

Address

by Shri D.C. Gupta
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Dr. Rangarajan, Hon'ble Chairman 12th Finance Commission, *Shri Kaul*, C & AG of India, Mr. *Michael Carter*, Country Director (World Bank), *Mrs Makhan*, CGA, Distinguished participants in Seminar; Ladies and Gentlemen. It is indeed a very happy occasion that we are together here to share our cross-country experience on this subject, which is of vital importance for all the developing countries. I understand that this is for the first time such efforts have been made under the auspices and with the help of the World Bank and I congratulate the Controller General of Accounts for coming forward and taking the initiative and organizing the programme in such a nice manner.

Timely and accurate financial information is an essential input for any policy maker. In case of public funds particularly both of expenditure and revenue management side what is of importance is where is the money and how it is being spent. Now this area is becoming very complex day by day with the rising expectations and concern of the people, the legislature and the policy makers wanting to know how the funds are being spent and how the depiction of the way funds are being spent is made available to them. And it is in that direction that this Seminar, as I hope, will serve a great purpose in suggesting ways and means to bring improvement in the presentation of accounts. Unlike in the corporate world, where we have accountability of the corporate that is the management, to the shareholders or stakeholders and we have a system of presentation of accounting information against the backdrop of cost centres, profit centres and single performance indicators in terms of profit etc, this is not possible in case of public expenditure. What is expected in case of public finances is the quality of expenditure incurred and the presentation thereof.

Now in most countries, particularly in our country we are a Federal System. There are several states, who compose the Union. Most of the schemes, most of the expenditure whether it is devolving from the centre or otherwise is being spent at the grass root level in the states. So, in respect of federal countries like ours, where the state participation and their awareness of the concept of spending the money effectively that is to the targeted beneficiary groups becomes very important. This is one area which needs to be addressed specifically. The third point that I thought would be important to make is that while we present the accounting information it is important that it is presented in an understandable manner and is comprehensible so that the policy makers, the decision makers, the legislatures are able to understand it. And for this, it is necessary that we follow certain norms and standards, of course keeping in view the International norms for the purpose of ensuing parity and comprehensibility in the information, which is being presented. And for that it is

necessary, again, that the use of Information Technology tools is done effectively for transmission of information as effectively as possible. Now here, expedition is very important. The information, regarding accounts, if it is made available well in time, or most expeditiously to the decision maker, it can help reformulating policies and there by, I assure you, optimising the results of expenditure. The other point which I thought I will share with you and which perhaps might be coming for discussion is the subject in the seminar “ Accounting for Results” is with regard to the nature of and pattern of Public Expenditure in this country. Over a period of time, we have expressed concern with regard to what they call it “not very productive expenditure”. Paying the Government servant is not always unproductive but it is considered non-productive so long as it does not deliver the results. Similarly, there are other components of the expenditure like subsidies, interest payment, or debt stocks, which constitute a significant portion of the total public expenditure, and it imparts an inflexible component in public expenditure budget, which is very necessary.

What is occupying the minds of all policy makers of how to bring about a change so that greater resources are available, to be made use of for productive purposes. Recently, as *Mrs Makhan* already said, Lok Sabha has passed the Fiscal Responsibility Bill. This is going to be considered by the Upper House that is the Rajya Sabha in the next session. The Fiscal Responsibility Bill, which is to be passed, is one of the most important landmarks in the Public Finances of the Country. It makes it incumbent on the Government to report to the problem on quarterly basis certain information so that the country is kept informed of what is going to be spent on a rolling basis for three years. Also there are certain obligations on the government to reduce the fiscal deficit. Now this casts a responsibility and this has the effect backwards with regards to presentation of the income timely and in a transparent manner to the legislature.

That is why the present Seminar assumes greater importance and I hope the sharing of experiences by the participating countries here and the participation of experts in this area will throw up some ideas, which would be capable of translating into our practices of accounts. I do not want to take too much of your time. We have distinguished speakers, *Dr. Rangarajan* who is an expert in the area, *Mr Kaul*, who is the highest man in audit. Audit provides an important and feedback and that should be made use of also in presentation of accounts. I wish all the success to your deliberations. Thank you.