Compendium of Important Orders/Circulars regarding formulation, appraisal and approval of Plan schemes/projects

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COMPENDIUM OF IMPORTANT ORDERS/CIRCULARS REGARDING FORMULATION, APPRAISAL AND APPROVAL OF GOVERNMENT FUNDED PLAN SCHMES/PROJECTS

SECTION-1 –Broad Framework

1. Guidelines for Formulation, Appraisal and Approval of Government funded Plan schemes/projects

Rigorous project formulation and appraisal have a major bearing on the relevance and impact of projects as well as on their timely implementation. Indifferent quality of project formulation and appraisal are major factors which contribute to bottlenecks at the implementation stage and consequential time and cost over-runs. Failure to identify constraints in the availability of land, inadequate environmental impact analysis and lack of consultation with stakeholders at the time of project formulation can retard the implementation and impact of the project at a later stage. Additional time and effort spent at the project formulation and appraisal stage would be time well-spent and result in qualitative improvement in terms of ultimate project impact.

2. The following guidelines are laid down for formulation and appraisal of Government funded plan schemes/projects, covering all sectors and Departments:

(i) Project identification: Feasibility report: The project preparation should commence with the preparation of a Feasibility Report (FR) by the Administrative Ministry. The project will be considered for 'in-principle' approval by the Planning Commission for inclusion in the Plan based on the FR. The FR should focus on analysis of the existing situation, nature and magnitude of the problems to be addressed, need and justification for the project in the context of national priorities, alternative strategies, initial environmental and social impact analysis, preliminary site investigations, stake holder commitment and risk factors. The FR should establish whether the project is conceptually sound and feasible and enable a decision to be taken regarding inclusion in the Plan and preparation of a DPR. The FR should present a rough estimate of the project cost. Consultation with stakeholders should be held to ensure involvement of stakeholders in the project concept and design. The Financial Adviser should be involved in this exercise.

(ii) In- principle approval of Planning Commission: The Administrative Ministry should send the FR to the Planning Commission for 'in-principle' approval, to enable the project/scheme to be included in the Plan of the Ministry/Department.

(iii) Preparation of DPR: The Administrative Ministry should prepare the DPR for the project/scheme after obtaining 'in-principle' approval of the Planning Commission. The various stakeholders in the project should continue to be associated while preparing the DPR. The services of Experts/professional bodies may be hired for preparation of the DPR, if considered necessary. The Financial Adviser should also be associated. The DPR must address all issues related to the justification, financing and implementation of the project/scheme. A generic structure of the DPR is at Sl.65 (Section 9). The Terms of Reference (TOR) for preparation of the DPR should cover all aspects of the generic DPR structure. In addition, sector/project specific aspects should be incorporated in the TOR as required. The requirements of the EFC/PIB format may also be kept in view.

(iv) Inter-Ministerial consultations: The final DPR should be circulated along with draft EFC/PIB Memo to the Department of Expenditure, Planning Commission and any other concerned Ministries for seeking comments before official level appraisal. Techno economic clearance should also be obtained from agencies like CEA and CWC wherever required. Thereafter, the EFC/PIB memo alongwith appraisal note/comments of the relevant Ministries and Planning Commission should be placed before EFC/PIB for consideration.

(v) Time frame : The time frame for the appraisal of projects under the project cycle is at Chapter 3. A time period of 16 weeks is prescribed for appraisal of projects (excluding the time taken for preparation of DPR). Earlier instructions contained in OM No. 1(2)/PF.II/94, dated 18.04.1994 stand modified accordingly.

(vi) Applicability: These guidelines will apply to ALL plan schemes/projects, including social sector schemes/projects, costing Rs.50 crores and above over a 5 year Plan period. In sectors where a number of sub-projects are taken up under a scheme, this limit will apply to the umbrella project under which the sub-projects are included. In respect of Plan schemes and projects which continue from one Plan period to another, the requirement for preparation of FR/DPR and observing EFC/PIB procedures will be regulated by instructions contained in OM No.1(3)/PF.II/2001 dated 10th May, 2002 and 10th July, 2002 (Chapter 12).

(vii) Instructions regarding expenditure on pre-investment activities are contained in Department of Expenditure OM No.1(3)/PF.II/2001 dated 18th Feb., 2002 (Chapter 16). It may be noted that expenditure on preparation of FR/DPR for social sector projects/schemes is likely to be much lower than for commercially viable projects in the infrastructure sectors.

(viii) Guidelines regarding preparation of FR/DPR in para 2(i)-2(iii) will also apply to Railway projects which are required to be placed before the Expanded Board for Railways.

3. **Delegation of powers for project appraisal and approval**: The delegation of powers for project appraisal and approval as well as for revised cost estimates has been prescribed vide Department of Expenditure's O.M. No.1(3)/PF.II/2001 dated 18.2.2002 (Chapters 9, 10, 11 and 21). The level of delegation will be reviewed at the end of each Five Year Plan period, or earlier if required.

4. Identical process for public sector projects requiring budgetary support or entailing contingent liability on Government: The process for seeking approval would be identical both for new public sector projects requiring budgetary support, as well as those entailing contingent liability on Government.

5. **Evaluation**: Evaluation arrangements for the project, whether concurrent, mid-term and/or post-project, should be spelt out in the DPR. It may be noted that continuation of projects/schemes from one Plan period to another will not be permissible without an independent, in depth evaluation. Evaluation work may be outsourced to

reputed institutions, if required. It may be noted that Planning Commission and Ministry of Statistics and Programme Implementation have an ongoing programme for evaluation. Duplication with these evaluations may be avoided.

6. **Capacity Building**: DO&PT has been separately requested to provide a special thrust on building skills for project formulation and appraisal under ongoing efforts for human resource development. These efforts should be dovetailed with efforts of administrative Ministries.

7. **Time and cost overrun**: An accountability mechanism is laid down in the Planning Commission's D.O. No.O-14015/2/98-PAMD dated August 19, 1998 addressed to Secretaries of all Departments/Ministries in respect of time and cost overrun (Chapter 23). This mechanism should be enforced strictly.

8. These guidelines will not supercede any specific dispensation approved for a Ministry/Department by the Cabinet/CCEA.

9. These guidelines shall come into force from July 1, 2003. No projects/schemes to which these guidelines apply shall be considered for appraisal/approval without FR/DPR with effect from July 1, 2003.

O.M. No.1(2)-PF.II/03 dt. 7th May, 2003.

2. Departments /Ministries exempted from the PIB Procedure

Investment proposals of the Ministry of Defence, Department of Atomic Energy and Department of Space are outside the purview of the Expenditure Finance Committee/Public Investment Board.

Proposals considered by the Commission of Additional Sources of Energy (CASE) are also outside the purview of the EFC/PIB

U.O.No.33(2)/PF.II/81 dt. Oct. 16, 1981.

3. Time frame for appraisal and approval of projects/schemes

The project cycle commences with the submission of the Feasibility Report (FR) to the Planning Commission by the Administrative Ministry/Department.

(i)	Decision on "in principle" approval based on FR	4 weeks
(ii)	Preparation of DPR by Administrative Ministry/Deptt. and circulating the same alongwith draft EFC/PIB Memo.	The time limit will vary from project to project. The time limit for preparation of the DPR should be stipulated by the competent authority while according approval for preparation of the DPR.
(iii)	Comments to be offered on DPR and draft EFC/PIB memo by Planning Commission and concerned Ministries/Agencies.	6 weeks
(iv)	Preparation of final EFC/PIB Memo based on DPR and comments received, and circulating the same to Planning Commission, Department of Expenditure and other concerned Ministries/Agencies	1 week
(v)	Convening EFC/PIB meeting after receiving final EFC/PIB Memo	4 weeks
(vi)	Issue of minutes of EFC/PIB	1 week
(vii)	Submission for Approval of Administrative Minister and Finance Minister (for projects of Rs. 50 crores and above but less than Rs. 100 crores)	2 weeks
(viii)	Submission for Approval of Cabinet/CCEA (for projects of Rs. 100 crores and above)	4 weeks

O.M.No.1(2)-PF.II/03, dt. 7th May, 2003.

<u>SECTION - 2 – INSTITUTIONAL STRUCTURE</u>

4. Standing Finance Committee

The composition of the SFC is as follows:

Secretary of the Administrative Ministry	Chairman
Financial Adviser	Member
JS/Director of the concerned Division	Member

Representatives of the Planning Commission, D/o Expenditure and any other Department that Secretary or Financial Adviser may suggest can also be invited, if required.

<u>O.M.No.F.1(17)-E.II(A)/86 dt. July 30, 1987.</u>
<u>1(3)/PF.II/2001 dt. 18.02.2002</u>

5. Expenditure Finance Committee (EFC):-

The composition of EFC is as follows:

(a) <u>Projects/Schemes costing Rs.25 crores and above but less than Rs. 100 crores :-</u>

(i) Secretary of the administrative Ministry/Deptt. – Chairman.
(ii) Secretary (Planning Commission) or his representative – Member.
(iii) Secretary (Expenditure) or his representative – Member.

