

CHAPTER V

SPECIAL RULES FOR IRRIGATION, NAVIGATION, DRAINAGE AND FLOOD CONTROL WORKS.

A. INTRODUCTORY.

367. Under Article 246 of the Constitution of India, Water Supply, Irrigation and Canals, Drainage and Flood Control Water storage and water power have been included as item 17 in list II (State list) in the 7th Schedule to the Constitution of India in respect of which, the State Legislature makes laws and subject to the provisions of entry 56 in list I of the said schedule in regard to regulation and development of Inter-State Rivers and River Valleys.

368. Large works are normally, financed from loan funds either raised by borrowing from the open market or made available by the Union Government.

EXPLANATION

According to Article 293 of the Constitution of India, the State has power to borrow money within the territory of India upon the Security of the Consolidated Fund of the State, within such limits, as may be fixed by the Legislature of the State. This power cannot be exercised, however without the consent of the Union Government, if there is still outstanding any part of a loan which has been given to the State by the Union Government or in respect of which a guarantee has been given to it by the Union Government.

369. The capital sums spent in the past by the Union Government on the construction of Irrigation, Navigation etc., works are treated as advances to the State Government, and some advances carry interest. In the light of this explanation, it will be clear, that the Union Government have a statutory responsibility in regard to and a very real interest in the major irrigation works in the various States. Subject to such rules and orders as may be issued by the Union Government, in regard to the works dealt with in this Chapter, the following rules are applicable.

**B. WORKS FOR WHICH CAPITAL AND REVENUE
ACCOUNTS ARE KEPT.****I. PRODUCTIVE AND UNPRODUCTIVE WORKS,
DEFINITIONS.**

370. Projects for Irrigation, Navigation, Drainage and Flood Control, for which Capital and Revenue Accounts are kept are of two classes: (1) Productive and (2) Unproductive—see Paragraph 333.

371. Productive Public Works are works of a remunerative character undertaken for the improvement of the country. Their first cost is usually met from borrowed money and they are expected after a certain period to yield enough revenue to meet the interest charges on the capital and the cost of working and maintenance.

372. Unproductive Public Works are those which, although not directly remunerative to the extent of productive works, are calculated to guard against a probable future expenditure in relief of the population, or which are undertaken for the general improvement of the country, or for general administrative purposes.

II. CONDITIONS RELATING TO PRODUCTIVE WORKS.

373. To admit of a new work being classed as productive the following conditions must be satisfied—

(a) There must be good reason to believe that the revenue derived from it will, within ten years after the probable date of its completion, repay the annual interest on the capital invested calculated at such rate as the State Government may fix from time to time, but in preparing a project for sanction no deduction is to be made from the total capital outlay on account of anticipated excess of revenue, over simple interest calculated at the rate for productivity mentioned above.

NOTE.—Capital invested includes (1) direct charges, (2) indirect charges and (3) all arrears of simple interest, if any, i. e., balance of total interest calculated at the rate for productivity, over total net revenue.

(b) It must be susceptible of having clear Capital and Revenue Accounts of it kept.

(c) Its classification as a productive work must be duly sanctioned by a competent authority.

III. UNPRODUCTIVE WORKS.

374. Unproductive works have been defined in paragraph 372. Ordinarily there are works undertaken for the general improvements of the country and financed from general revenues. Unproductive works may also be financed from loan funds.

IV. CLASSIFICATION.

375. The rules for determining (1) Whether a work which has been classed as productive shall continue to be so classed, and (2) whether an unproductive work may be, reclassified as productive are as follows, the percentage rates referred to being those prescribed for the time being and being subject to alteration at the discretion of the State Government.

(i) Every Irrigation, Navigation, Embankment or Drainage work for which capital accounts are kept should, until ten years after the date of the closure of its construction estimate, be classed as productive, if the net revenue anticipated from it appears likely to repay, on the expiry of that period the annual interest charges on the capital invested (including direct and indirect charges and arrears of simple interest) calculated at such rates as may be determined by the Government from time to time. Conversely, if it is not expected to yield the relevant return, it should be classed as unproductive. If, moreover, at any time during the period of construction, or within ten years of the date of the closure of its construction estimate, it becomes apparent that a work originally classed as productive will not actually be remunerative according to the criterion prescribed above, it should be transferred from the productive to the unproductive class, and similarly if it becomes obvious, during the same period, that a work sanctioned as unproductive will actually prove remunerative, the transfer of the work from the unproductive to the productive class may be effected.

(ii) Every work classified in accordance with rule (i) above will retain its classification unchanged during the eleventh, twelfth and thirteenth years after the closure of its construction estimate.

(iii) If any Irrigation, Navigation, Embankment or Drainage Work for which a capital account is kept and which is classed as productive fails, at any time, after the expiry of ten years, from the date of the closure of its construction estimate, in three successive years to yield the relevant return prescribed in rule (i) above, it should be transferred to the productive class. A work

classed as unproductive which succeeds in yielding, in three successive years, the relevant return prescribed for a productive work may, on the same principle be transferred to the productive class.

