

F NO 1(3)/PF.II/2001
Ministry Of Finance
Department of Expenditure
PLAN FINANCE II DIVISION

New Delhi; 1st April 2010

OFFICE MEMORANDUM

SUBJECT: Guidelines for Formulation, Appraisal and Approval of Government Plan Funded Projects/Schemes to be made effective w.e.f. 1st April 2010

1. Government has taken a decision to increase the threshold for proposals to be placed before the Cabinet/ Cabinet Committees from Rs 150 crore to Rs 300 crore w.e.f. 1.4.2010. In accordance with this decision, the guidelines for appraisal and approval of Plan schemes are being revised. The intent is to rationalize the delegation scheme further, align it more closely with the rapidly changing economic environment, empower Ministries/Departments further for undertaking investment programmes and make the entire procedure more responsive and resilient in ensuring timely and well-informed decision making.

2. Extant guidelines on public investment/ expenditure as laid down vide OM no. 1(3)/PF-II/2001 dated November 15, 2007 as amended by OM no. 37(4)/PF-II/2003 dated June 19, 2009 will continue to be applicable with the following revisions:

FOR ORIGINAL COST ESTIMATES

2.1 Appraisal of Plan schemes/ projects: The revised delegation is as per table in Annex I.

2.2 Approval of Plan schemes/ projects: The revised delegation is as per table in Annex II.

2.3 Exceptions to the general delegation: The general delegation of powers as amended by para 2.1 and 2.2 above, does not supersede any specific powers granted to a Ministry/ Department / PSU by the Cabinet/ Cabinet Committees. The existing special dispensations to PPP projects, projects of Ministry of Defence, Department of Atomic Energy, Department of Space, scientific departments, National Highway projects of Ministry of Road Transport, Ministry of Railways,

National Rail Vikas Yojana (NRVY) to be executed by Rail Vikas Nigam Limited (RVNL), specified 45 Hydro generation projects and 29 Transmission projects. The available delegations to Navratna, Mini-Ratnas, other Profit making CPSEs and MoU signing PSUs will also continue un-altered.

2.4 PPP projects <Rs 100 crore: The revised delegation for appraisal and approval of PPP projects less than Rs 100 crore is at Annex III. For PPP projects over Rs 100 crore, DEA has framed and issued guidelines as per Notification No. 10/32/2006-Infra dated April 2, 2007 which shall continue to be valid until specifically modified.

FOR REVISED COST ESTIMATES (RCEs)

2.4 Appraisal and approval of RCEs: The revised delegation is as per table in Annex IV. The specific clarifications issued by OM no. 1(3)/PF-II/2001 dated November 15, 2007 regarding exercise of RCE delegations will continue to be valid.

2.5 Exceptions to the general delegation for RCEs: The following exceptions to the general delegations for RCEs as per para 2.4 above are as below:

- (i) **For MoRTH:** For RCE cases, the dispensation laid down in the Table at Annex III will be applicable, with the modification that the figure of Rs 300 Crore may be substituted by Rs 500 Crore, wherever it appears;
- (ii) **For MoR:** All RCE cases in excess of Rs 300 Crore, which have suffered a cost overrun in excess of 20% of the last approved cost estimate (for 1st RCE) and 5%(for 2nd and subsequent RCEs) will need to be appraised by Expanded Board of Railways (EBR) headed by Chairman, Railway Board and approved by CCI.

FOR PRE-INVESTMENT ACTIVITY

2.6 The revised delegations for sanctioning pre-investment activity are at Annex V.

3. The delegation of financial powers contained in this OM will be exercised only where necessary/requisite funds are available in the Annual Plan and the Five Year Plan outlay as per the Phasing of the Project/Scheme. The powers will continue to be governed by procedural and other instructions issued by Government from time to time, e.g., General Economy Instructions.

4. This OM will be effective from 01.04.2010.

5. The OM issues with approval of Finance Minister.

(Meena Agarwal)
Joint Secretary to Government of India.

Secretaries of all Ministries/Departments;
Financial Advisors (FAs) of all Ministries/Departments;

Copy to:

1. **Advisor (PAMD), Planning Commission;**
2. **Cabinet Secretariat (Sri Vijay Sharma, Additional Secretary);**
3. **Prime Minister's Office (Ms Vini Mahajan, Joint Secretary).**

Appraisal limits for Original Cost Estimates

Rs Cr

Limit	Appraisal forum
< 25.0	Ministry in normal course
= 25.0 & < 100.0	Standing Finance Committee (SFC)
= 100.0 & < 300.0	Expenditure Finance Committee (EFC) chaired by Secretary of Administrative Ministry/Department.
= 300.0	Public Investment Board (PIB)/Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure); projects/schemes where financial returns are quantifiable will be considered by PIB and others by EFC.