(b) Proposals/Schemes costing Rs.100 crores and above but less than Rs.200 crores, and all proposals/schemes involving outlays of Rs.200 crores and above where returns are not quantifiable :-

(i) Secretary (Expenditure) - Chairman.

(ii)	Secretary (Planning Commission) or his representative	- Member.
(iii)	Secretary of the administrative Ministry/Dept.	- Member.
(iv)	Additional Secretary (Budget), DEA	- Permanent Invitee.

Financial Adviser of the administrative Ministry/Department is the Member Secretary of the EFC chaired by Administrative Secretary and Secretary of the Committee chaired by Secretary (E).

O.M.No.1(27)/E.II(A)/97, dt.2.9.98

O.M.No.1(3)/PF.II/98, dt. 5.9.98

O.M.No.1(3)/PF II/2001, dt. 18.2.2002

6. Public Investment Board

In accordance with the procedure in vogue till 1972, scrutinising proposals for investment in the public sector distinguished three stages of investment scrutiny viz., project formulation, feasibility study and detailed project report. Series of meeting used to take place at different levels in the administrative Ministry, the Ministry of Finance, Planning Commission etc., to discuss and process these investment proposals.

2. In order to remove the various short-comings observed in following the above procedure, the Central Government decided to set up a Public Investment Board in 1972 with the following functions:-

(a) Examination of the broad contours of an investment proposal in the project formulation stage based on which a decision to prepare the Feasibility Report would be taken;

(b) Taking investment decision on proposals for public investment to produce goods and to provide services;

(c) Consideration of proposals for revision of cost estimates which exceed those approved at the time of investment decision.

3. The composition of PIB is as follows:

Secretary (Expenditure), Ministry of Finance.	Chairman
Secretary (Dept. of Economic Affairs) Ministry of Finance.	Member
Secretary, Planning Commission.	Member
Secretary, Deptt. of Public Enterprises.	Member
Secretary, Min. of Programme Implementation.	Member
Secretary, Min. of Environment & Forests.	Member
Secretary of the Administrative Ministry concerned with the Public Investment proposal.	Member
Secretary, Min. of Social Justice & Empowerment.	Invitee
Secretary, Ministry of Agriculture	Invitee (for Fertilizer projects)
Chairman, Central Electricity Authority	Invitee (for all Power projects)
Chairman, Central Water Commission	Invitee (for all Hydel projects)

Joint Secretary(PF.II), Department of Expenditure, functions as the Secretary to the Public Investment Board.

O.M.No.26(6)/PF.II/70 dt. Sept 30, 1972.
O.M.No.1(6)/PF.II/82, dt. Dec. 11, 1991.
O.M.No.1(3)/PF.II/98, dt. May 31, 1999.

7. Committee of the Public Investment Board (CPIB)

The composition of CPIB is as follows:

Secretary (Expenditure)	Chairman
Secretary (Planning Commission)	Member

Secretary (Administrative Ministry/Deptt.) Member

The secretarial assistance to the Committee is provided by the PF-II Division of Department of Expenditure. The Committee of PIB examines 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, also authorizes 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. (Also refer Sl.18).

O.M.No.1(8)/PF.II/82, dt. 29th March, 1985.

SECTION 3 – DELEGATION OF FINANCIAL POWERS

8. Appraisal Forum

	Financial limits of Plan scheme/project	Appraisal Forum
(a)	Upto Rs.5.00 crores	Administrative Ministry/Department.
(b)	Above Rs.5.00 crores but less than Rs.25 crores.	Standing Finance Committee
(c)	Rs.25 crores and above but less than Rs.100 crores.	Expenditure Finance Committee chaired by the Secretary of the Administrative Ministry/ Department.
(d)	Rs.100 crores and above but less than Rs.200 crores.	Expenditure Finance Committee chaired by Secretary (Expenditure).
(e)	Rs.200 crores 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.
(f)	Proposal involving setting up of new Autonomous Organizations (regardless of the outlay).	EFC chaired by Secretary (Expenditure).

The SFC/EFC/PIB is an appraisal forum for any scheme/project. The recommendations of the forum require approval of the competent authority for expenditure sanction.

O.M.No.1(3)/PF.II/2001, dt.18.2.2002

9. Approval Authority

	Original Cost Estimates	Approval Authority
1.	Upto Rs.5.00 crores	Secretary of the Ministry/Deptt.
2.	Rs.5 crores and above but less than Rs.50 crores	Minister-in-charge of Administrative Ministry.
3.	Rs.50 crores and above but less than Rs.100	Minister-in-charge of

	crores	Administrative Ministry and Finance Minister.
4.	Rs.100 crores and above	Cabinet/CCEA
5.	Proposal for new autonomous organizations irrespective of outlays	Cabinet/CCEA

O.M.No.1(3)/PF.II/2001, dt. 18.2.2002

O.M.No.1(3)/PF.II/2001, dt. 13.5.2002

10. Special dispensations/provisions, including Road and Rail Projects

(i) The delegation of powers does not supersede any specific powers granted to a Ministry/Department/PSU by the Cabinet/CCEA.

(ii) In respect of Scientific Ministries/Departments, the appraisal forum (EFC) is chaired by the Secretary of the administrative Ministry, irrespective of outlay for the Scheme. The recommendations of EFC, however, require approval of the competent authority as at Sl.9 above.

(iii) Navratna/Miniratna PSUs have been delegated enhanced powers for taking investment decisions as per guidelines issued by D/o Public Enterprises. (Sl.15-17).

(iv) Specific approval of D/o Expenditure for creation of new posts is necessary, irrespective of EFC/PIB recommendations.

(v) Pre-PIB process in respect of projects with outlay upto Rs.500 crores has been dispensed with and these proposals will be considered by PIB directly. (Sl.31).

(vi) The powers for appraisal/approval of projects/schemes will be exercised only where funds are available in the Five Year Plan and Annual Plan as per phasing of the project/scheme. The powers will continue to be governed by procedural and other instructions issued by Government from time to time like general economy instructions.

(vii) For appraisal and approval of original cost estimates for National Highway Projects of Ministry of Road Transport and Highways, the appraisal forum and authority for approval is as follows:

(a) Appraisal Forum

Cost of Plan Scheme/Project	Appraisal Forum
Beyond Rs.15 crore but less than Rs.200 crore	Departmental EFC chaired by Secretary (Road Transport and Highways)
Rs.200 crore and beyond but less than Rs.500 crore	EFC chaired by Secretary (Expenditure)
Beyond Rs.500 crore	PIB chaired by Secretary (Expenditure)

(b) Authority for Approval

Cost of Schemes/Projects	Approving Authority
Up to Rs.15 crore	Ministry of Road Transport and Highways in normal course
Beyond Rs.15 crore but less than Rs.200 crore	Minister (Road Transport and Highways)
Beyond Rs.200 crore but less than Rs.500 crore	Minister-in-charge and Finance Minister
Beyond Rs.500 crore	Cabinet/CCEA

MOST's Circular No.RW/NH-11029/2/97-D.I, dt.4.1.99
Deptt of Exp. U.O.No.24(16)/PF.II/2000, dt.31.7.02

(viii) Projects of Ministry of Railways costing less than Rs.100 crore need concurrence of Planning Commission and approval of Minister for Railways. For taking investment decision for clearing projects costing Rs.100 crore and above, the Government has set up an Expanded Board for Railways with the following composition:

1. Chairman, Railway Board - Chairman
2. Financial Commissioner (Rlys) - Member
3. All Members of the Railway Board - Member
4. Secretary (Expenditure), M/o Finance - Member

5. Secretary (Programme Implementation), - Member
Ministry of Statistics & Programme Implementation
6. Secretary, Planning Commission - Member

The Expanded Board shall consider all proposals of project type investment of Railways of Rs.100 crore and above such as New lines, Gauge Conversions, Railway Electrification, major Workshop expansion, setting up or expanding new factories, Doubling, Metropolitan Railway Projects, Computerization, Traffic Facilities, Signaling and Telecommunications and projects of Public Sector Undertakings (PSUs) under the administrative jurisdiction of the Railways. The projects would be referred to Cabinet Committee on Economic Affairs (CCEA) for approval with the recommendations of the Expanded Board after appraisal by Planning Commission.

