

No.RW/NH-11029/1/97-DO.I**New Delhi, dated the 12th November, 1997**

Subject: Guidelines in respect of EFC/PIB procedures and delegation of financial powers to Ministry of Surface Transport for NH Projects - regarding

Consequent upon the Cabinet Committee on Infrastructure having approved delegated powers to the Ministry of Surface Transport upto Rs. 200 crore, and in the light of the Ministry of Finance (Department of Expenditure) O.M. No. 1(5) PF II/96 dated 8th August, 1997, regarding additional guidelines in respect of EFC/PIB procedures and delegation of financial powers, the existing EFC/PIB procedures applicable to the Ministry of Surface Transport for National Highway Projects shall be as under :

1.1 ENHANCED DELEGATION OF FINANCIAL POWERS

Cost of Plan scheme	Competent Authority to approve the scheme
(a) Upto Rs. 100 crore	Ministry of Surface Transport (RW) in normal course.
(b) Beyond Rs. 100 crores and less than Rs. 200 crores	Expenditure Finance Committee of the Ministry of Surface Transport under the Chairmanship of Secretary (Surface Transport) with representatives of Planning Commission, Ministry of Finance and any other related Ministry.
(c) Rs. 200 crore and beyond but less than Rs. 500 crore	Expenditure Finance Committee chaired by Secretary (Expenditure).
(d) Rs. 500 crore and beyond	Projects/schemes where financial returns are not quantifiable will be considered by the EFC chaired by Secretary (Expenditure). Projects/schemes where returns are quantifiable will be considered by the PIB. In these cases the approval of the recommendations of the EFC would be accorded by the Minister of Ministry of Surface Transport and also the Finance Minister and CCEA approval would be necessary.

1.2 Investment proposals involving outlays of Rs. 500 crores and above would be required to be posed to the Public Investment Board but all proposals costing Rs. 200 crores and above would be posed to the CCEA.

1.3 The above powers will be exercised only where necessary/requisite funds are available in the Annual Plan and the Five Year Plan Outlay as per phasing of the project/scheme. The powers will further continue to be governed by procedural and other instructions issued by Government from time to time like general economy instructions. Ministry of Finance (Department of Expenditure) O.M. No. F.1(12)-E.II(A)/92 dated 6th November, 1992 has been superseded vide their O.M. dated 6.8.1997 mentioned in para 1.1 above. These orders will not supersede any specific relaxation granted to a Ministry/Department by the Cabinet/CCEA.

2. Costing of the Project

2.1 At present, the costing of the project is done at constant prices. It has now been decided to make it obligatory for the Department to compute the project cost both on fixed cost and completion cost basis so that IRR/ERR can be calculated for both scenarios.

2.2 The completion cost may be worked out by taking into account the average rate of inflation in the following manner :

- (i) Labour component of the project cost may be updated using the average (of 12 months) of consumer price index for industrial workers.
- (ii) For all other components of cost, except labour, the average (of 12 months) of wholesale price index for all commodities may be used.

(Ministry of Finance (Department of Expenditure) O.M. No. 1(5) PF II dated 6.8.97)

1- Partial modification in para 1.1 vide circular dated 04.01.1999

2- Superseded vide circular dated 19.07.2016

3. **Revised Cost Estimates (RCEs)**

3.1. As far as RCEs are concerned, increase in cost will be approved by Secretary (Surface Transport) if the increase is within 25% of updated cost of the project.

3.2. Where the revised/firmed up cost estimates of scheme/project exceeds the limit of competent authority who approve the original cost of all the scheme, the approval of higher competent authority will be obtained. [Ministry of Finance (Department of Expenditure) O.M. No. 1(5) PF II dated 6.8.97]

4. **Committee of PIB**

4.1. Powers for preparation of Feasibility Report is being delegated to the Ministry of Surface Transport except where the cost of the project is Rs. 500 crore or more and cost of the preparation of DPR is Rs. 20 crore or more.

4.2. To avoid delays in implementation of project it has been decided to allow initiation of procedure for land acquisition at the Committee of PIB stage. The initiation of land acquisition will be examined by the Committee on a case to case basis. It is, however, to be noted that normally any payment towards compensation etc. will be made only after CCEA approves the project. The Committee of PIB Memo should clearly indicate (i) the area of land required for acquisition and the estimated cost of land are indicated by District/State authorities (ii) The urgency for initiating land acquisition may be indicated. [Ministry of Finance (Department of Expenditure) O.M. No. 1(5) PF II dated 6.8.97]

5. **Project Viability**

In the case of projects, in which institutional financing is contemplated, the appraisal report of the financial institutions should also be submitted along with the PIB proposals so that it is available before the PIB at the time of the consideration of the proposal. In addition to calculating IRR/ERR on firmed cost, the IRR/ERR may also be calculated on the likely completion cost of the project [Ministry of Finance (Department of Expenditure) O.M. No. 1(5) PF II dated 6.8.97]

6. **Project Implementation Scheme**

Every proposal should indicate in detail the Project Implementation Schedule (PIS) giving all important milestones following the approval such as various clearances, preparation of DPR, calling and approval of tenders, major construction works, procurement and installation of plant and machinery etc. It should be certified that the PIS is consistent with the projected phasing of expenditure. The PIS programme would be part of the PIB approval. [Ministry of Finance (Department of Expenditure) O.M. No. 1(5) PF II dated 6.8.97]

7. **Project Implementation Team**

For all major projects, a project implementation team should be established and it should be held fully responsible for project execution within the approved time and cost. The team should not have any concurrent responsibility and its continuity during the project implementation period must be ensured. The PIB Memo should bring this out clearly. No project would be considered without such arrangements being clearly established. [Ministry of Finance (Department of Expenditure) O.M. No. 1 (5) PF II dated 6.8.97]

8. **Resettlement Cost**

If the project involves dislocation of human settlements, the resettlement costs should be included fully in the project cost. The resettlement Plan should also be indicated in the Project Implementation Schedule. The resettlement cost may be worked out on the following basis :-

- (i) The cost of land required to resettlement would be as indicated by the District/State Authorities.
- (ii) The compensation to be paid to the displaced persons. This compensation cost is dependent on the rates indicated by District/State authorities. Thus the total compensation cost may be worked out on the basis of these rates. [Ministry of Finance (Department of Expenditure) O.M. No. 1(5) PF II dated 6.8.97]

9. **PIB Meeting**

To ensure that the PIB considers projects in a time bound manner, the project may be considered after providing a period of 4 weeks after receipt of PIB Memo. It is reiterated that all the time limits specified in the Ministry of Finance (Department of Expenditure) O.M. No. 1(2) -PF.II/94 dated 25.4.1994 may be strictly adhered to. The Planning Commission is requested to ensure that the project appraisal is completed in a time-bound manner. [Ministry of Finance (Department of Expenditure) O.M. No. 1(5) PF II dated 6.8.97]

10. These orders will be effective from the date of issue.

11. This has the approval of the AS&FA and Secretary (SFT).
