

No.RW/NH-11029/1/97-DO I

Dated, the 30th April, 1997

Subject: Revised delegation of Powers for processing of cases for Feasibility Studies/DPR, Land Acquisition, Acceptance of Tender and Revised Cost Estimates

With a view to expedite sanction of works and to reduce delays, it has been decided with the approval of the Cabinet vide its meeting held on 15.1.97 and concurrence of Ministry of Finance, Department of Expenditure vide their D.O. No.24(19)/PF.II/96 dated 18th March, 1997, to increase the power of Ministry of Surface Transport to sanction estimates. Earlier guidelines issued vide their letter No. 1(6)/PF.II/91 dated August 24, 1992, No.1(8)/PF.II/93 dated October 12, 1993 and No.F.1(12)-E.II(A)/92 dated November 6, 1992, in respect of feasibility studies/DPR, approval for land acquisition and Revised Cost Estimate, therefore, stand amended as indicated in this circular. At present, as per rule 3 of the National Highways (Amendment) Rules, 1993, the Executive Agency shall forward to the Central Government for approval only the general abstract of cost in respect of the works contained in the approved annual programme of works costing upto Rs.50 lakhs for a particular year. The Executive Agency shall accord technical approval and financial sanction to the detailed estimate already prepared in advance within three months from the date of according administrative approval by the Central Government. These cases need not be referred to Finance Wing. This will remain unchanged and for works of more than Rs. 50 lakhs, the enhanced power will now be exercised as below :

### 1. FEASIBILITY STUDIES/DPR

1. Presently, as per Ministry of Finance's circular No.1(6)/PF.II/91 dated August 24, 1992, Administrative Ministry is empowered to sanction preparation of feasibility/DPR report costing upto Rs.1.0 crore, in respect of projects with cost not exceeding Rs.50.0 crores. Where the cost of feasibility/DPR exceeds Rs. 1.0 crore, or where the cost of the project exceeds Rs.50.0 crores, approval of CCEA/PIB is required. **To avoid delay in getting the approval of CCEA/PIB the proposal for Feasibility Studies/DPR in respect of improvement/upgradation of existing National Highways can now be approved by the Secretary, Ministry of Surface Transport with the concurrence of integrated finance subject to overall annual budgetary ceiling.**

The delegated power for technical approval of the same is as under :

COST OF FEASIBILITY/DPR	COMPETENT AUTHORITY TO APPROVE THE SCHEME
(a) Upto Rs.50 lakhs	Executive Engineer
(b) More than Rs.50 lakhs upto Rs. 1.0 crores	Superintending Engineer
(c) More than Rs.1.0 crore upto Rs. 3.0 crores	Chief Engineer
(d) More than Rs.3 crore upto 10 crore	ADG
(e) More than Rs.10 crore and above	DG(RD) & AS

### 2. ESTIMATE FOR LAND ACQUISITION

- 2.1. As per Ministry of Finance's letter No.F.1(12)-E.II(A)/92 dated 6th November, 1992, present practice for approving the land acquisition estimate is as under :

COST OF PLAN SCHEME INCLUDING COST OF LAND ACQUISITION	COMPETENT AUTHORITY TO APPROVE THE SCHEME
(a) Upto Rs. 50 lakhs	Ministry/Department concerned, in normal course.

(b)	Beyond Rs.50 lakhs and less than Rs. 5 crores	Ministry/Department with the concurrence of Integrated Finance
(c)	Rs. 5 crores and beyond but less than Rs. 20 crore	Expenditure Finance Committee chaired by the Secretary of the concerned administrative Ministry/Department. Proposals which have a staffing component of more than 10 of the total outlay will be outside the delegated power of the Ministry/Department and are required to be referred to the IFA concerned for clearance on behalf of Ministry of Finance who will obtain orders of Secretary (Expenditure)/Finance Secretary.
(d)	Rs. 20 crores and beyond but less than Rs. 50 crores (including schemes involving outlays of Rs.20 crores and above where returns are not quantifiable)	Expenditure Finance Committee chaired by Secretary (Expenditure). In these cases, the approval of the recommendations of the EFC would be accorded by the Minister of Administrative Ministry and also the Finance Minister.
(e)	Rs. 50 crores and beyond	These proposals would be required to be referred to Public Investment Board/Cabinet Committee on Economic Affairs.

