



Mains Practice Question

Q. Rajesh Kumar is a senior public servant, with a reputation of honesty and forthrightness, currently posted in the Finance Ministry as Head of the Budget Division. His department is presently busy in organising the budgetary support to the states, four of which are due to go to the polls within the financial year.

This year's annual budget had allotted 78300 crores for National Housing Scheme (NHS), a centrally sponsored social housing scheme for the weaker sections of society. 775 crores have been drawn for NHS till June.

The Ministry of Commerce had long been pursuing a case for setting up a Special Economic Zone (SEZ) in a southern state to boost exports. After two years of detailed discussions between the centre and state, the Union Cabinet approved the project in August. Process was initiated to acquire the necessary land.

Eighteen months ago, a leading Public Sector Unit (PSU) had projected the need for setting up a large natural gas processing plant in a northern state for the regional gas grid. The required land is already in possession of the PSU. The gas grid is an essential component of the national energy security strategy. After three rounds of global bidding the project was allotted to an MNC, M/s XYZ Hydrocarbons. The first tranche of payment to the MNC is scheduled to be made in December.

Finance Ministry was asked for a timely allocation of an additional 6000 crores for these two developmental projects. It was decided to recommend re-appropriation of this entire amount from the NHS allocation. The file was forwarded to Budget Department for their comments and further processing. On studying the case file, Rajesh Kumar realized that this re-appropriation may cause inordinate delay in the execution of NHS, a project much publicized in the rallies of senior politicians. Correspondingly, non-availability of finances would cause financial loss in the SEZ and national embarrassment due to delayed payment in an international project.

Rajesh Kumar discussed the matter with his seniors. He was conveyed that this politically sensitive situation needs to be processed immediately. Rajesh Kumar realized that diversion of funds from NHS could raise difficult questions for the government in the Parliament.

Discuss the following with reference to this case:

- a. Ethical issues involved in re-appropriation of funds from a welfare project to the developmental projects.
- b. Given the need for proper utilization of public funds, discuss the options available to Rajesh Kumar. Is resigning a worthy option? (250 words) (UPSC GS-4 Mains 2020)

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A. Ethical issues involved in re-appropriation of funds

▪ Economic Development vs. Social Justice:

- As setting up a Special Economic Zone and natural gas processing plant, economic development would help in the region's economic growth and eventually lead to the overall

development of society & people.

- Further, finances' non-availability would cause a financial loss in the SEZ and national embarrassment due to delayed payment in an international project.
- Social justice, as re-appropriation may cause inordinate delay in the execution of the National Housing Scheme and may hamper the welfare of vulnerable sections of the society.

▪ **Empathy vs. Professional Duty:**

- As a senior public servant, Rajesh Kumar's responsibility is to exhibit empathy and compassion for society's downtrodden section's upliftment and welfare.
 - Moreover, as the situation is politically sensitive, the diversion of funds from the NHS could raise difficult questions for the government in the Parliament.
- Further, Rajesh Kumar is the head of the Budget Division in the Finance Ministry. Thus, his primary responsibility is to act with an objective analysis of demand without getting influenced by the political situation.

B.

	Possible Actions	Merits		Demerits
1	Diversion of Entire Amount for Re-appropriation		<ul style="list-style-type: none"> ▪ It will help in boosting exports and help in create clean energy accessibility. ▪ It will aid the government's objective of focusing on economic development and eventually lead to a trickle-down of benefits to society. 	<ul style="list-style-type: none"> ▪ It may cause inordinate delay in the execution of the NHS and may have tremendous implications for the poorer sections of the society. ▪ The opposition may disrupt the parliament and launch an agitation. ▪ Diversion of Funds

			from welfare schemes to economic projects may become a regular practice.
2	Reject the proposal for the re-appropriation of funds.	<ul style="list-style-type: none"> ▪ It will uphold the principle of social justice and the government's commitment to helping the poorer section of society . ▪ It will also save Rajesh Kumar from the wrath of the political masters, as populist demands majorly influence their decisions. 	<ul style="list-style-type: none"> ▪ Non-availability of finances would cause a financial loss in the SEZ and may bring national embarrassment due to delayed payment in an international project . ▪ As the gas grid is an essential component of the national energy security strategy, it would have implications on energy



			availability and subsequent employment generation that the project would have provided.
3	Partial re-appropriation of Funds	<ul style="list-style-type: none"> It will help in balancing the twin goals of economic development and social justice. 	<ul style="list-style-type: none"> Partial re-appropriation of funds will require time for calculating the modalities and how much funds are to be transferred. On the contrary, due to the politically sensitive situation, funds' re-appropriation needs to be processed immediately.



Conclusion: The Final Course of Action

- Rs. 78300 crores are sanctioned for the National Housing Scheme (NHS), out of which only Rs 775

crores are spent. This means, almost the entire amount is unutilized. Even if 6000 crores (what is asked) for these two developments is re-appropriated, it will leave nearly 90% of the amount sanctioned for NHS.

- However, diversion of funds may become a slippery slope for the government to divert welfare scheme funds under the guise of economic development.
- Thus, given the long-term implications of SEZ and the associated issue of national embarrassment (if delayed), Rajesh Kumar should recommend re-appropriating funds for SEZ projects only as an exceptional measure.
- Further, he should recommend that the gas project mobilize funds from the market, which may form bonds.
- Lastly, the consideration of resigning as an option is not at all a good idea. Resigning may reflect the escapist mindset and may set a bad example for other fellow civil servants.
- Also, being a public servant, it is natural to such issues. It is also both the duty and moral responsibility to act in public service, following objective standards and without being influenced by vindictive politics.

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