Note: 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.

Approval limits for Original Cost Estimates

Rs Cr

Limit	Approval forum
< 25.0	Secretary of Administrative Ministry/Department.
= 25.0 & < 150.0	Minister - in - Charge of Ministry/Department.
= 150.0 & < 300.0	Minister - in - Charge of Ministry/Department and Minister of Finance.
= 300.0	Cabinet/Cabinet Committees.

Note: 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.

Guidelines for PPP Projects <Rs 100 crores

Rs Cr

Type of Proposal	Financial Limits	Appraisal forum	Approval forum
All Public Private Partnership Projects of Central Ministries or Central CPSEs, statutory authorities or other entities under their administrative control	< 25.0	Ministry in normal course	Secretary of Ministry/Department
	= 25.0 and < 100.0	SFC	Minister-in-Charge

Composition of SFC will be as applicable in other cases with the additional representation of Department of Legal Affairs for vetting of concession agreements etc.

Note: 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, contribution from private sources and so on.

Procedure for RCEs

Rs Cr

S No	Limit	Appraisal and Approval forum
A. Increase in costs due to price escalations, increases in statutory levies, exchange rate variations within originally approved time frame		
1	Increase in costs where such increases are due to increase in price escalations, <u>within the originally approved time cycle</u> irrespective of cost of project/scheme	Appraisal by Planning Commission; Approval by Administrative Minister-in-Charge.
2	Increase in costs where such increases are due to increase in statutory levies ¹ and exchange rate variations <u>within the originally approved time cycle</u> irrespective of cost of project/scheme	No appraisal; Approval by Administrative Minister-in-Charge.
B. Increase in costs beyond reasons cited at A above.		
3	1. Increase in costs upto 20% of the last approved cost estimate; < 300	No appraisal; approval by concerned Ministry/Department with approval of Minister concerned.
	2. Increase beyond 20% of the last approved cost estimate, resulting in an absolute cost escalation of less than or equal to Rs 100 Crore;	Appraisal by EFC under Secretary of the Ministry/Department; Approval of Minister concerned. Composition of EFC as per standard guidelines.
	3. Increase beyond 20% of the last approved cost estimate, resulting in an absolute cost escalation of greater than Rs 100 Crore.	Appraisal by EFC under Secretary of the Ministry/Department; Approval as per extant powers of delegation. Composition of EFC as per standard guidelines.
4	1. Increase in costs upto 20% (first RCE) and 5% (second RCE) of the last approved cost estimates beyond changes at A. = 300	Appraisal by EFC under Secretary of the Ministry/Department; Approval of the Minister and Finance Minister. Composition of EFC as per standard guidelines.
	2. Increase in costs beyond 20% (first RCE) and 5% (second RCE) of the last approved cost estimates beyond changes due to three factors as mentioned above.	Appraisal by EFC/PIB under Secretary (Expenditure) and approval of Cabinet/Cabinet Committees. Composition of EFC/PIB as per standard guidelines.

Note: 1. The financial threshold of Rs 300 Crore in the revised formulation refers to the final RCE.

¹ Statutory levies include State/Central taxes, including import and export duties as notified by GoI and paid by the Project authorities, but excludes water, electricity charges and POL price increases.

Pre-Investment activity

Rs Cr

SI No	Limit	Appraisal forum
1	< 25.0, if budgetary support is being sought, <u>subject to availability of budget/plan funds and requisite regulatory/ environment clearances as prescribed.</u>	Administrative Secretary
2	< 100.0, subject to <u>requisite regulatory/ environment clearances as prescribed, establishment of viability through a preliminary feasibility report and conditions</u> (i) the project will not be financed through budgetary support; (ii) the enterprise concerned is profit making entity in the last 3 years; and, (iii) project being included in the Five Year Plan projections.	Administrative Ministry/ Department
3	All Other cases	Appraisal by Committee of PIB and approval by Competent Authority as per extant delegation of powers.

Pre-investment activities to include the following:

1. Preparation of PFRs/FRs /DPRs;
2. Undertaking surveys/investigations of all types required for the project;
3. Land acquisition for project site and right of way subject to ceilings as under:
 - a. Rs 12.5 Crore for SI No 1 in Table;
 - b. Rs 50 Crore for SI No 2 in Table;
 - c. Rs 100 Crore for SI No 3 in Table.
4. Collection of environmental data, preparation and approval of Environment Management Plans, Forestry and Wild Life clearances;
5. Construction of access roads, minor bridges, culverts, power lines, water lines, site offices, temporary accommodation and so on;
6. Compensatory afforestation as per MoEF guidelines;
7. Payment of NPV towards conversion of forest land for non-forest purposes.