Ministry of Railways Resolution No.93/PL/1/11/CCEA, dt.7.1.97
DOC.No.CD-526/98, dated Dec. 1, 1998
O.M.No.1(3)/PF.II/01, dt. 18.2.02
O.M. No.1(26)/E.II(A)/02, dt. 21.12.2002.
Ministry of Railways O.M.No.93/PL/1/11/CCEA, dt. 30.4.03
Ministry of Railways O.M.No.99/PL/22/7, dt. 19.1.04

11. Fresh appraisal/approval for continuation of ongoing schemes from 9th Plan to 10th Plan

For continuation of schemes from 9th Plan to 10th Plan, schemes falling under the following categories require appraisal and approval in terms of O.M.No.1(3)/PF.II/2001 dt.18.2.2002 (Sl.8 and 9) of Department of Expenditure:-

(i) Schemes requiring modification as suggested by the Planning Commission (following the zero based budgeting exercise) or as proposed by the administrative Department.

(ii) Merger of schemes with modifications in basic parameters of the constituent schemes.

For schemes not falling under the above categories, fresh consideration by the EFC will not be required for continuation of the schemes from 9th Plan to 10th Plan provided all the following conditions are fulfilled:-

(a) No major change in the content or parameters of the scheme is proposed.

(b) No change in the pattern of assistance to the States, in the case of a Centrally Sponsored Scheme, is envisaged.

(c) The projected requirement of funds for implementing the scheme over the Plan period is within the outlay approved by the Planning Commission.

(d) The Planning Commission (following the zero based budgeting exercise) has not proposed modification/weeding out of the Scheme.

(e) While approving the scheme for implementation during 9th Plan, the competent authority (CCEA etc.) should not have specifically decided to terminate the scheme at the end of 9th Plan.

Where these conditions are met, the administrative Ministry can approve the continuance of the scheme for the Tenth Plan period. The Financial Adviser of the concerned Ministry should ensure that the above conditions are met in all cases which are continued without fresh consideration.

Further, Administrative Ministries/Departments are to ensure that before approving the continuation of the schemes in the 10th Plan as above, the schemes are subjected to rigorous scrutiny within the Ministry, inter-alia, with regard to the following:-

(i) Evaluation of the performance in the 9th Plan.

(ii) Need for improvements.

(iii) Phasing of Expenditure in the 10th Plan for each component of the scheme.

(iv) Setting of physical and financial milestones/targets for the 10th Plan for each component.

The Financial Adviser of the concerned Ministry shall invariably be involved with such scrutiny. They would ensure that the schemes are scrutinized as above before approving the same for continuation in the 10th Plan. While the Administrative Ministry is free to evolve an appropriate format for such scrutiny, it may be advisable to use the existing EFC format for this purpose.

O.M.No.1(3)/PF-II/2001, dt. 10th May, 2002.

O.M.No.1(3)/PF.II/2001, dt. 10th July, 2002.

12. Equity/Loan support to PSUs in the 10th Plan

Equity/loan support, being an investment decision by Government, needs to be appraised and approved by the competent authority as per standing guidelines. In order to remove any ambiguity on the subject, the following clarifications are issued:

(i) No fresh approval of EFC/PIB/CCEA will be required for providing equity/loan support in the Tenth Plan provided the support is within the overall limit for equity/loan support already approved by competent authority/CCEA. Any equity/loan support beyond the approved limit will require fresh appraisal by EFC/PIB and approval by competent authority/CCEA.

(ii) In respect of PSUs like NHPC, THDC, NHAI and DMRC, where equity/loan support is project related, equity/loan support will be linked with approval of the concerned project by the competent authority.

(iii) In respect of PSUs like Finance & Development Corporations, where equity/loan support is not project related, equity/loan support for the 10th Plan as a whole should be appraised by EFC/PIB and approved by the competent authority/CCEA, as the case may be.

2. The above clarifications apply to all cases of Plan equity/loan support to PSUs in the 10th Plan, except Railways.

O.M.No.1(2)/PF.II/03, dt. 19.9.2003.

13. Delegation of Powers to Board of Directors of PSEs to incur capital expenditure

With a view to giving greater autonomy to Public Sector Enterprises, and in pursuance of the announcement made the Finance Minister in his Budget Speech for

1997-98, the Government hereby revise the powers delegated to the Boards of Public Enterprises to sanction capital outlay in their enterprises without prior Government approval as shown below. This is in supersession of the earlier instruction vide O.M. No.BPE/1(64)/Adv(F)/78 dated 20.08.86. The enhanced delegated powers are subject to the condition that the enterprise concerned should be profit making.

2. Further, this delegation would be subject to the following :-

(a) inclusion of the project in the approved Five Year and Annual Plans and outlays provided for.

(b) The required funds can be found from the internal resources of the company and the expenditure is incurred on schemes included in the capital budget approved by the Government.

Gross Block	Power to sanction expenditure without prior approval of the Government	
	Existing	Revised
Less than Rs.100 crore	Rs.5 crore	Rs.10 crore
Between Rs.100 crore and Rs.200 crore	Rs.10 crore	Rs.20 crore
Between Rs.200 crore and Rs.500 crore	Rs.20 crore	Rs.40 crore
Above Rs.500 crore	-	Rs.100 crore

3. The term "Gross Block" would be treated as fixed assets and capital work in progress as shown in the last published balance sheet.

4. Profit making enterprises, for the purpose of this delegation, would be those which have shown a profit in each of the three preceding accounting years and have a positive net worth.

<u>O.M.No.DPE/16/22/90-Fin. Dated 6.5.1997.</u>

<u>Clarifications :-</u>

The guidelines provided inter-alia that the public sector enterprises can exercise the enhanced financial powers subject to the proviso that the required funds are found from the internal resources of the company. References have been received from different quarters seeking clarification on whether the 'internal resources' of the company would include borrowings from the markets, like debts, bonds, ECB or through any other instrument without any assistance from Government. On this point it is now clarified that the enhanced delegation may be applicable in respect of projects for which no budgetary support is envisaged, i.e., projects funded 100% from IEBR. The term IEBR (Internal and Extra Budgetary Resources) for this purpose would include extra budgetary resources such as bonds, ECB and other similar mobilisation made on their own internal strength by the PSUs but excluding Government guaranteed borrowings.

O.M.No.DPE/16/22/90-Fin., dt. 8.8.1998.

14. Delegation of enhanced powers to Board of Directors of MOU signing Public Sector Enterprises to incur capital expenditure

It has been decided that in respect of companies signing MOU and having gross block of over Rs.200 crores, the power to incur expenditure on additions, modifications and new investments will be raised from the existing limit of Rs.20 crores to Rs.50 crores without the prior approval of the Government and the power to incur expenditure on replacement, renewal of assets from the present limit of Rs.50 crores to Rs.100 crores provided : -

a) the required funds can be found from the internal resources of the company and the expenditure is incurred on schemes included in the capital budget approved by the Government.

b) New items should have been identified and discussed at the annual plan discussions and outlays provided for; and

c) For repairs and maintenance, the delegated powers being exercised should be within the framework of a lumpsum provision agreed to and provided for at the annual plan discussion.

O.M.No.1(18)/86-DPE(MOU), dt. 29.8.1990.

It is confirmed that no amendment has been made in DPE's O.M.No.1(18)/860DPE(MOU) dated 29.8.90 and this order is still valid in so far as

MOU signing PSEs is concerned. This order is applicable to all MOU signing PSEs regardless of their profitability.

O.M.No.1(1)/99-DPE(MOU), dt. 4th August, 1999.

15. Turning selected Public Sector Enterprises into global giants – grant of autonomy

The common Minimum Programme of the Government states, inter-alia, that Govt. will identify public sector companies that have comparative advantages and support them in their drive to become global giants. In pursuance of these objectives, the Govt. have decided to grant the enhanced autonomy and delegation of powers subject to the guidelines mentioned below.

2. The Govt. has decided the following delegation of decision making authority to the Boards of PSEs :-

(i) To incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling.

(ii) To enter into technology joint ventures or strategic alliances.

(iii) To obtain by purchase or other arrangements, technology and know-how.

(iv) To effect organisational restructuring including establishment of profit centres, opening of offices in India and abroad, creating new activity centres, etc.

(v) Creation and winding up of all posts including and upto those of non-Board level Directors i.e., functional Directors who may have the same pay scales as the of Board level Directors, but who would not be members of the Board. All appointments upto this level would also be in the powers of the Boards and would include the power to effect internal transfers and re-designation of posts.

(vi) To structure and implement schemes relating to personnel and human resource management, training, voluntary or compulsory retirement schemes etc.

(vii) To raise debt from the domestic capital markets and for borrowings from international market, which would be subject to the approval of RBI/Department of Economic Affairs as may be required and should be obtained through the administrative Ministry.

(viii) To establish financial joint ventures and wholly owned subsidiaries in India or abroad with the stipulation that the equity investment of the PSE should be limited to the following :-

(a) Rs. 200 crores in any one project;

(b) 5 per cent of the net worth of the PSE in any one project.

(c) 15 per cent of the net worth of the PSE in all joint ventures/subsidiaries put together.

