

No. NHIII/P/16/78

Dated the 3rd June, 1978

To,

All Officers of S.E.'s rank and above/Under Secretaries/  
Desk Officers/All Sections in the Roads Wing

Subject : Submission of cases to Expenditure Finance Committee — Instructions regarding

A copy of the minutes of the meeting held on 9.5.1978 in F.A.'s Chamber, on the subject mentioned above, is circulated to all officers and sections in the Roads Wing. In pursuance of the decision taken in the meeting, all schemes (original estimates) costing more than Rs one crore are required to be submitted to Expenditure Finance Committee for approval. In this connection, a copy of the following communications, giving details of the procedure to be followed for submission of cases to Expenditure Finance Committee, is enclosed :

- (i) O.M.No.F-3(2)-E(Coord)/67, dated 1.6.1968 from the Ministry of Finance to all Ministries etc.;
- (ii) O.M.No.3(1)-E(Coord)/76, dated 15.9.1976 from Ministry of Finance to all Ministries etc.;
- (iii) Form of the Memo for expenditure Finance Committee for proposals involving expenditure in new service or new instruments of service, in terms of instructions issued by Budget Division on expansion of existing services costing over Rs one crore (non-recurring) or Rs 20 lakhs per annum(recurring), and
- (iv) Memo of instructions for filling up the EFC Proforma.

Enclosures to circular No. NHIII/P/16/78 dated 3.6.78

**DRAFT MINUTES ON DISCUSSIONS HELD ON 9.5.78 IN F.A.'s CHAMBER ON THE REQUIREMENT OF EFC APPROVAL IN RESPECT OF ROAD/BRIDGE SCHEMES COSTING MORE THAN RS 1 CRORE.**

The matter regarding necessity of E.F.C. approval to Road/Bridge Scheme costing more than Rs. one crore was discussed in a meeting held in F.A.'s chamber on 9.5.78 at 11 A.M. From the Roads Wing side, the DG(RD) & Additional Secretary/Chief Engineer, Superintending Engineer concerned and US (Budget) were present. Besides the Director (Finance), the Controller of Accounts was also present.

2. While opening the discussion, the DG(RD) and Additional Secretary explained that in the case of National Highways (Road/Bridge) schemes, a thorough examination is done by the Planning Commission, Ministry of Finance and by Transport Ministry at the stage of finalisation of the Five Year Plan/Annual Plans, at the time of finalising the list of inescapable works and at the stage of finalising budget proposals, when a complete picture is given in respect of a scheme and the investment required for it.

Historically speaking, the DG(RD) & Additional Secretary related that the necessity of E.F.C. approval in the cases of N.H. Schemes had never been emphasized in the past. The whole issue arose when in the meeting held in the Planning Commission to discuss the Central Road Scheme for 78-79, it was mentioned that in cases where the cost of a single scheme is likely to be more than Rs one crore, the approval of EFC should be obtained. The Roads Wing sought clarification in this regard suggesting that the approval of EFC should be obtained if the scheme had not already been sanctioned and provided for in the Budget Estimates. On this the Planning Commission issued a circular informing that "in case where the cost of single scheme is likely to be more than Rs one crore, the approval of EFC/PIB should be obtained if the scheme has not already been sanctioned and provided in the Budget Estimates."

3. D.G. (RD) stated that he reacted immediately in the meeting of the Planning Commission, when the above observation was made, the minutes were recorded accordingly. He further added that every Project has to be planned in a manageable, operative manner and from the point of efficiency and capacity etc. It is difficult to undertake a work on one N.H. from Delhi to Calcutta which will not only be difficult and time consuming, but also unwieldy and impracticable from the efficiency point of view. He cited Assam Highways case in which many cases have cropped up for litigation. Contractually, it is also difficult to manage a single work of considerable length. It is, therefore, necessary that the NH is divided into sections of manageable lengths for undertaking various works of strengthening, widening etc. etc.
4. At this, FA stated that he remembered a case in which a NH Project had been split up into five different works, although the scheme is one. DG(RD) stated that if this view is taken, many cases will have to be referred to EFC for approval which will require more time and consequently there will be delay in NH activity and the progress will slow down. FA desired to know as to how many schemes costing more than rupee one crore are processed by Roads Wing in a year. He further desired that the original scheme should not be split up or tampered with so as to bring it down thereby avoiding EFC approval. Replying to this, the DG(RD) stated that about two to three dozens projects schemes are referred to Roads Wing during a year which are more than rupee one crore. He further added that in no case the scheme have been split up or tampered with.
5. Concluding the discussions FA desired that schemes costing more than Rs 1 crore should be referred to EFC for approval.
6. As regards Revised Cost Estimates, FA was of the view that all cases involving excess of more than Rs. 1 crore may not be submitted to EFC, but approval of Secy (E) may be obtained on file.
7. Feasibility Report was also not felt necessary in the cases of Roads and Bridges as the question of economic viability is not involved in such projects once the inescapability of the project has been accepted by the Planning Commission.

