



CHAPTER 3

Planning and Financial Management

3.1 Perspective Plans

At the time of its establishment, in 1978, the ICG Development Plan 1978-1990 was prepared by the Coast Guard Advisory Board indicating the long-term requirements of the ICG based on its charters of duties. In 1987, the long-term Coast Guard Plan 1978-90 was reviewed and a 15-year Perspective Plan (1985-2000) was prepared for the balanced growth of the ICG till the turn of century.

Audit noted that though the 15-year Perspective Plan for 1985-2000 was prepared in 1987, subsequent Perspective Plans, i.e. 2002-17 and 2007-22, were not formally approved by Defence Acquisition Council (DAC). Mention was made in paragraph 2.2.1.1 of the Functioning of the Aviation Arm of the Indian Navy of C&AG's Report No.7 of 2010-11 about the Long Term Perspective Plans of Indian Navy though formulated were not formally approved by the Government. The Parliamentary Committee on Defence (2006-07 and 2009-10) expressed concerns over delay in preparation and finalisation of long term plans of forces as it had a corresponding impact on their operational preparedness.

The Perspective Plan for the period 2012-2027 is under formulation by ICG (as of December 2010).

3.2 Coast Guard Development Plans

The 15-year Perspective Plan is implemented through separate Five Year Coast Guard Development Plans. Audit observed that finalisation of the Five Year Coast Guard Development Plans (ICGDP) took an inordinate amount of time with the Plans being approved much after the commencement of the relevant Plan period. The Xth Plan (2002-07), in particular, was approved only in 2005 when half the Plan period was already over. The delay in the approval of the plans by DAC is depicted in the table below:

3 Delay in approval of plans

Plan	Plan Period	Dates of submission to the Ministry	Dates of approval	Delay in approval of plans from their commencement (in months)
IX th	1997-02	September 1996	November 1998	19
X th	2002-07	April 2001	January 2005	33
XI th	2007-12 (Original) 2007-12 (Revised)	August 2006 September 2009	June 2007 ¹ May 2010	02

The XIth Plan, which was approved in June 2007 for the period 2007-12, for ₹ 7,000 crore was revised to ₹ 7,930.22 crore in May 2010 in the aftermath of 26 November 2008 (26/11) terrorist attack.

Analysis of financial and physical targets for the 5 year plan periods reveals the following:

3.2.1 Curtailment of plans

The position with regard to the individual five year plans in terms of the proposed outlay, approved provisions and actual expenditure is as under:

¹ Revised plan submitted to MOD after 26/11 in September 2009

4 Financial Details

Plan	Proposed Outlay	Approved Provisions	Actual Expenditure	Savings	(₹ in crore)
					Saving as a percentage of approved amount
IX th Plan (1997-2002)	3,277	1,850	1,733	117	6.32
X th Plan (2002-2007)	7,745	4,317	2,952	1,365	31.61
XI th Plan (2007-2012)	12,124	7,000/ 7,930 (revised in May 2010)	3229 (till March 2010)	-	-

The approved plan size for the five year plans were 44, 44 and 43 *per cent* lower than what was proposed by the ICG for the IXth, Xth and XIth plan respectively. More specifically the IXth, Xth and XIth ICGDP capital outlays as envisaged by the ICG have all been curtailed by the Ministry of Defence on the grounds that the Plans were unrealistic and unachievable. In order to make the plans achievable, the items of expenditure needed to be prioritised to accommodate within the available finances. However, this was not done.

Each plan had a large number of carry-over schemes, thus, clearly indicating a low capacity to expend allotted budgets. It was also observed that many of the proposals related to manpower and infrastructure were formulated without detailed justification. These lacunae also contributed to delay in approval of the plans by Ministry of Finance, as well as reduction in the approved plan size.

In particular, for the period under review, i.e. the Xth and XIth Plans, audit noted that:

- Though the Xth Plan proposal was submitted to Ministry in April 2001 with an outlay of ₹7,744.91 crore, Ministry asked CGHQ to redraw the plan in a realistic manner and project only those requirements which warranted high priority. ICG was also asked, *inter alia*, to intimate the progress of ongoing projects, submit the stages of processing of the proposals under the new scheme and indicate proposed force levels under patrolling and surveillance by the end of CGDP 2002-07. There was a spillover of at least ₹ 1,290 crore from CGDP 1997-2002 due to pending acquisition of ships/aircraft like PCVs, MRSA, ALH and other equipment. Thus, CGHQ, reduced the new schemes of acquisition costing ₹ 922 crore and replacement schemes costing ₹1,045 crore.

Further, revenue expenditure portion was increased to cater to increased maintenance and replacement scheme for the ageing fleet. Besides this, proposed induction of personnel was also reduced by estimated cost of ₹ 73 crore. Resultantly, the plan was finally approved two years and nine months after the commencement of plan with a revised outlay of ₹ 4,317.01 crore. In audit, it was noticed that only 29 *per cent* of the allocation was available for new schemes for increasing the force levels, whereas, 71 *per cent* of the total planned expenditure was to cover on ongoing and replacement schemes.