3. While normally the Investment would be done directly by the parent PSE, in cases where it proposes to invest through a subsidiary into another joint venture, and also provides the additional capital for this purpose, the stipulations incorporated in points viii (b) & (c) above would be in the context of the parent company.

4. The existing decision making powers vested in, various agencies would stand altered to give effect to the proposed delegation to the PSEs and the necessary changes in the rules, notifications, instructions, articles/memoranda of association, etc. shall be carried out by the concerned Department where required.

5. The above would be subject to the following conditions and guidelines :-

(a) The proposals must be presented to the Board of Directors in writing and reasonably well in advance, with an analysis of relevant factors and quantification of the anticipated results and benefits. Risk factors if any must be clearly brought out.

(b) The Government Directors, the Finance Director and the concerned Functional Director(s) must be present when major decisions are taken, especially when they pertain to investments, expenditure or organisational/capital restructuring.

(c) The decisions on such proposals should preferably be unanimous.

(d) In the event of any decision on important matters not being unanimous, a majority decision may be taken, but at least two-thirds of the Directors should be present, including those mentioned above, when such a decision is taken. The objections, dissents, the reasons for over-ruling them and those for taking the decision should be recorded in writing and minuted.

(e) No financial support or contingent liability on the part of the government should be involved.

(f) These PSEs will establish transparent and effective systems of internal monitoring, including the establishment of an Audit Committee of the Board with membership of non-official Directors.

(g) All the proposal, where they pertain to capital expenditure, investment or other matters involving substantial financial or managerial commitments or where they would have a long term impact on the structure and functioning of the PSE, should be prepared by or with the assistance of professionals and experts and should be appraised, in suitable cases, by financial institutions ore reputed professional organisations with expertise in the areas. The financial appraisal should also preferably be backed by an involvement of the appraising institutions through loans or equity participation.

(h) The exercise of authority to enter into technology joint ventures and strategic alliances as referred to in para 2(ii) above shall be in accordance with the Government guidelines as may be issued from time to time.

(i) The Boards of these PSEs should be restructured by inducting non-official Directors as the first step before the exercise of the enhanced delegation of authority, as indicated vide DPE's O.M. of even number dated the 22nd July, 1997.

(j) These public sector enterprises shall not depend upon budgetary support or government guarantees. The resources for implementing their programmes should come from their internal resources or through other sources, including the capital markets.

6. This grant of autonomy to the Boards of PSEs, as indicated above, is specific to the 9 enterprises identified by the Govt., viz., BHEL, BPCL, HPCL, IOC, IPCL, NTPC, ONGC, SAIL and VSNL.

<u>O.M.No.DPE/11(2)/97-Fin. Dated 22.7.1997</u>

<u>Clarifications :-</u>

The Government has, vide DPE O.M.No.DPE/11(2)/97-Fin. Dated 22nd July, 1997, granted enhanced autonomy and delegation of powers to selected public sector enterprises (Navratnas), which include, inter-alia, the decision making authority to incur expenditure on purchase of new items or for replacement, without any monetary ceiling.

2. A confirmation has been sought by some Navratnas that in view of this delegation of authority, they are no longer required to obtain Government approval, including that from the PIB for setting up new projects or for expansion and that they can do so and incur the necessary capital expenditure within the enhanced delegation of powers.

3. This is to clarify that the above mentioned powers in para 2(i) regarding incurring of capital expenditure gives full authority to the Boards of the Navratnas, subject to the guidelines mentioned in the O.M. under reference, and that it is not necessary for them to obtain Government approval, including PIB approval for the above purpose including for setting up of new projects or expansion. This, however, does not cover environmental or similar other clearances, required statutorily or under specific instructions.

O.M.No.DPE/11(2)/97-Fin. Dated Sept. 26, 1997.

16. Merger and Acquisition decisions by the Central PSUs

In pursuance of the policy objective to make the public sector more efficient and competitive, Govt. have announced its decisions to grant autonomy and delegated powers from time to time on various issues for application in the Central PSUs in general and also specific delegated powers to the Navaratna and Mini-ratanas.

It is, however, clarified that the delegated powers would not include the power to decide about merger and acquisition. The Central Government public enterprises must therefore take prior approval of the Government in regard to merger with and/or acquisition of any other business entities or major business activities and should not take decisions at their own. This would be applicable to all the Central PSUs irrespective of their financial status or grant of Navratnas/Mini-ratana status etc. Decisions on merger and/or acquisitions should not be interpreted as though such powers are within the autonomy given to the Navratnas/Mini-ratanas under the guidelines issued by the Govt.

Similarly, it is also clarified that the Navaratna and Miniratana enterprises must follow the procedures detailed in the Government guidelines for investment of surplus funds as detailed in DPE OMs Nos. DPE/4(6)/94-Fin. dated 14.12.94 and 1.11.95. There is no separate dispensation available to any of the public enterprises in this regard (other than the PSEs in financial sector about which separate guidelines were issued, vide OM No.DPE/4(6)/94-Fin. dated 2.7.96) and these guidelines on investment of surplus funds are applicable to all the Central PSEs including the Navratna and Miniratna CPSEs.

DPE's O.M.No.3(2)/2003-DPE (Fin.)/GL XVI, dt. 11.2.2003.

17. Financial and Operational autonomy for profit making Public Sector Enterprises – MINI-RATNAS

In pursuance of the policy objective to make the public sector more efficient and competitive, Government have decided to grant enhanced autonomy and delegation of powers to the profit making public sector enterprises, subject to the eligibility criteria and guidelines as mentioned below and subsequently in this Memorandum.

2. Eligibility and classification :-

2.1 Category-I PSEs :- PSEs should have made profit in the last three years continuously, the pre-tax profit should have been Rs. 30 crores or more in atleast one of the three years and should have a positive net worth.

2.2 Category-II PSEs :- These PSEs should have made profit for the last three years continuously and should have a positive net worth.

2.3 These PSEs shall be eligible for the enhanced delegated powers provided they have not defaulted in the repayment of loans/interest payment on any loans due to the Government.

2.4 These public sector enterprises shall not depend upon budgetary support or Government guarantees.

2.5 The Boards of these PSEs should be restructured by inducting atleast three non-official Directors as the first step before the exercise of enhanced delegation of authority, as indicated vide DPE's O.M. of even number dated the 9th October, 1997.

2.6 The administrative Ministry concerned shall decide whether a Public Sector Enterprise fulfilled the requirements of a Category-I/Category-II company before the exercise of enhanced powers.

3. The Delegation of decision making authority available to the Boards of the eligible PSEs would be as follows :-

3.1 Capital Expenditure :-

3.1.1 For PSEs in Category-I :- To incur capital expenditure on new projects, modernisation, purchase of equipment, etc. without Government approval upto Rs.300 crores, or equal to their networth, whichever is lower.

3.1.2 For PSEs in Category-II :- To incur capital expenditure on new projects, modernisation, purchase of equipment, etc. without Government approval upto Rs.150 crores or upto 50% of their networth, whichever is lower.

3.2 Joint Ventures, Subsidiaries and Overseas offices :-

3.2.1 For PSEs in Category-I :- To establish joint ventures and subsidiaries, in India, with the stipulation that the equity investment of the PSEs should be limited to Rs.100 crores in any one project, should not exceed 5% of the networth of the PSE in any one project, or 15% of the net worth of the PSE in all joint ventures/subsidiaries put together. Establishment of subsidiaries and opening of offices abroad may be finalised with the concurrence of the administrative Ministries.

3.2.2 For PSEs in Category-II :- To establish joint ventures and subsidiaries in India, with the stipulation that the equity investment of the PSEs should be limited to Rs.50 crores in any one project, should not exceed 5% of the networth of the PSE in any one project, or 15% of the networth of the PSE in all joint ventures/subsidiaries put together. Establishment of subsidiaries and opening of offices abroad may be finalised with the concurrence of the administrative Ministries.

3.3 Technology joint ventures and strategic alliances :-

3.3.1 For PSEs in both Categories : To enter into technology joint ventures, strategic alliances and to obtain technology and know-how by purchase or other arrangements subject to Government guidelines as may be issued from time to time.

3.4 Schemes for HRD :-

3.4.1For PSEs in both Categories : To structure and implement schemes relating to personnel and human resource management, training, voluntary or compulsory retirement schemes etc.

(Note :- If in some exceptional and unanticipated situation, the revised enhanced limits for incurring capital expenditure in paras 3.1.1 and 3.1.2 become lower than the existing limits, then the existing powers based on the gross block calculations will continue to remain valid).

4. The existing decision making powers vested in various agencies would stand altered to give effect to the proposed delegation to the PSEs and the necessary changes in the rules, notifications, instructions, articles/memoranda of association, etc. shall be carried out by the concerned Department where required.

