

No. RW/NHIII/P/16/78

Dated the 14th October, 1985

Subject : Public Investment Board Procedure.

A copy of the Coordination Section's Circular No. CDN/CMF-35/84 dated 18.9.85 enclosing therewith Office Memorandum No. 1(4)PF.II/84 dated 19.8.85 from the Ministry of Finance (Department of Expenditure) addressed to all Ministries/Departments of the Government of India on the subject mentioned above is circulated herewith for information and guidance.

Encl. to letter No. RW/NHIII/P/16/78 dt 14th Oct. 1985

No. CDM/CNF-35/84

Dated the 18th Sept, 1985

Subject : Public Investment Board Procedure.

A copy of the Ministry of Finance, Deptt. of Expenditure's O.M. No. 1(4)PF.II/84, dated 19th August, 1985 on the above subject, together with enclosure, is forwarded herewith for information/guidance and necessary action.

Copy of O.M. No. 1(4)PF.II/84 dated 19th August, 1985, from Ministry of Finance, Deptt. of Expenditure, addressed to All Ministries/Departments of the Govt. of India.

Subject : Public Investment Board procedure

In the context of large cost and time overruns witnessed by many projects and the firmed up cost estimates/revised estimates being presented to the Public Investment Board with considerable delay, the expenditure incurred having exceeded the originally sanctioned amount, the Govt. was faced with *fait accompli*. Instructions have already been issued number of times with a view to emphasise the need for greater financial discipline. An extract of the instructions issued in August, 1984 on the subject is enclosed. While considering the Revised Cost Estimates of project recently, PIB noticed that the existing instructions are not being followed by the administrative Ministries and desired that these instructions should be brought to the notice of the administrative Ministries for strict compliance. Accordingly instructions contained in the enclosure are reiterated with a request that these may be strictly adhered to :

2. One of the reasons for the late submission of the revised cost estimates to PIB was attributed to the time taken by the appraising agencies and the other administrative Ministries concerned with the project to furnish their preliminary and final comments. This aspect has been examined in this Ministry with a view to avoiding the delays in the submission of firmed up estimated/revised cost estimates to PIB and it has been decided that the pre-PIB meetings should be taken by the Financial Adviser immediately after six weeks of the circulation of the revised cost estimates to the appraising agencies. Any outstanding issues should be settled in the pre-PIB meetings and/or PIB meetings to which authorities concerned, will be invited to offer their considered views.

Extracts from the additional guidelines issued under Ministry of Finance (Expdr.) O.M. No. 1(4)/PFII/84 dated August 25, 1984 (Enclosure to O.M. No. 1(4)/PFII/84 dated 13th Aug. 1985.

Para 6 : Here the initial investment clearance is given on the basis of feasibility report and not a detailed project report, the existing instructions stipulate that the Administrative Ministry should bring to the PIB the firmed up cost estimates along with the detailed project report within a period of one year. In many cases, the firmed up cost estimates are not being brought to the PIB within the stipulated period of one year, while in few cases, the detailed project report is not being presented to the PIB at any stage. It is also noticed that where major changes are made in the scope of the project after its approval, these changes are not brought to the notice of the PIB till a very late stage, leaving the PIB with no option but to approve the revised project profile as proposed. It is necessary that in the event of major changes having to be made in the scope of the project, the proposal is brought before the PIB for its consideration at the earliest. With this end in view it is hereby reiterated that where the initial approval is based only on a feasibility report,

the Administrative Ministry concerned shall bring to the PIB the firmed up cost estimates along with the detailed project report within one year of the date of approval of the project. In those cases where it is expected that the preparation of the detailed project report would take some more time, the reasons for this should be brought to the notice of the PIB within the stipulated one year period, along with the latest cost estimates, and details of scope changes, if any, considered necessary up to that stage, and the PIB shall set a fresh date by which the firmed up cost estimates and the detailed project report are to be brought before it for its consideration. In all these cases, where large scope changes are considered necessary, the Administrative Ministry shall, to the extent possible keep the commitments to the Minimum till these have been brought to the PIB and its clearance obtained. It shall be the responsibility of the Financial Adviser of the Administrative Ministry and the Finance representative on the Board of the public sector undertaking concerned to ensure that this requirement is fulfilled and towards securing this objective they shall stop further release of funds, if the firmed up cost estimates/detailed project report are not brought before the PIB by the stipulated time.

Para 7: A number of instances of large cost over-runs have come to notice where funds in excess of the approved cost estimates have been released, before the clearance of the PIB for the revised cost estimates was sought. It shall be the responsibility of the Financial Advisor of the Administrative Ministry and Finance representative on the Board of the Public Sector undertaking concerned to ensure that the revised cost estimates are brought to the PIB for consideration before the actual expenditure exceeds the approved cost estimates and towards this end they shall ensure that funds are not released in excess of the approved cost estimates before the revised cost estimates are cleared by the PIB.