Copy of O.M.No. F. 3 (2)-E (Coord) 67 dated 1st June, 1968 from Ministry of Finance (Department of Expenditure) to all Ministries etc.

**Sub:— Expenditure Finance Committee-Revision of Procedure.**

The undersigned is directed to refer to the Department of Expenditure O.M.No.F. 3 (1)-E (Coord) 66 dated the 23rd April 1966 on the above subject and to state that in modification of the instructions contained therein, it has been decided to revise the constitution of, and the procedure relating to, the Expenditure Finance Committee as follows :—

**I. CONSTITUTION OF THE COMMITTEE :**

- (i) Finance Secretary;
- (ii) Secretary (Expenditure)
- (iii) A representative of the administrative Ministry/Department concerned not below the rank of a Joint Secy.
- (iv) Financial Adviser concerned with the Ministry sponsoring the proposal. (He will function as the Secy. of the Committee for the particular meeting).

The meeting will be presided over by the Finance Secy. or Secretary (Expenditure) according to as the proposals concern either on them. Where the subject matter of the proposal calls for it, the Joint Secy. (Per.) in the Expenditure Department who is in charge of the Establishment Division and S.I.U., the Joint Secretary (Plan Finance) in the Expenditure Department who deals with the State Finance as also the Joint Secretary (Budget) in the Economic Affairs Department may also be invited.

**II. TYPES OF CASES TO BE REFERRED TO THE COMMITTEE.**

The following types of cases will require submission to E.F.C.

- (a) All proposals involving expenditure on a new service irrespective of the amount involved;
- (b) All proposals for expansion of existing services involving an expenditure of over Rs 50 (lakhs non-recurring and/or over Rs 10 lakhs per annum recurring).

*Note :*

- (i) Sanction of E.F.C. will be necessary even if the expenditure involved in a proposal is in the form of a loan ;
- (ii) Proposals relating to the Autonomous Bodies, (other than industrial and Commercial Projects), when received for Government's approval in accordance with the rules and regulations of the Body will also require a reference to the Committee if the expenditure involved exceeds the above limits:

- (iii) In the case of proposals relating to the industrial and Commercial Projects, in view of the separate detailed procedure laid down by the Bureau of Public Enterprise for their scrutiny and sanction, it will not be necessary to seek the approval laid down does not cover the type of proposals under consideration.

(c) Any other proposal or policy which the heads of Divisions may like to consider in the Committee.

### III. PROCEDURE :

The proposals should as usual be forwarded to their Financial Advisers by the Ministries in the revised form (vide Form 'A' at Appendix I) with 12 spare copies along with the relevant supporting documents. The E.F.C. Memo. should as far as possible be submitted over the signature of the Secretary to the Department concerned, otherwise an indication would be given that the Memo. has received the approval of the Secretary to the Department. If in the light of the nature of the scheme and the information available in the E.F.C. Memo and the relevant file, the Finance Secretary/Secretary (Expenditure) feels that no formal meeting of E.F.C. is necessary, the decisions reached on the file will be communicated to the Ministries as usual. The procedure will apply in the case of proposals referred for expenditure sanction both at the pre budget and post budget stages.

2. It will not hereafter be necessary to submit to Expenditure Finance Committee the proposals or supplementary grants for expansion of existing services involving an expenditure exceeding Rs. 20 lakhs (non-recurring or Rs 6 lakhs per annum recurring) unless the expenditure relates to new instrument of service. It will also not be necessary to submit the E.F.C. cases of supplementary grant where larger amounts than Rs 25 lakhs (non-recurring) and Rs 5 lakhs (recurring) are involved but the criteria of new service new instrument of service and expansion of existing service are not attracted. The Ministries should send such proposals to their Associate Financial Adviser in the revised form (vide Form 'B' at Appendix II to his O.M.). If, after due scrutiny, the proposals are acceptable to the F.A. concerned, he will forward the same to the Joint Secretary (Budget) in the Department of Economic Affairs for further necessary action. Any case involving special features may at the discretion of the Finance Secretary, as the case may be referred to the Joint Secretary (Budget).
3. The Ministry of Home Affairs, etc. are requested kindly to note the revised procedure indicated above and also circulate it to all concerned under them.

*COPY OF O.M. NO. 8 (I) E (COORD) 76 DATED THE 15TH SEPTEMBER 1976 FROM MINISTRY OF FINANCE DEPARTMENT OF EXPENDITURE TO ALL MINISTRIES ETC.*

Subject : Expenditure Finance Committee Revision of procedure.