5. The above delegation of powers would be subject to the following conditions and guidelines :-

5.1 The proposals must be presented to the Board of Directors in writing and reasonably well in advance, with an analysis of relevant factors and quantification of the anticipated results and benefits. Risk factors if any must be clearly brought out.

5.2 All the proposals, where they pertain to capital expenditure, investment or other matters involving substantial financial or managerial commitments or where they would have a long term impact on the structure and functioning of the PSE, should be prepared by or with the assistance of professionals and experts and should be appraised, in suitable cases, by financial institutions or reputed professional organisations with expertise in the areas. The financial appraisal should also preferably be backed by an involvement of the appraising institutions through loans or equity participation.

5.3 No financial support or contingent liability on the part of the Government should be involved. These public sector enterprises shall not depend upon budgetary support or Government guarantees.

5.4 Before taking decisions involving long-term or major financial commitments, including and especially for new projects and joint ventures, the internal and extra-budgetary resources position and projections should be assessed realistically.

5.5 The Government Directors, the Finance Director and the concerned Functional Director(s) must be present when major decisions are taken, especially when they pertain to investments, expenditure or organisational/capital restructuring.

5.6 The decisions on such proposals should preferably be unanimous.

5.7 In the even of any decision on important matters not being unanimous, a majority decision may be taken, but alteast two-thirds of the Directors should be present, including those mentioned above, when such a decision is taken. The objections, dissents, the reasons or over-ruling them and those for taking the decision should be recorded in writing and minuted.

5.8 These PSEs will establish transparent and effective systems of internal monitoring, including the establishment of an Audit committee of the Board with membership of non-official Directors.

DPE O.M.No.11/36/97-Fin., dt. 9th Oct. 97

SECTION – 4 – Expenditure On Pre-investment Activities

18. 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, it has been decided that project approvals should be given in two stages – proposals for preparation of feasibility reports being cleared in the first stage (by the Committee of the PIB) and investment decisions being taken at the second stage (by the PIB) on the basis of well prepared feasibility reports.

O.M.No.1(8)/PF.II/82, dt. 29th March, 1985.

19. Approval for pre-investment Activity

(a) The delegation of powers for sanctioning pre-investment activity like preparation of Detailed Feasibility/Project Reports will be as follows:

Expenditure/Financial limit	Appraisal/approval authority
Upto Rs.2.00 crores for preparation of DFR and pre-investment activities (including detailed study for preparation of Feasibility Report but excluding land acquisition/infrastructure facilities) subject to availability of budget/plan funds.	Secretary, Ministry/ Department concerned.
Proposals of PSU upto Rs.10 crores for preparation of DFR and pre-investment activities excluding land acquisition/infrastructure facilities, if not funded from Budget and PSU is profit making.	Ministry/Department concerned.
All other cases	Appraisal by Committee of PIB (CPIB), and approval by the authority (as mentioned at Sl.9).

These instructions only modify the requirement of such cases to be considered by the PIB. Necessary approvals of the government in terms of present instructions would, however, be obtained by the Ministries/Departments as usual.

O.M.No.1(6)/PF.II/93, dt. 24th Sept., 1993
O.M.No.1(1)/PF.II/99, dt. 12th Jan. 1999.

(b) For projects of Ministries of Coal and Road Transport & Highways, expenditure on pre-investment activities beyond Rs.20 crores only will require consideration by the Committee of PIB.

(c) Ministry of Power is authorized to approve the proposals of POWRGRID upto Rs.10 crores for preparation of DFR and pre-investment activities including land acquisition/infrastructure facilities, if not funded from Budget and PSU is profit making, in respect of transmission projects associated with the generation project for which investment approval has been granted and Feasibility Report has been techno-economically cleared by CEA.

O.M.No.1(3)-PF II/01 dt. 18.2.02
O.M.No.1(1)-PF II/02, dt. 23.9.02

20. Preparation of Feasibility Reports by Ministry of Coal & Power

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 continue unchanged. All Ministries should keep the Committee of PIB 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.

O.M.No.1(8)/PF.II/82, dt. 29th March, 1985
As updated with reference to O.M.No.1(6)/PF.II/91,
dt. 24th August, 1992.

21. Time limit for preparation of Detailed Feasibility Report following the First Stage Clearance

It has been decided that while according first stage clearance, the Committee of PIB would specify a reasonable time limit, depending on the nature of the project and the investment involved, for preparation of the Detailed Feasibility Report and bringing up the case to PIB for investment decision. The administrative Ministries/Depts. are therefore, requested that in their Memorandum to the Committee of the PIB, seeking first stage clearance, the various pre-investment activities to be taken up for the preparation of the Detailed Feasibility Report and the time required for preparation of the same and bringing up the proposal to PIB for investment decision, should be clearly spelt out. In the event of the administrative Ministries/Depts. not adhering to the time schedule, they should seek extension of the time limit stating the reasons for the delay.

<u>O.M.No.1(4)/PF.II/87, dt. 24th December, 1987.</u>

22. Delegation of powers to the Department of Coal for sanctioning Advance Action Plans

In order to avoid delays in the implementation of Coal Projects, the existing delegation of powers have been enhanced for the Department of Coal. It has been decided, with the approval of the Finance Minister, that the Department of Coal may sanction expenditure on Advance Action Plans (AAP) upto Rs.20 crores for Coal projects costing Rs.100 crores and more. The Advance Action Plans would include the following activities :-

(i) Carrying out surveys of all types (land, forest, alignment of coal handling plants and railway sidings, bridges etc.).

(ii) Land acquisition, including forestland and payment of compensation;

(iii) Collection of environmental data, preparation and approval of Environmental Management Plans;

(iv) Construction of access roads, minor bridges, culverts, power lines, water lines etc.

(v) Compensatory afforestation for new Coal projects.

The AAP would be completed within 24 to 30 months from the date of approval. This delegation of power would be subject to the approved budget of the Department of Coal and inclusion of the project in the approved Five Year and Annual Plans.

O.M.No.16(10)/PF.II/88, dt.April 7th,1989.

O.M.No.16(10)/PF.II/88, dt. 24.12.1996.

Updated by O.M.No.1(27)/E.II(A)/97 dated 2.9.1998.

23. Delegation of financial powers for Setting up of Hydro Electric Power Projects

It has been decided that expenditure upto Rs.10 crores on Survey, Investigation and preparation of pre-feasibility report for HE Projects will be sanctioned by the administrative Ministry/Deptt. concerned subject to condition that the proposed HE project is figuring in the five year Plan or long-term HE projects plan of that Ministry/Deptt.

Expenditure above Rs.10 crores on preparation of DFR/DPR including pre-construction works, development of infrastructure facilities and land acquisition based on the clearance from Ministry of Environment and Forests & after establishing the commercial viability of the project will be considered by the Committee of P.I.B. However, proposals upto Rs.100 crores can also be considered by CPIB on the basis of site clearance by Ministry of Environment & Forests and commercial viability established through a feasibility report, but without the TEC by CEA and Environment clearance by the MOEF.

This O.M. will supersede the powers of Ministry of Power for taking up of Advance Action in respect of Hydro Electric Projects vide para 5.2 of this Department's O.M.No.1(5)/PF.II/96 dated 6.8.97.

(The authority for approval is as per Sl.9.)

O.M.No.3(7)/PF.II/97, dt. 31st October, 2000.

SECTION – 5 - REVISED COST ESTIMATES(RCES)

24. Approval of Revised Cost Estimates

(a) RCE cases less than Rs.100 crores

(i) RCE cases with outlay of less than Rs.100 crores arising due to change in statutory levies, exchange rate variations and price escalation within the approved project time cycle and the cases involving further cost increase upto 20% can be approved by the authority as mentioned at Sl.9 in consultation with the Planning Commission.

(ii) RCE cases involving increase of more than 20% after excluding the increase due to change in statutory levies, exchange rate variations and price escalation within the approved project time cycle will require appraisal at the appropriate forum as mentioned in Sl.8 and approval by the competent authority as mentioned in Sl.9.

(b) RCE cases of Rs.100 crores and above

(i) Revised Cost Estimates (RCE) which arises entirely due to change in statutory levies, exchange rate variations and price escalation within the originally approved project time cycle will be approved by the administrative Ministry/Department concerned in consultation with the Planning Commission.

(ii) The first RCE, which is upto 10% of the originally approved cost estimates (after excluding increase within originally approved project time cycle due to three factors mentioned above) will be approved by the Administrative Ministry in consultation with the Planning Commission.

(iii) First RCE, which exceeds 10% but are upto 20% of the originally approved cost estimates (after excluding increase within originally approved project time cycle due to three factors mentioned in (i) above) shall be appraised by the Planning Commission and will be approved by the Administrative Minister and the Finance Minister.

