

No. NHIII/P/16/78

Dated the 12th April, 1985

Subject : Expenditure Finance Committee/Public Investment Board procedure regarding

A copy of the Office Memorandum No. F. 1 (8) PFII/82 dated the 29th March, 1985 from the Ministry of Finance, Department of Expenditure, (Plan Finance II Division) on the subject mentioned above is circulated herewith for information and guidance.

To

All Officers and Sections in the Roads Wing.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
(PLAN FINANCE II DIVISION)

No. F. 1 (8) PFII/82

Dated the 29th March, 1985

OFFICE MEMORANDUM

Subject : Public Investment Board procedures—Introduction of two stage clearance for projects

With a view to introducing a greater degree of selectivity in the projects to be taken up for implementation, certain criteria for project selection have been stipulated in this Ministry's O.M.No. 1 (4) PFII/84 dated 23rd August, 1984. Some modifications to existing guidelines as well as some additional guidelines to the PIB procedures were also prescribed in this Ministry's O.M.No. 1 (4) PFII/84 dated 25th August, 1984 so as to ensure greater discipline in project formulation and appraisal. These measures became necessary as considerable cost and time over-runs were noticed in a number of projects under implementation. While time over-runs lead to idling of a large volume of investment thereby reducing the tempo of economic growth, the cost over-runs lead to pre-emption of resources for on-going projects leaving little for new projects.

2. An analysis of the reasons for the cost over-runs reveals that apart from escalations arising from the present system of approving projects on the basis of fixed costs, factors like substantial changes in the scope of the projects, gross under-provisioning for some items etc. are also seen to contribute in a large measure to increases in costs. This clearly underlines the need for better preparation of project reports with a greater degree of reliability in regard to the cost estimates and time schedules and also

the need for adequate funding for pre-investment activities necessary for the preparation of good feasibility reports. It has, therefore, been decided that project approvals should in future be given in two stages-proposals for preparation of feasibility reports being cleared in the first stage and investment decisions being taken at the second stage on the basis of well prepared feasibility reports.

3. Proposals for preparation of feasibility reports will be considered by a Committee of the Public Investment Board consisting of the Secretary (Expenditure) as the Chairman and the Secretary (Planning Commission) and the Secretary of the administrative Ministry concerned as Members. The Committee would examine the broad features of the proposals with a view to deciding on the desirability of preparation of detailed feasibility reports. The Committee, while clearing such proposals, would also authorise the incurring of necessary expenditure for activities like site investigations, tying up of know-how and technology, identifying the lists and sources of equipment and calling for budgetary quotations, certain amount of detailed engineering, engaging of consultants for preparation of the feasibility report etc. Where major policy decisions are seen to be involved or where the Committee anticipates that the implementation of the project would call for very large investments or where there are major linkages with the other sectors, the Committee may recommend consideration of the proposal by the Public Investment Board or seeking the approval of the Cabinet Committee on Economic Affairs.
4. In order to reduce the time taken for clearing such proposals it has been decided to dispense with consideration of such proposals at earlier stages at inter-ministerial meetings, like the pre PIB meeting. The Ministries will, while sending the proposals to Plan Finance II Division, which will provide the secretarial assistance to the Committee, simultaneously endorse copies to the various appraisal agencies as well as departments like Environment, Electronics and Economic Affairs whenever they are concerned so that the comments of these agencies and the Departments become available to the Committee in time before it meets to consider the proposal.
5. In order to ensure that only the more important proposals are brought to the Committee for its consideration it has also been decided to increase the present delegation of financial powers to administrative Ministries for sanctioning of preparation of feasibility reports. The administrative Ministries can now themselves sanction preparation of feasibility reports costing upto Rs. 20 lakhs each wherever the project cost is not expected to exceed Rs. 20 crores, subject to availability of necessary budget and plan provisions. All cases where the cost of the feasibility report exceeds Rs. 20 lakhs or where the cost of the project is more than Rs. 20 crores, would be placed before the Committee for its consideration. The present arrangements for authorising preparation of feasibility reports on a continuing basis for coal and power projects within the frame-work of the approved budget and plan provisions would, however, continue unchanged. All Ministries should keep the Committee informed of the feasibility studies authorised by them under the delegated powers, so that the inter-linkages with other sectors could be taken up by the Committee at the appropriate stage.
6. All Ministries/Departments are requested to ensure that these instructions are strictly observed. They are also requested to bring these instructions to the notice of the public sector undertakings under their control for compliance.

To

All Ministries/Departments of the Govt. of India

All Secretaries (by name) of the Govt. of India

Cabinet Secretariat

Addl. Secretary, Prime Minister's Office.

Secretary (Banking) & C.E.A., Deptt. of Economic Affairs

Secretary & D.G., B.P.E.

Additional Secretary (EF), Department of Economic Affairs

Adviser (PAD), Planning Commission

All Financial Advisers (by name)