(iv) If an existing Irrigation, Navigation, Drainage and Flood Control Work be extended or improved, the criterion of productivity prescribed in rules (i) to (iii) above shall be applied for the whole system, including such extension or improvement, as if the extension or improvement has been executed simultaneously with the original work, and the date of sanction referred to in those rules for the purpose of determining the percentage to be returned by the system as a whole, shall be that of the accord to sanction to the original project. As an exception to this rule, if any extension be, owing either to its nature or magnitude, such as may reasonably be considered to be a separate project and if it be susceptible of having Clear Capital and Revenue Accounts kept of it, as distinct from those of the project as a whole, it should be treated as a separate project and in that case, conditions relating to original projects and not those relating to extensions and improvement shall be applicable. In all such cases, separate Capital and Revenue Accounts should be maintained for the extension in order to enable the productivity test to be periodically applied.

(v) Rules (i), (iii) and (iv) are, however, subject to the provision that the State Government may postpone the transfer of a work from one class to the other in cases in which it is satisfied that its success or failure is due to purely transient causes.

376. For the purposes of determining the productivity of an old work which has been developed by the Union Government, only the capital expenditure expended by that Government should be regarded as the capital at charge on which interest is chargeable.

377. The transfer of a work from the productive to unproductive category, or vice versa will affect the recording of all future transactions, in connection with it. No adjustment will be made in the general accounts in respect of past transactions but the necessary transfers will be effected by the Accountant-General in the prototype accounts of the work in question.

V. PRINCIPLES FOR DETERMINING WHAT EXPENDITURE IS CHARGEABLE TO CAPITAL AND WHAT TO REVENUE.

378. The Irrigation and Navigation works are generally of a revenue producing character. Large works being usually financed from borrowed money, it is essential to see how they are working and for this purpose a Capital and Revenue Account has to be maintained showing the total cost of construction, extensions and improvements, as well as the gross revenue and the cost of working and of maintenance.

379. The principles to be observed in deciding whether an item of expenditure should be charged to Capital or to Revenue are as follows:—

(a) Capital bears all charges for the first construction and equipment of a project, as well as charges for maintenance on sections not opened for working and charges for such subsequent additions and improvements as may be sanctioned under the rules by competent authority.

(b) Revenue bears all charges for maintenance and working expenses, which embrace all expenditure for the working and upkeep of the project, as also for replacements and for minor additions and improvements as it may be considered desirable to charge to Revenue instead of increasing to capital cost of the undertaking.

(c) In the case of renewals and replacements of existing works, if the cost really represents an increase in the capital value of the system and exceeds the cost of the original work by Rs. 3,000 the cost of the new work should be divided between Capital and Revenue, the portion debited to the latter account being the cost of the original work, which should be estimated if the actual cost is not known and the balance charged to capital. In other cases, the whole cost of the new work should be charged to Revenue. Thus, a renewal which does not represent a substantial improvement of the original work, but which is in all material essentials the same as the latter, although it may exceed the cost of the work by more than Rs. 3,000 should not be charged to Capital but to Revenue Account.

(d) When the construction estimate of a project for which a separate Capital Account is kept is closed, the expenditure on works of extensions will be charged thus,

(i) Estimates exceeding Rs. 3,000 for (1) works which are in themselves directly remunerative, such as new distributaries or works for increasing the canal discharge, and (2) works which are necessary for the full development of a Project, but which are not in themselves directly remunerative, shall be charged to the Capital Account.

(ii) Estimate amounting to Rs 3,000 or under shall be charged to the Revenue Account under extensions and improvements.

(iii) All estimates for works which are neither remunerative in themselves nor considered necessary for the development of the project shall be charged to the Revenue Account under extensions and improvements.

(e) Where outlay is of a nature under these rules does not appertain to Capital, it is not, under any circumstances and whatever its magnitude, to be charged to Capital.

(f) The following specific criteria shall be adopted for classification of certain types of expenditure as Revenue or Capital.

(i) Any Project/Scheme, consisting of a number of works costing more than Rs. 5 lakhs as a whole shall be treated as capital expenditure. If there are individual works within this project costing less than Rs. 1 lakh, these shall also be debited to the Capital Account as minor works. The classification of individual works forming part of a project will depend only on whether the project itself is debitable to Capital or Revenue and not on the outlay on the individual works. If the scheme consists only of minor works e. g. annual lumpsum provision for minor works for each department then the entire amount irrespective of the total provision shall be debitable to Revenue Account.

(ii) In respect of individual works not forming part of a Project/Scheme the cost of which exceeds Rs. 1.00 lakh the expenditure shall be debited to the Capital Account. Individual works costing below Rs. 1.00 lakh shall be treated as minor works debitable to the Revenue Account.

(iii) In respect of purchase of cement and steel by Public Works Department the practice of debit to Revenue Account or capital account depending on the final debit shall be followed.

(iv) Purchase of new machinery costing individually more than Rs. 1·00 lakh shall be debited to Capital Account. Expenditure on a new arrangement of machinery costing totally more than Rs. 5·00 lakhs although individual items may cost less than Rs. 1·00 lakh may be debited to Capital Account.