(iv) First RCE which exceeds 20% of the originally approved cost estimates (after excluding increase within originally approved project time cycle due to three factors mentioned in (i) above) due to reasons such as time overrun, change in scope, under-estimation, etc. shall be posed to EFC/PIB for appraisal and thereafter to CCEA for approval.

(v) Second and subsequent RCE less than 5% of the latest approved cost (first or previous RCE) (after excluding increase due to changes in statutory levies, exchange rate variation and price escalation with the existing approved project time cycle) will be appraised by the Planning Commission and decided with the approval of the Administrative Minister.

(vi) Second or subsequent RCE involving increase of 5% or more of the latest approved cost (first or previous RCE) (after excluding increase due to changes in statutory levies, exchange rate variation and price escalation within the approved project time cycle) will require appraisal by EFC/PIB and approval of the CCEA.

(c) Criterion for appraisal forum and level of authority for approval of RCE will be cost overrun and not time overrun.

(d) Navratna and Miniratna PSUs have been delegated specific enhanced powers for taking investment decisions as per guidelines issued by the DPE. It is clarified that the powers for deciding RCE cases of Navratna and Miniratna PSEs are delegated to their Board of Directors in the same manner as powers for fresh approvals. However, it is applicable only in respect of their own projects. The RCE cases of JVs where the powers for approval do not vest with the Board of Directors of Navratna/Miniratna Companies will continue to be approved by the competent authority/Government by following the procedure laid down in this regard.

(e) For RCEs for National Highways Projects of the Ministry of Road Transport and Highways, in Chapter 9 and para a, (b) (i) and b(ii) above, wherever the figure of Rs.50 crore appears, it will be substituted by Rs.200 crore. Similarly, wherever the figure of Rs.100 crore appears, it will be substituted by Rs.500 crore.

(f) Ministry of Railways will have powers to approve RCEs which are less than Rs.100 crore. For projects costing Rs.100 crore and above, the process for approval of RCEs mentioned in para (b) above, will apply. However, reference to EFC/PIB in para (b) above may be read as Expanded Board for Railways.

<u>O.M.No.1(3)-PF II/2001, dt., 18.2.2002.</u>

U.O.No.24(16)/PF.II/2000, dt. 31.7.02

O.M.No.1(3)-PF II/2001 dt. 8.10.2002.

Ministry of Railways O.M.No.93/PL/1/11/CCEA, dt. 30.4.03

Ministry of Finance's D.O.No.66(14)/PF II/2002, dt. 8.7.2003

Cab. Sectt's. U.O.No.631/5/3/2001-CA-III, dt. 5.1.2004

25. Mandatory Review of Cost Estimates

Instructions exist (O.M. No.10(4)-E(Coord.)/85 dated 27.3.1986) that funds for projects/schemes beyond the sanctioned estimates should not be released till the revised cost estimates are considered and sanctioned by the sanctioning authority. Instances came to notice when funds had been released in excess of the approved cost estimates and revised cost estimates were submitted after the completion of the project or when most of the commitments had already been made. It has, therefore, been decided to make it incumbent on the project authorities and the administrative Ministries to have a 'mandatory review' of the cost estimates with a view to make sure whether these would require upward revision at the stage when funds to the extent of 50 percent of the approved cost are released. If as a result of this review the project authorities and the administrative Ministry become aware that the cost of the project is likely to exceed the originally approved cost by more than the specified limit (as mentioned at Chapter 21) the revised cost estimates should be brought for consideration before the appropriate appraisal/approval authority. The mandatory review does not preclude a review at any earlier stage and the 'moment' there is an indication that the cost estimates are likely to exceed the specified limits the necessary approval should be obtained on the lines indicated above.

OM No.1(6)/PF II/87 dt. Nov. 16, 1987 as updated by OM No.1(3)PF II/2001, dt. 18.2.2002.

26. Accountability mechanism for time and cost over run

It has earlier been stressed that the final PIB memoranda for the revision of cost estimates should clearly identify all the elements of cost and full details of the original cost estimates, the revised cost estimates, percentage of increase in respect of every cost element together with reasons therefore should invariably be indicated. It was also stated that all those elements in the revised cost estimates, should be specifically pointed out, indicating, inter-alia, action taken against those responsible for not including these elements in the earlier estimates.

O.M.No.1(1)/PF.II/85, dt. 17.09.1991.

The Cabinet Committee on Economic Affairs in its meeting held on 25.6.1998, inter-alia, decided as under :-

"In every case where the project cost over-run is over 20% and is accompanied by time over-run of over 10%, or such other time and cost over-run norms as may be deemed appropriate by the Planning Commission for different types of projects, the revised cost estimates should be brought up for approval of the Cabinet Committee on Economic Affairs only after responsibility is fixed for the cost and time over-runs. The Committee directed further that the Planning Commission should devise an appropriate mechanism for fixing the responsibility."

In pursuance of the above decision, the Planning Commission has devised the following mechanism for fixing the responsibility :-

(a) set up a Standing Committee in each Ministry/Department to be headed by Additional Secretary or Joint Secretary and with representatives from Planning Commission, Department of Expenditure and Department of Programme Implementation as members. The Administrative Ministry/Department would act as Secretariat and would be responsible for providing documents/information as may be required by the Committee.

(b) The report of the Standing Committee would be signed by all the members of the Committee and appended to the PIB/EFC memoranda in case of PIB/EFC cases and in other cases the report in respect of projects of Rs.200 crores and above would be submitted by the concerned Ministry to the Committee headed by Finance Secretary. Recommendations made by the Committee and action taken thereon by the concerned Ministry/Department would be placed before the CCEA. In the case of non PIB/EFC cases costing less than Rs.200 crores, the recommendations made by the Standing Committee and action taken thereon would be submitted by the Ministry/Department directly to the CCEA.

(c) The background note circulated for the Standing Committee should, *inter-alia*, include :- (i) a brief but comprehensive and self explanatory note on the reasons for cost and time over run, (ii) a detailed chronology of events, starting from the date of approval, and; (iii) the duly filled in check list.

CHECK LIST FOR DETERMINING THE RESPONSIBILITY FOR TIME AND COST OVER-RUNS.

A – ADMINISTRATIVE AND PROCEDURAL DELAYS

Failures	Agency/person responsible
***Sanction letter** • Delayed issue • Not defining PTC, cost, accountability etc. • Others (Specify)	• • •
***Processing of RCE:-** • Delay in submission • Delay in Pre-PIB meeting • Delay in circulation • Delay in appraisal • Delay in PIB/EFC meeting • Others (Specify)	• • • • • •

B – LAND ACQUISITION

Failures	Agency/person responsible
***Assessment of requirement/suitability**	
• Not assessed	•
• Area of land not indicated	•
• Site/location not surveyed	•
• Inspection/soil testing not done	•
• Inspection/testing not professional	•
• Others (Specify)	•
***Acquisition process:**	
• Advance action not taken	•
• Action taken but no possession	•
• Possession not on time	•
• Possessed but with encroachment	•
• Forest land clearance not obtained	•
• Rehabilitation of displaced not done	•
• Others (Specify)	•

C – FUND CONSTRAINTS

Failures	Agency/person responsible
***General** • Requirement not properly assessed • Sanctioned without adequate funds • Late request for release • Delayed release of funds • Additional projects taken up affecting fund availability for this project • Others (Specify)	• • • • • •
***Foreign loan/grant** • Not tied up on time • Tied up but delay at DEA • Alternative funding not identified • Others (Specify)	• • • •
***Internal Resources** • Inadequately assessed • New projects taken up affecting funding of the project • Others (Specify)	• • •
***Domestic borrowing** • Over-estimation of ability to borrow • Advance action not taken • Others (Specify)	• • •
***Matching resources from States etc.** • Due consent of contributors not obtained • Funds not released on time • Released but partly • Others (Specify)	• • • •

D – TECHNICAL/DESIGN PROBLEMS

Failures	Agency/person responsible
***Faulty Technical Parameters** • 1st stage clearance required but not obtained • Poor quality of DFR • Short-listing of Consultants not done • Alternatives not adequately defined • Lay out Plans/designs not got approved from Competent authorities • Others (Specify)	• • • • •
***Change in Scope/Quantity/Technology** • Inadequacy of investigations/ surveys • Change in size/scale • Additions foreseeable but not foreseen • Additions not foreseeable (new regulations environmental etc.) • Under-estimation • Wrong choice of technology • Non identification of alternative technologies in advance • Non identification of suitable vendors • Others (Specify)	• • • • • • • • •
***State of preparedness of the PSU** • Project team not appointed on time • Statutory clearances not obtained in advance • Lay-out plans/designs not prepared on time • Basic engineering not done on time • Delay in technical clearance • Others (Specify)	• • • • • •