ICG Advanced Offshore Patrol Vessel

- With regard to the XIth Plan, both the Ministry of Defence and the Ministry of Finance curtailed the Plan due to ICG's inability to realise its targeted inductions due to over-ambitious projections. However, subsequent to 26/11 terrorist attacks, the Government felt the need for fast-track procurement of extra ships, boats, and aircraft for the ICG. A revised plan was submitted in September 2009 by CGHQ in which additional funding to the tune of ₹ 7,614.80 crore was projected for new Projects/Schemes which were to be initiated in the XIth plan period. This additional funding, included an increased allocation under capital head of ₹ 623.97 crore. However, the Ministry of Finance approved the revised plan in May 2010 without any additional capital outlay and additional outlay was approved only under revenue head to the extent of ₹ 930.22 crore. The finally approved provisions for the XIth Plan is now ₹ 7,930.22 crore

3.2.2 Inability to achieve targeted acquisitions

On the operational side, the failure to utilise capital allocations has resulted in the non-achievement of plans in terms of the physical acquisitions of ships and aircrafts during the three plan periods (1997-02, 2002-07 and 2007-12) as seen in the table below:

5 Efficacy of plans implementation

PLAN	PROCUREMENT PROCESS TO BE FINALISED	PROCUREMENT PROCESS ACTUALLY FINALISED	DELIVERIES TO BE MADE	DELIVERIES ACTUALLY MADE
	SHIPS + AIRCRAFT	SHIPS + AIRCRAFT	SHIPS + AIRCRAFT	SHIPS + AIRCRAFT
1997-02 (IX th Plan)	21 + 13	10+7	10+4	10+6 ²
2002-07(X th Plan)	61+1	26+Nil	Nil+Nil	Nil+Nil
2007-12* (X th Plan)	175+52	136+19	29+15	2+1

* Reflects position as of December 2010.

The table reflects position of assets which were not carried forward to subsequent plans.

IXth plan (1997 - 2002) - ICG was able to achieve only about 50 *per cent* of the targeted acquisitions in the IXth Plan.

Xth plan (2002-07) - Of the 61 ships/vessels planned for acquisition, the procurement action for only 26 ships/ vessels could be finalised during the plan period, i.e a mere 43 *per cent*. More importantly not a single acquisition fructified in the plan period against the planned targets. ICG acquired 12 vessels, against the contracted 26, well after the plan period, only by December 2010. The procurement action for the remaining 35 vessels was carried over to the XIth plan period (2007-12). Of these 35 vessels, only 27 vessels have been contracted for by December 2010 with eight vessels yet to be contracted.

² HAL delivered two Chetak helicopters ahead of scheduled delivery date



Fast Patrol Vessel at Sea

Audit noted that, in spite of Ministry curtailing the projected requirement, actual capital expenditure as a percentage of capital outlay ranged between 82 per cent in the IXth Plan and 53 per cent in the Xth Plan. This was due to:

- delays in finalisation of procurement process and delayed signing of contracts;
- abnormally slow progress on the part of shipyards to construct the ships; and
- neutralisation³ of requirement of spares through revenue budget, cancellation of project, expiry of validity of approvals of the procurement process, delayed supply of spares and inconclusive trials, etc.

Audit also noted that procedural delays at all levels, i.e. CGHQ, MOD and MOF, have been responsible for non-utilisation of the budget. For example,

- delayed conclusion of contract for Interceptor Boats worth ₹ 213 crore in March 2006 wherein the proposal was mooted as early as December 2001 for procurement (Complete details are given as a case study in the Annexe 1 to the Report).

³ The initial requirement of spares was met from revenue instead of capital head

- non-sanction of new schemes by the MOD. Thus, four Dornier Aircraft, five Forward Looking Infra Radar (FLIR) for Dornier and integration of ELTA Radars could not take place in the year 2007-08 and ₹ 70.47 crore had to be surrendered on this account;
- slow progress of construction of ships by shipyards. Hence, ₹ 120 crore was surrendered in 2008-09.

3.3 Annual Budget and Expenditure

The Coast Guard has been operating for over 32 years now. While the budget of the Coast Guard forms part of the grant of the Ministry of Defence, the amount provided for revenue and capital have been under the Major Head 2037 – ‘Customs (Preventative and other functions – Coast Guard Organisation)’ and 4047 – ‘Capital Outlay of Fiscal Services, Customs (Coast Guard Organisation)’ respectively.

The budgetary allocation and expenditure there-against by the ICG during the last five years is tabulated below:

6 Annual Expenditure

Financial Year	Major Heads 2037 : Revenue 4047 : Capital Outlay	Budget Provisions	Expenditure	(₹ in crore)
				Percentage of (-) savings/ (+) excess against budget provisions
2005-06	2037	325.03	351.95	(+) 8.28
	4047	500.01	422.59	(-) 15.48
2006-07	2037	430.00	366.32	(-) 14.81
	4047	645.00	338.35	(-)47.54
2007-08	2037	418.02	413.21	(-)1.15
	4047	735.61	255.38	(-)65.28
2008-09	2037	520.17	520.71	(+) 0.10
	4047	949.63	506.43	(-)46.67
2009-10	2037	604.37	621.10	(+) 2.76
	4047	1300.42	908.05	(-)30.17

The above table brings out considerable savings ranging from 15.48 to 65.28 *per cent* over the last five years under the capital head, thereby, indicating inability to spend the available provisions.

Recommendations

- *The 15 year Perspective Plans need to be formulated by ICG and approved by the Government in time so as to give clear direction towards achieving the desired force levels.*
 - *Indian Coast Guard should submit realistic and achievable projections in Annual and Five year plans. Periodical review of the progress in achievement of Plans must be undertaken jointly by the Ministry of Defence and ICG to ensure time bound acquisitions.*
 - *The Ministry of Defence may take up the matter with the Ministry of Finance, Department of Expenditure for opening of Major Heads for ICG expenditure under the Ministry of Defence.*
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