(v) Whenever machinery is replaced costing individually more than Rs. 1·00 lakh the expenditure may be debited to Capital Account while replacing the machinery if total cost of the new arrangement is more than Rs. 5·00 lakhs although individual items may cost less than Rs. 1·00 lakh the entire expenditure should be shown under Capital Account.

VI. WHEN CAPITAL AND REVENUE ACCOUNTS SHOULD BE KEPT.

380. Capital and Revenue Accounts should be kept of all new Irrigation and Navigation works, whether entirely constructed or merely remodelled and restored by Government, the estimated capital outlay on which is more than Rs. 1,00,000 inclusive of establishment and tools and plant charges, and of works costing less than Rs. 1,00,000 in case the Government specially order to the effect, provided there is good reason to anticipate that the revenue derived therefrom will more than cover the working expenses, direct and indirect.

381. If for any reason, a project of which the estimated capital outlay is over Rs. 1,00,000 is not considered to be sufficient importance to justify the maintenance of a Capital Account or if any difficulty be anticipated in ascertaining the correct revenue, it may, with the sanction of the Government, be classed as a work for which neither Capital nor Revenue Accounts are kept.

C. WORKS FOR WHICH ONLY REVENUE ACCOUNTS ARE KEPT.

382. There are no works of this class in the Tamil Nadu State.

D. WORKS FOR WHICH NEITHER CAPITAL NOR REVENUE ACCOUNTS ARE KEPT.

383. Under this "head", are grouped a large number of works, mostly, tanks, which while collectively of great importance, are individually too small to make it worthwhile to maintain separate accounts

for each work. All expenditure on such works whether on the construction of new works, extension and improvements or on repair and maintenance of existing works is booked under the head "333. Irrigation- Navigation, Drainage and Flood Control Projects". Such works cannot be classified as either productive or unproductive, in the absence of Capital and Revenue Accounts see Paragraph 370.

E. MINOR IRRIGATION WORKS IRRIGATING LESS THAN 40 HECTARES.

384. All Minor Irrigation tanks, irrigating less than 40 hectares excepting those which do not form part of a river irrigation system and those which are for special reasons kept under the control of Public Works Department and all Minor Irrigation tanks not forming part of a chain of tanks shall rest with the Panchayat Union Council concerned.

F. INVESTIGATION AND SANCTION OF NEW IRRIGATION PROJECTS.

385. *Deleted.*

386. (a) Investigation of an Irrigation Project (including famine relief work) the cost of which does not exceed Rs. 20,000 can be finalised by the Executive Engineer in consultation with the Collector concerned and the reports and estimates submitted to the competent authority for administrative approval.

(b) Reports on the preliminary investigation of any such project, the cost of which is likely to exceed Rs. 20,000 should before complete investigation is undertaken, be sent by the Executive Engineer to the Superintending Engineer, the complete investigation of any such project which is not expected to cost more than a lakh of rupees can be sanctioned by the Superintending Engineer, the complete investigation of any project of the cost of which exceeds Rs. 1.00 lakh but does not exceed two lakhs of rupees requires the sanction of the Chief Engineer (Irrigation) and the complete investigation of any project the cost of which exceeds two lakhs of rupees requires the sanction of Government

(c) All Projects likely to cost over Rs. 2,00,00 should be investigated simultaneously by the Executive Engineer, and the Collector concerned on the technical and revenue aspects respectively wherever feasible and the reports submitted to the Chief Engineer,

who in cases where he modifies the scheme, may obtain the views of the Collector on the modified scheme. Projects estimated to cost upto Rs. 1·00 lakh and requiring the sanction of the Government may be submitted to the Government by the Chief Engineer direct without reference to the Board of Revenue. Projects estimated to cost over Rs. 1·00 lakh will be submitted to the Government by the Chief Engineer through the Board of Revenue whose function will only be to go to the financial aspects and any other matter brought to notice by the Collector.

NOTE.—In all the above cases, the Collectors should particularly consider the point whether distribution of water or ryots' interests are affected by the scheme.

387. *Deleted.*

388. Superintending Engineer may deal finally with all repairs under Tank Restoration Schemes. Works of improvement nature which are calculated to raise the efficiency of the tanks by way of increasing the capacity or ayacut or both should be dealt with under the Paragraph 386 above.

G. DEBIT OF EXPENDITURE OF INVESTIGATIONS.

389. Expenditure on the investigation of a New Irrigation Project—Productive or Unproductive—should be accounted for under the Minor Head 'Other charges', under the Major Head '333. Irrigation Works—Miscellaneous Expenditure'. The other minor heads 'Establishment and Tools and Plants' are intended for record of charges of the cost of establishment and tools and plants employed on such investigation. When the Projects are, actually, taken on hand, the Accountant-General makes the necessary adjustments to transfer such expenditure to the Capital Account if such account is kept for the work.

H. PREPARATION OF PROJECTS—IRRIGATION WORKS.

I. GENERAL.

390. The preliminary investigation of a project by the Public Works Department should be limited to the collection, by inspection, preliminary field work and enquiry, of the data required for arriving at an approximate estimate of cost and at a decision whether the project is likely to be feasible and should be further investigated with a view to its eventual execution. The report on the preliminary investigation should include a general description of the