

No. NHIII/P/16/79-Pt.

Dated the 31st July, 1980

Subject : Expenditure Finance Committee-Improvement in procedures to speed up investment decisions-instructions regarding upward revision of cost estimates of projects

A copy of Plan Finance Division O.M. No. F. 1 (18) PF. II/78 dated the 23rd November, 1978 and number F. 1 (8) PF. II/80 dated the 31st May, 1980 from Ministry of Finance Department of Expenditure, Plan, Finance Division are circulated herewith for guidance and necessary action.

It has been decided in consultation with the Finance Division that where any investment decision is taken on the basis of preliminary estimates, the administrative approval of the Ministry should be communicated to the State Government as soon as the approval of the EFC and Finance Minister is obtained. The technical approval and financial sanction to the detailed estimate may be issued subsequently or simultaneously on the basis of firm up cost in accordance with the instructions contained in the OMs referred to above.

Enclosure to circular No. NH III/P/16/79-PT dt. 31.7.80

O.M. No. F. 1 (18)/PF-II/78 dated the 23rd November 1978 from Ministry of Finance Department of Expenditure Plan Finance Division to All the Ministries/Departments of the Government of India etc.

Subject : Improvement in procedures to speed up investment decisions

Government have been greatly concerned over the delays in consideration and implementation of projects and while approving the revised cost estimates of a project recently, the cabinet took serious notice of the fact that the expenditure over the originally sanctioned amount had been incurred without obtaining the approval of the cabinet and that expenditure sanctions had also been issued without obtaining the approval of the appropriate authority with the result that the cabinet was faced with a fait accompli. The cabinet has directed that such a situation must not be allowed to recur in future, and that the Ministry of Finance may evolve suitable procedures for this purpose.

2. The matter has been examined in detail by the Ministry of Finance with a view to ensure speedy sanction and implementation of projects. Recently orders have been issued by the RPS vide BPE/1 (64) Adv (F) 78, dated 25th May, 1978 enhancing the delegations of powers to the public sector undertakings for sanctioning capital expenditure. The enhanced powers would enable them to sanction more projects within their own powers speedily, reducing the number of cases that would have to come up before Government for approval. The responsibility now cast on the management of the Public Sector Undertakings for project sanction and execution is all the more greater. Nominated senior officers should be made specifically responsible for the speedy sanction and implementation of the projects by affective monitoring to ensure that the projects sanctioned are implemented within the estimate and approved cost and time frame. Any lapse in this regard should be viewed seriously and suitable action taken.
3. As regards projects beyond the sanctioned powers of the Public Sector Undertakings, the following modifications in regard to the procedure for sanction of projects and their revised costs would be introduced :-
 - (i) A recent review by the PIB of revised cost estimates of certain projects has brought into sharp focus the inadequacies in the techno-economic feasibility reports based on which investment decisions are taken. It is very essential that such reports are prepared carefully covering all essential aspects so that the appraising agencies are not put to difficulty in examining and finalising their comments thereon. A reference is invited to Secretary (E)'s d.o. letter number F. 1 (13) PF-II/78 dated 14th June, 1978 to all Secretaries of Ministries/Departments on this subject.
 - (ii) The appraising agencies who are associated in the processing of investment proposal by EFC/PIB should finalise quickly their comments and communicate them to the Ministries piloting such investment proposals. For this purpose, a period of 15 days in EFC cases and one month in PIB cases from the date of receipt of the feasibility report and/or initial EFC/PIB Memo should be the maximum.

- (iii) In case the initial investment decision is not based on detailed project reports or detailed cost estimates, the concerned Ministries should ensure that these are prepared within a year of the sanction of the project. At that stage, the cost estimates should be firmed up based on detailed engineering, site investigation, concluded agreements for know-how, etc. etc. These detailed project reports of cost estimates should be prepared by the project authorities and examined by the Administrative Ministries in consultation with their Financial Advisers. A revised plan for execution and target date for completion should also be drawn up, if necessary. Such firmed up cost estimates as also revised plans and target dates for completion should be the basis for watching financial and physical progress thereafter on the project and no changes in the basic parameters and scope of the project should be permitted. If such firmed up cost estimates do not exceed by more than 20% the original amount approved through EFC/PIB, a revised expenditure sanction may be issued by the Administrative Ministries without further reference to EFC/PIB. Copies of sanctions issued in such cases should be sent to Plan Finance Division (PF-II) for record. However, if excess is beyond this limit, the cases should be brought up for approval again in the appropriate forum, EFC or PIB.
 - (iv) In case the Administrative Ministry feels that the period of one year may not be sufficient for preparation of detailed project reports/cost estimates, the time required for this purpose should be got settled when proposals are first processed through EFC/PIB.
 - (v) The Ministry concerned while bringing up a case before the EFC/PIB for consideration should clearly pin point the authority responsible for execution and implementation of the projects. The Ministry should ensure that this authority is fully accountable for preparation of detailed project/detailed cost estimates as also for the execution of the project within the cost and time frame and appropriate action taken.
 - (vi) The Ministry concerned, while processing the case through PIB, should clearly indicate the arrangements made by them for monitoring the timely implementation of the projects. The Ministry should ensure that the monitoring system is adequate and strengthened where necessary for exercising effective project control.
4. The Guidelines issued by BPE on management information system vide O.M.-number BPE/GL-003/75/I&R/16 (4) 72 dated 11th March 1975, have emphasised that Ministries should hold quarterly Performance Review Meetings. The Ministries concerned may consider whether it would be useful and advantageous to nominate a senior officer in the Ministry who would be specifically responsible for regularly monitoring the progress on the projects of the Ministries for execution within the approved cost and time frame.
 5. Ministry of Agriculture, etc. are requested to note these instructions and issue appropriate further instructions to their subordinate formations as also public sector undertakings under their administrative control for strict compliance.
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