

No. 24(35)/PF-II/2012
Government of India
Ministry of Finance
Department of Expenditure
Plan Finance - II Division

North Block, New Delhi.
Dated: 29th Aug, 2014

OFFICE MEMORANDUM

Subject: Delegation of Powers for Appraisal and Approval of Public Funded Plan Schemes/Projects.

Reference is invited to this Department OM no. 1(3)/PF-II/2001 dated 1st April, 2010 regarding the guidelines for formulation, appraisal and approval of Public Funded Plan schemes/projects. The proposal for enhancing the appraisal and approval limits for **Original Cost Estimates (OCE)** and **Revised Cost Estimates (RCE)** for such schemes/projects have been under the consideration of this Department.

2. The revised delegation of powers for appraisal and approval of **Original Cost Estimates (OCE)** is as follows:

Scheme/Project Appraisal		Scheme/Project Approval	
Cost (Rs. Cr.)	Appraisal by	Cost (Rs. Cr.)	Approval by
Up to 100	The Admn. Dept. in the normal course	Up to 100	Secretary of the Admn. Dept. in consultation with Financial Adviser
> 100 & up to 500	SFC Chaired by Secretary of the Admn. Dept.	> 100 & up to 500	Minister-in-charge of the Administrative Department
> 500	EFC/PIB Chaired by Secretary (Expenditure), except departments/ projects/ schemes for which special dispensation has been notified by the Competent Authority	> 500 & up to 1000	Minister-in-charge of the Admn. Dept. and Finance Minister, except where special powers have been delegated by Ministry of Finance
		> 1000	Cabinet/ Cabinet Committee concerned with the subject, except where special thresholds have been laid down by the Cabinet/ Committee of the Cabinet

Note: 1. The financial limits as above are with reference to the **total** size of the project/scheme, which may include budgetary support, internal resources, external aid, loans and so on.

2. Composition of PIB/EFC/SFC will be as per the Delegation of Financial Power Rules. In accordance with the DFPR, Financial Advisers may refer any financial matter, or part thereof, and also seek participation of the Department of Expenditure in the SFC meetings, wherever necessary.

3. For appraisal and approval of PPP projects, separate orders issued by Department of Economic Affairs, would be applicable.

3. The revised delegation of powers for appraisal and approval of Revised Cost Estimates (RCE) is as follows:

S.No.	Limit	Appraisal and Approval Forum
A.	Increase in costs due to increase in statutory levies ¹ , exchange rate variation, and price escalation envisaged within the original approved time cycle, irrespective of the cost of the scheme/project	No appraisal. Approval by Secretary of the Admn. Dept. if absolute cost escalation is up to Rs. 100 crore, and by the Admn. Minister-in-charge if absolute cost escalation is above Rs. 100 cr.
¹ Statutory levies include State/Central taxes, including import and export duties as notified by GoI and paid by the project authorities, but exclude water, electricity charges and POL price increases.		
B. Increase in cost estimates due to reasons such as time over-run, change in scope, under-estimation, etc. (excluding cost escalation for reasons cited in A above):		
1.	Increase in costs up to 20% of the firmed up ² cost estimates	Appraisal by the Financial Adviser. Approval by Secretary of the Admn. Dept. if absolute cost escalation is up to Rs. 100 crore, and by the Admn. Minister-in-charge if absolute cost escalation is above Rs. 100 cr.
2.	Increase in costs beyond 20% of the firmed up ² cost estimates	Fresh Appraisal and Approval by the Competent Authority as per the extant delegation of powers.
² Firmed up cost estimate means a cost estimate which has gone through the full appraisal and approval process as per the extant delegation of powers.		

4. All schemes/projects which involve setting up of **new** Companies, Autonomous Bodies, Institutions/Universities, Special Purpose Vehicles, etc., would need appraisal by EFC chaired by Secretary (Expenditure), irrespective of the outlay or the nature of the Ministry/Department, and all such cases would need to be approved at the level of Cabinet / Committee of the Cabinet.