The undersigned is directed to refer to the Department of Expenditure O.M. No. F. 3 (1) E (Coord) 72 dated the 18th December, 1972 and to state that it has been decided to raise the existing monetary limit beyond which reference to the EFC is necessary, from Rs 50 lakhs non-recurring and or Rs 10 lakhs per annum recurring to Rs 1 crore non-recurring and/or Rs 20 lakhs per annum recurring. For the purpose of applying the limit of Rs. 1 crore, the entire cost of the scheme upto the date of completion (both recurring and non-recurring), as defined in Rule 11 (2) of the Delegation of Financial Powers Rules, shall be taken into account. The existing practice of clearance of proposals on file where there is substantive agreement between the administrative Ministry and the Finance Ministry, shall also continue.

2. The expenditure Finance Committee will hence forth also include representatives of the Planning Commission and the Department of Economic Affairs. In addition the Chairman of the Committee also invite experts and representatives from other Ministries, as required.

*MEMORANDUM FOR EXPENDITURE FINANCE COMMITTEE FOR PROPOSALS INVOLVING EXPENDITURE IN NEW SERVICE OR NEW INSTRUMENT OF SERVICE IN TERMS OF INSTRUCTIONS ISSUED BY BUDGET DIVISION OR EXPANSION OF EXISTING SERVICE COSTING OVER RS ONE CRORE (NON RECURRING) OR OVER RS 20 LAKHS PER ANNUM (RECURRING)*

GOVERNMENT OF INDIA  
MINISTRY OF \_\_\_\_\_  
DEPTT : OF \_\_\_\_\_  
NEW DELHI, the \_\_\_\_\_

### MEMORANDUM

- I. Statement of proposal
  - a) Title of the proposal/scheme
  - b) Description of the proposal/scheme and its objects.
  - c) Justification for the proposal/scheme and what alternative have been considered.

- (d) Description of the manner in which the proposal/scheme is proposed to be implemented including mention of the agency through which the scheme will be executed.
- e) Schedule of programme and target date of completion.
2. Financial implications of the proposal
  - a) Nature of the scheme (Plan-Central or Centrally sponsored or non-plan)
  - b) Total outlay (recurring and non-recurring separately) its broad details & its year wise phasing.
  - c) i) Plan allocation, if a plan Scheme; and ii) Budget provision in the current financial year, if no budget provision exists how is the expenditure proposed to be met?
  - d) Foreign exchange component of the outlay and how it is proposed to be met.
  - e) Component of grant, loan and subsidy, if any, in the total outlay involved and their proposed terms.
  - f) Number of posts, their pay scales and the basis adopted for staffing (statement attached)
  - g) Broad details of construction works, their justification and basis of estimates (Statement attached)
  - h) Requirement of stores and equipment together with justification and costs (Statement attached)
  - i) Achievement/return expected and other economic implications, if any.
3.
  - a) Comments, if any, of the Planning Commission (For Plan scheme only)
  - b) Comments, if any, of other Ministries/Depts. which may have been consulted.
4. Supplementary information, if any.
5. Points on which decision/sanctions are required

Secy. to the Govt. of India  
 Ministry of \_\_\_\_\_  
 Department of \_\_\_\_\_

**MEMORANDUM OF INSTRUCTION FOR FILLING UP THE E.F.C. PROFORMA**

1. The proposals to be submitted to the Expenditure Finance Committee should clearly spell out the object of the scheme, manner of its implementation, financial implications, the target date for the completion of the scheme, returns expected — financial economic, etc, the views of the Planning Commission and the other Ministries etc. The proforma has been devised with the object of bringing out all the relevant information at one place to facilitate consideration of a scheme by the Committee.
2. In the case of a particular scheme, it is possible that some of the items mentioned in the proforma may not be applicable, e.g. in the case of a scheme for employment of teachers for Primary Schools which has a social objective and is not expected to yield any financial return, items 2 (d), 2 (g) 2 (h) etc. will not be applicable. Wherever any item of the proforma is not applicable, it may be so indicated.
3. If answer against any particular item is already covered or will be covered by the answer against another item, it is not necessary to repeat the answer under both the items. It will be sufficient if the answer is given under one item and reference thereto is made against the other relevant item. For instance, if the benefits arising out of a scheme are indicated in item 1(c) as part of the justification, it is not necessary to repeat the same in col. 2(1) as part of achievement/return expected.
4. In respect of col. 1(e) only the phasing of the physical programme and the targets need be given and not the phasing of the outlay on the scheme which will be covered by item 2 (h).
5. In respect of col. 2(i), it is not the intention that the achievements and returns should be indicated only in financial terms. Special or other benefits, if any, accruing from the scheme may also be indicated.
6. In the case of items of repetitive nature, reference may be given to any proposal of the same nature approved earlier by the E.F.C. In such a case, all the columns need not be filled up. Only the points relevant to the repeat programme should be indicated.
7. In respect of Plan schemes, it is expected that the approval of the Planning Commission should have already been obtained by the administrative Ministry before the proposal is sent to the Associate Finance for submission to the E.F.C. In case Planning Commission's approval has not been obtained, a special mention of this may be made against item 3(a).