For projects, costing more than Rs. 20 crores including cost of land, approval of EFC/PIB/CCEA inevitably takes time. To avoid this delay, it has now been decided by the Ministry of Finance vide their above mentioned letter that approval for land acquisition estimates, for projects upto Rs.100 crores including cost of land will be accorded by the Minister for Surface Transport with the concurrence of the Finance Minister without processing through EFC/CCFA/PIB.

Delegated power for technical sanction shall be same as brought out in para 1.1 above.

### 3. ACCEPTANCE OF TENDERS

3.1. Presently, where the cost of project is based on the tender exceeds the updated cost of the project by more than 15%, depending upon the delegated power a fresh approval of EFC/PIB/CCEA is required before the contract is awarded. This often leads to delay in the award of contracts, resulting in time and cost over runs. To minimise such delays, Ministry of Finance vide their letter mentioned in opening para has now increased the power of Administrative Ministry. The Secretary, Ministry of Surface Transport is now authorised to decide the award of contract for works with the concurrence of the Integrated Finance subject to the condition that the cost of the project based on tender and the lowest evaluated bid is within 25% of the updated cost of the project, including (a) increase in cost attributable to (i) exchange rate variation, (ii) statutory levies and (iii) price escalation (based on price indices), within the approved project time cycle (b) consequential increase in cost, if any, on account of factor such as (i) interest rate during construction, (ii) working capital margin, (iii) financing cost and (iv) contingencies and (c) a further increase upto 5% of the originally approved cost estimate.

3.2. For work costing less than Rs. 5 crores the present delegated powers of State Governments/State Chief Engineers, as contained in para 2 of Ministry Circular No.NH.III/P/25/78 dated 5th July, 1985, i.e. "State Governments/State Chief Engineers can accept tenders themselves if the excess over the sanctioned estimate does not go beyond the value determined on the basis of current schedule of rates by 15% subject to the condition that there is no material deviation from the approved designs/or specification for the work in which latter case, however, prior approval of the Government of India is necessary", remains unchanged.

### 4. REVISED COST ESTIMATE FOR FC/PIB/CCEA

#### 4.1. WITHIN PROJECT TIME CYCLE (PTC)

Presently, Ministry of Surface Transport, in consultation with Planning Commission, is empowered to sanction the Revised Cost Estimate amounting to Rs. 5 crores and above within the approved Project Time Cycle (PTC) in respect of the following conditions as brought out in Ministry of Finance letter No. 1(8)/PF II/93 dated 12th October, 1993.

- (A) Increase in cost attributable to (i) exchange rate variations, (ii) statutory levies, and (iii) price escalation (based on price indices); etc.

- (B) Consequential increase in cost, if any, on account of factors such as (i) interest during construction, (ii) working capital margin, (iii) financing cost; and (iv) contingencies; and
- (C) A further increase upto 5% of the originally approved cost estimates.

In respect of second and subsequent revised cost estimates, the increase in cost due to factor mentioned in above para can be sanctioned by the Administrative Ministry in consultation with Planning Commission with the modification that an increase upto 3% of the latest approved cost (In place of 5% for the original cost indicated at para (C) above) shall only be allowed. As the project time cycle is often extended due to various reasons such as employer not being able to fulfil his obligations in the contract, force majeure or on account of any situation beyond the control of either party in such cases processing of cases for approval of EFC/PIB/CCEA further delay the project implementation. In order to reduce the delay in the approval of RCE, the Ministry of Surface Transport with the concurrence of the Finance Minister is now empowered, vide MOF letter mentioned in opening para to approve the RCE amounting to Rs. 5 crores and above even outside the project time cycle in consultation with the Planning Commission and with the concurrence of the F.M. in respect of the conditions brought out in para 4.1(A), 4.1(B) and 4.1(C) above.

#### 4.2. **REVISED COST ESTIMATE COSTING LESS THAN Rs.5.0 CRORES**

Permissible limit, as brought out in Ministry's circular No. PL-30(110)/74 dated 2.2.1976, for admitting excess expenditure over sanctioned estimate without a revised estimate in respect of National-Highway (Original) works upto 15% of the sanctioned estimate or Rs.1 crore, whichever is less subject to the condition that excess is caused by routine factors such as increase in cost of labour or material during the period and not to the revision in the scope or enlargement of the work or of the specification already approved remains unchanged.

Revised Cost Estimate not covered under para 4.1, 4.2 and 4.3 above, shall be financially sanctioned by the competent authority under their delegated power as brought out in para 2 above.

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