that was raised—money was required immediately. A sum of Rs. 3.10 crores was required. But we find that for the regional rural banks, an advance of Rs. 1 crore was sanctioned in order to meet the immediate requirements.

Regarding the amount given to the Ministry of Industry and Civil Supplies, it was necessary for the development of co-operative. We are aware of the importance of co-operatives in our national economy today. For rushing things to the common man, for streamlining the entire distribution machinery for the essential commodities to be made available to the common man. Therefore, some money was required for this and a sum of Rs. 4.38 crores was wanted by the Civil Supplies Ministry. So a certain amount was placed at their disposal also. Then regarding the subsidy to the State Electricity Boards for the levy on aluminium, we find that there also a part of it had to be made available

out of the Contingency Fund. So when Parliament is not in session and sometimes money is required, a certain amount must be available in the Contingency Fund. Each of these instances shows that we only fall back on the Contingency Fund when it is absolutely necessary and we do it in accordance with the Act, in accordance with our Constitution. We do it only when it is fully justified by the requirements. So I can assure the hon. Members that we will not use it in any manner which will encourage inflationary trends and it will not be used unless it is warranted.

Regarding the flood situation, I think it will be taken care of and I think necessary steps must be taken in that connection. With these words, Sir, I thank the hon. Members and I do hope they will give their unanimous support. Thank you.

THE VICE-CHAIRMAN (SHRI RANBIR SINGH) : The question is :

“That the Bill further to amend the Contingency Fund of India Act, 1950, as passed by the Lok Sabha, be taken into consideration.”

The motion was adopted.

THE VICE-CHAIRMAN (SHRI RANBIR SINGH) : Now we shall take up clause-by-clause consideration of the Bill.

Clause 2 was added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRIMATI SUSHILA ROHATGI : Sir, I move :

“That the Bill be returned.”

The question was put and the motion was adopted.

THE VICE-CHAIRMAN (SHRI RANBIR SINGH) : The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at twenty minutes past five of the clock till eleven of the clock on Wednesday, the 25th August, 1976.