5. It has been found that many Ministries/Departments have started operating small multiple schemes, which spread resources too thinly to realise any meaningful outcomes. It is directed that henceforth:

- No **new** Scheme/Programme will be initiated without the prior "in-principle" approval in accordance with the extant procedure.
- No **new** budget line at the level of sub-head and above in the Detailed Demand for Grants will be opened without the approval of the Budget Division and the concerned Division of the Department of Expenditure in the Ministry of Finance.
- Department of Expenditure reserves the right to merge, drop or restructure any scheme or budget line through the budgetary process, after obtaining the comments of the Administrative Department.
- Financial Advisers will, before the preparation of budget every year, submit proposals to the Department of Expenditure for rationalization of existing schemes/sub-schemes to ensure efficient management of public expenditure at all times.

6. The delegation of powers for sanctioning **Pre-Investment** activities is as follows:

S. No.	Limit	Appraisal and Approval forum
1.	Up to Rs. 50 crore if budgetary support is being sought (up to Rs. 100 crore with resources of public enterprise added), subject to the availability of funds and requisite regulatory clearances as prescribed.	Appraisal by the Administrative Secretary and Approval by the Minister-in-charge.
2.	All other cases	Appraisal by EFC/PIB and Approval by the Competent Authority as per the extant delegation of powers.

Pre-Investment activities may include activities like preparation of PFRs/FRs/DPRs; undertaking surveys/investigations of all types required for the project; preliminary land acquisition for acquiring right of way or initiating work on the project site; collection of environmental data, preparation of Environment Management Plans, Forestry and Wild Life clearances; construction of access roads, minor bridges, culverts, power lines, water lines, site offices, temporary accommodation and so on; compensatory afforestation as per MoEF guidelines; and payment of NPV towards conversion of forest land for non-forest purposes.

7. While considering the appraisal and approval of public funded schemes/ projects, the Administrative Ministries/Departments may ensure the following:

- (i) Ministries should ensure that proposals considered within the delegated powers are subjected to rigorous examination in project design and delivery, and careful attention should be paid to recurring liabilities and fund availability after adjustment of the committed liabilities.
- (ii) Ministries should avoid the tendency to operate multiple small schemes without focus on meaningful outcomes. While considering proposals for continuation of on-going schemes, a careful rationalization must be done through merger and dropping of redundant schemes.
- (iii) Small value proposals should not be mooted by splitting schemes into individual schemes, like buildings, training programmes, procurement of equipment, etc., for the same autonomous body.
- (iv) While designing new schemes/programmes, the core principles to be kept in mind are economies of scale, separability of outcomes and sharing of implementation machinery. Schemes which share outcomes and implementation machinery should not be posed as independent schemes, unless the scale is so large that independent existence can be justified unambiguously.
- (v) Outcomes should be measurably defined, and adequate attention should be paid to the quality of monitoring and evaluation. Shortcomings pointed out in the evaluation reports should be addressed as quickly as possible.
- (vi) These delegated powers will continue to be governed by procedural and other instructions issued by the Government from time to time, for example, the General Economy Instructions.

8. The delegation of financial powers contained in this OM will be exercised only where necessary/requisite funds are available in the Budget and the Five Year Plan outlay as per the phasing of the scheme/project. For attached offices and autonomous bodies, year to year financing plan must be prepared to ensure adequate availability of resources over the time horizon over which the scheme/project is to be implemented. Creation of new posts should be submitted separately for approval to the Department of Expenditure.

9. This OM supercedes OM no. 1(3)/PF-II/2001 dated 1st April, 2010 and will be effective from 29.08.2014.

10. This issues with the approval of the Minister of Finance.



(Arunish Chawla)

Joint Secretary to the Government of India

Secretaries of all Ministries/Departments

All Financial Advisers

Cabinet Secretariat

Prime Minister's Office

Planning Commission