E – TENDERING/CONTRACTING

Failures	Agency/person responsible
***Advance action**	
• Size/specifications etc. not finalized	•
• Contractors/suppliers not identified	•
• Contract terms not formulated properly	•
• Job package unprofessionally made	•
• Others (Specify)	•
***Time schedule for tendering**	
• Not drawn up	•
• Delay: preparation of tender documents	•
• Delay in issuing tender notice	•
• Delay in opening and evaluation of Tenders	•
• Delay in awarding the contract	•
• Others (Specify)	•
***Ineffectiveness of contractual clauses:**	
• Liquidity Damages Clause not included	•
• Liquidity Damages Clause not invoked	•
• Liquidity Damage Clause not adequate	•
• Poor performance of the contractor	•
• Contractors' failure due to missing Linkages	•
• Others (Specify)	•

F – IMPLEMENTATION PLAN AND MONITORING MECHANISM

Failures	Agency/person responsible
***Commissioning Schedule:** • Commissioning schedule not realistic • Sequencing and scheduling of activities not professional • No Bar Chart/PERT diagram prepared • Others (Specify)	• • • •
***Implementation Plan:** • Key personnel not placed on time • Delay in finalization of modalities for execution • Linkages not properly assessed • Risk/uncertainties not identified • Others (Specify)	• • • •
***Monitoring Mechanism at Project Level** • Nodal Officer (Chief Executive) for the project not designated • Periodical review was not done • Progress reviewed but no corrective Actions taken • Others (Specify)	• • • •
***Monitoring Mechanism at Ministry level** • Not set-up • Progress not monitored periodically • Progress reviewed but no action taken • Problems not brought before EC/QPR • Brought before EC/QPR but not resolved • Others (Specify)	• • • • • •

The above mechanism for fixation of responsibility would be applicable to all cases being posed to the CCEA.

In cases where Administrative Ministries/Departments are competent to sanction increase in project cost within the delegated powers, it would be for them to fix the responsibility for cost and time over-runs.

Planning Commission's D.O.No.O-14015/2/98-PAMD dated Aug. 19, 1998.

27. RCE proposals to include Report of the Standing Committee and action taken thereon

The Committee of Secretaries in its meeting held on 14.8.2000 while reviewing the proposals recommended by EFC/PIB requiring Cabinet approval observed that one of the reasons for delay in submission of proposals for CCEA approval is the time taken in finalizing the report of the Committee for fixing responsibility for cost and time over run. The COS accordingly directed that the Department of Expenditure also consider RCE cases only if accompanied by the report of the Committee for fixing responsibility for cost/time over-run.

As per the revised format for EFC/PIB circulated with O.M.No.1(8)/PF.II/98 dated 30.8.98, administrative Ministries/Departments are required to incorporate the recommendations/action taken thereon of the Standing Committee set up for fixing responsibility for time and cost overrun in the EFC/PIB Memos. However, in view of the COS recommendations, it is emphasised that no RCE case will be considered by the EFC/PIB unless the report of Standing Committee and action taken thereon are appended to the EFC/PIB Memos. The report of the Standing Committee and action taken thereon should be formulated, for being appended to the EFC/PIB Memos, within a period of one month.

O.M.No.1(3)/PF.II/2000 dated 12th October, 2000.

28. Introduction of mechanism of Empowered Committee for implementation of projects - Revised Guidelines

Preamble

1.1 The issue of cutting delays in implementation of major projects has been under the consideration of Government of India for quite some time. On the basis of recommendations of Group of Ministers (GOM) formed in February, 1994, the CCEA in February, 1996 approved several proposals to curtail delays in implementation of projects. One of such measures approved by the Cabinet was to set up an Empowered Committee (EC) in each Ministry, headed by the Secretary, with adequate financial and administrative powers to take decision regarding award of contracts, revision of rates, resolution of disputes, etc. The proposal of Deptt. of Programme Implementation to delegate adequate financial and administrative powers to these committees was approved at the meeting of Committee of Secretaries (COS) held on May 30, 1996.

1.2 At the instance of COS, Member-Secretary, Planning Commission, held further discussions on 13.11.1996 with Secretary (Urban Development). Secretary (Programme Implementation) and Additional Secretary (Expenditure). During these discussions, it was felt that the responsibility of reviewing the implementation of projects should continue to rest with the administrative Ministries with appropriate delegation of authority and clear guidelines on their functioning. Further, it was felt that DPI should continue to monitor implementation of projects costing Rs.20 crore and above as at present. Against this background, the guidelines were formulated/reiterated and circulated to all concerned Ministries/Departments by the Department of Programme Implementation (vide O.M. No.13013/2/92-PMD dated 26.3.97). Subsequently, at the request of Secretary (Expenditure), Member Secretary, Planning Commission, held further discussions on 1.9.97 with Secretary (Expenditure), Secretary (Programme

Implementation) & Additional Secretary (Urban Development) in regard to certain provisions in the Guidelines which contravene GFRs, DFPRs and the various economy measures issued from time to time. Based on the conclusions reached at this meeting, guidelines have been revised/modified to ensure uniformity and effectiveness in the functioning of the EC. In the meeting held on December 29, 1997, the CCEA decided that instead of Core Management team for each project, a nodal officer should be appointed for the project duration, the guidelines have been revised to incorporate this decision also. Certain administrative Ministries/Departments have sought clarification about the types of projects which would fall within the purview of the EC or for which nodal officers will be appointed. The necessary clarifications have also been incorporated in the revised guidelines.

2.1 Constitution of Empowered Committee

2.1.1 The EC will cover only Government owned projects and is to be set up only by such Ministries/Departments which are executing/implementing such projects. Projects implemented by the Port Trusts are to be treated as Government owned Projects. In other Ministries/Departments, system of Quarterly Performance Review meetings should be continued/introduced in case it does not exist. The Ministries/Departments which are required to constitute ECs and have not yet constituted such ECs should constitute the same forthwith. A copy of the order constituting ECs should be endorsed to the Department of Programme Implementation.

2.1.2 The EC would be chaired by the concerned Secretary, and it would include representatives from other concerned Ministries, such as M/o Finance, Planning Commission, D/o Programme Implementation, and M/o Environment & Forests. The Financial Adviser of the concerned Ministry would be invariably represented on the Committee. While participation in the proceedings for the EC should be at the level of Secretary to Government of India as far as possible; no participants at the meeting of the Committee would, in any case, be below the rank of Joint Secretary to the Government of India.

2.1.3 The EC would monitor and review the progress of implementation of all projects being implemented departmentally by the administrative Ministry. However, EC should bestow special attention to major (costing Rs.100 crore or more but less than Rs.1000 crore) and mega (costing Rs.1000 crore and more) projects and keep a continuous watch over their implementation in view of their size and varied nature of problems faced by them. If feasible, review of implementation of mega projects should be attempted on a monthly basis.

2.1.4 The administrative Ministry should keep the Project Monitoring Division of the Department of Programme Implementation informed about the issue being referred to the EC and about the decisions taken by the EC on such references.

2.1.5 In the event of any problem not being resolved in the local EC, the Chairman of the Committee would be free to refer the matter to the Cabinet Secretary for final decision.

2.1.6 The DPI would submit a quarterly monitoring report to the Cabinet Secretariat on the performance of the EC.

2.2 Allotment of Funds

2.2.1 At the time of approval of the project, in addition to indicating the phasing of expenditure at constant prices, the project authorities should also indicate requirement of funds at market prices, taking into account likely inflation over the project time cycle.

2.2.2 During the year in which the project is approved, funds should be made available to the project authorities as decided by EFC/PIB/CCEA.

2.2.3 During the subsequent years, the concerned Ministry could ensure that the latest anticipated expenditure for each year is adequately reflected in the annual budget.

2.2.4 The procedure for getting approval for Revised Cost Estimates (RCEs) would remain the same except that annual cash flows at the current prices are also to be indicated in the EFC/PIB memorandum as also in the note submitted to CCEA. However, approval of EFC/PIB/CCEA would not imply authorization for administrative Ministry to automatically spend funds in future years to the extent indicated at likely market prices (inclusive of inflation). The Financial Adviser of the Ministry would ensure that funds are released for implementation of the project as per the actual requirements arising from time to time.

2.3 Creation of Posts

2.3.1 For the new projects, the need for creation of posts either at the field level or for a separate cell for implementation at the Ministry level should be clearly brought out in the note for EFC/PIB and the Departments/Ministries should ensure that proposal for creation of such posts not only forms part of EFC/PIB proposal but also is submitted to the Ministry of Finance at least two weeks before the submission of EFC/PIB Note. At the EFC/PIB meeting, decisions would be taken on such proposals alongwith the main proposal and in case differences still persist between the concerned Departments and the EFC/PIB decisions, these differences may be highlighted in the CCEA Note and specific decision of the CCEA sought thereon.

2.3.2 Any examination of the proposal for creation of posts by the Ministry of Finance should be done before the project is posed for approval by the EFC/PIB. When subsequently, the project is approved by CCEA, there would be no further need for the administrative Ministry to refer the proposal for posts once again to the Ministry of Finance.

2.3.3 The Implementation Cell at the Ministry level should be created by redeploying the available staff within the Ministry or by taking suitable staff from other Ministries on deputation.

2.4 Fiscal Exemptions

2.4.1 In the normal course, in any financially viable project, the need for tax/duty exemptions should not arise. However, in exceptional cases, when any such tax or duty exemption is envisaged in the case of a project, it should get reflected in the original proposal submitted to EFC/PIB alongwith the views of Department of Revenue and quantification of the likely revenue loss.

2.4.2 When such exemption is recommended by EFC/PIB and approved by CCEA, the Ministry of Finance would take immediate follow up action to ensure that necessary tax/duty exemptions are granted without any delay.

2.4.3 Where the necessary tax/duty exemptions were not envisaged when the project was originally approved and where such exemptions are considered essential for valid reasons, it would be necessary for the administrative Ministry to formulate a proposal in this regard, circulate the same to the Ministry of Finance for their comments and seek approval of the Cabinet as per the prescribed procedure.

2.5 Legislative Measures

2.5.1 If the implementation of the project requires certain legislative amendments, the same should be explicitly brought out in the Memorandum for EFC/PIB.

2.5.2 After the legislative amendments have been approved by the Cabinet, the concerned Ministry will intimate action for getting the necessary amendments introduced at the earliest.

2.6 Contract Management and Resolution of disputes

2.6.1 The EC will monitor any question of delay in award of contracts, decisions on changes in terms and conditions of already awarded contracts in the public interest including change in rate, induction of new technology/equipment, etc. and of disputes between the project authorities and the contractors on account of contractual obligations, disputes arising out of differences of opinion, determination of whether a particular item is an additional work or not etc. The EC will take decisions in these regard and put up for approval to competent authorities.

2.6.2 It is necessary that greater attention is paid to contract management right from the inception of the project, particularly when terms and conditions of each contract pertaining to a project are finalized.

2.6.3 The EC could advise the concerned agencies to award works of urgent nature on single tender or limited tender enquiry, in relaxation of the prescribed procedures, if it helps in timely completion of the project.

2.6.4 Since contract management is a highly specialized area, the project authorities and the concerned Ministry should secure competent legal advice while drafting contracts at the time of awarding the works to ensure that their rights are fully protected and there is no ambiguity in the contractual provision. Suitable incentives and penalties may form part of the project contract to ensure timely completion of the projects.

2.7 Core Management Team

2.7.1 Instead of core management team for each project costing Rs.50 crore and above, a nodal officer (Chief Executive for the Project) responsible for project implementation should be appointed for the project duration. He should have at least 5 years of service to ensure his involvement in the project upto its completion stage so that he could be made fully responsible for the implementation of project. The tenure of the nodal officer should be for the duration of the project or for 5 years, whichever is earlier. In only rare and exceptional circumstances if his transfer becomes inevitable, this should be effected only with the approval of the concerned Secretary or Chairman of the Railway Board, as the case may be. The nodal officer so appointed should be made fully responsible for time and cost overruns while implementing the project and his future promotions/career should be linked with his performance in implementing the project. The institution of Nodal Officer is meant for all Central Sector projects/schemes, be it Government owned or owned by PSUs including Navratanas and mini-Navratanas and Central Sector schemes costing Rs.50 crore and above.

2.8 Miscellaneous

2.8.1 The EC will assist the project executing agency in land acquisition including taking over physical possession of the land and getting environmental and other clearances for the project.

2.8.2 If the progress of implementation of a project is not satisfactory, EC may refer the same for review by the Central Empowered Committee constituted by the Cabinet Secretariat under the Chairmanship of Member-Secretary, Planning Commission for taking decision for its dropping/shelving or transfer to the private/joint sector or for its reprioritization in the Ninth Plan.

Compliance with the guidelines suggested above is expected to minimize the scope for disputes and the consequential delays during implementation of projects, particularly major and mega projects. This should reduce time and cost overruns.

Ministry of Planning & Programme Implementation's
O.M.No.13013/2/92-PMD, dt. April 28, 1998

29. Central Empowered Committee

Preamble: Serious concern has been expressed at the inordinate delay in implementation of Central Sector Projects. Whereas monitoring of implementation is essential, it is also considered necessary to conduct a periodic review to enable prioritization as well as shelving of projects not making much headway or in the alternative to transfer them to the private sector. This review could be centrally done for projects costing Rs.50 crore and above. The Administrative Ministries/Departments were to identify projects for shelving/dropping or transferring to the private/joint sector on the basis of laid down criteria. In view of the recent developments and constraints experienced, it is considered necessary to effect amendments to para II, III (ii) and IV of the O.M.No.523/2/1/96 dated 31.10.96/4.11.96 & 22.1.98 referred to above.

II. Composition of the Central Empowered Committee

Secretary/Member Secretary, Planning Commission Chairman
Secretary, Expenditure
Secretary, Ministry of Statistics & Prgramme Implementation
Secretary of the concerned Ministry/Departments

III. Functions of the Central Empowered Committee

(i) To consider proposals for dropping/shelving or transfer to the private sector/joint sector the central sector projects which are unable to make progress.

(ii) To reprioritize central sector projects costing Rs.50 crore and above and which fall into the following two categories:

(a) those which were due for completion during the previous Plan period but slipped into the current Plan; and/or

(b) those which were due for completion during the current Plan but are slipping into the next Plan.

IV. Procedures

(a) For shelving/dropping or transferring to the private/joint sector, the following procedures will be adopted by the Central Empowered Committee:-

(i) The administrative Ministry/Department would identify projects for shelving/dropping or transferring to the private/joint sector taking into account the lack of progress (i.e. where the expenditure incurred is 20 per cent of the anticipated cost or less even after 60 per cent of the gestation period is over), backward/forward linkages and other relevant factors, such as, strategic importance of the project, constraints in land acquisition. Changes in Government policies/market conditions etc.

(ii) The administrative Ministries/Departments would submit proposals to the Ministry of Statistics & Programme Implementation (MOSPI) which would scrutinize and submit such proposals to the Central Empowered Committee for consideration.

(iii) If no proposal is received within a given time frame, the MOSPI will, on the basis of the information available with them, prepare note for consideration of the CEC.

(iv) In respect of projects which were sanctioned by the CCEA, the MOSPI will place the recommendations of the CEC to shelve/drop or to transfer to the private/joint sector projects which are unable to make progress before the CCEA.

(v) The decision of the CCEA in all such cases will be conveyed by the MOSPI to the administrative Ministries/Departments for compliance.

(b) For reprioritization

(i) The administrative Ministries/Departments will submit to the project Monitoring Division of the Ministry of Statistics & Programme Implementation proposals regarding reprioritization of projects which fall into the categories given in para III (ii) of this O.M. While submitting proposals the administrative Ministry/Department would indicate the cause of spill over, latest cost estimates and commissioning schedule, expenditure likely to be incurred and physical progress likely to be made by the end of the current Plan, the requirement of funds during the next Plan and their views on the priority to be given to such projects.

(ii) The Ministry of Statistics & Programme Implementation will process the proposals after obtaining the comments of the Planning Commission and place the same before the CEC for consideration and necessary action.

(iii) The Ministry of Statistics & Programme Implementation will convey the decision of the CEC to the Planning Commission and the administrative Ministries.

The Central Empowered Committee will be serviced by the Ministry of Statistics & Programme Implementation.

This O.M. supersedes the earlier O.M. No.523/2/1/96-CA.III dated 31.10.1996, 4.11.1996 and 22.1.1998.

Cabinet Secretariat's O.M.No.523/2/1/98-Cab.III, dt. March 9, 2000.

30. Procedure to review all cases of cost and time over-runs in respect of large projects

Government have constituted a Committee under the Chairmanship of Finance Secretary to review all cases of cost and time overruns in respect of projects costing Rs.200 crore and above. The Members of the Committee would be Secretary (Expenditure), Secretary (Programme Implementation) and the Secretary of the Ministry sponsoring the proposal.

The Committee will examine:

(a) those projects which are outside the purview of PIB, like cases pertaining to the Ministry of Defence, Railways etc. and;

(b) those cases which have already been considered by the PIB but not examined from the point of view of fixation of responsibility.

Ministry of Programme Implementation will provide the Secretariat for the Committee.

O.M.No.1(1) PF II/85, dt. July 9, 1992.

Section – 6 - Procedural Requirements for EFC/PIB

31. Pre-PIB meeting

All proposals, whether a new project proposal or a revised cost estimate, costing Rs.500 crore or above, to be brought before the Public Investment Board for its consideration, shall first be examined at a Pre-PIB meeting to be taken by the Financial Adviser of the concerned Ministry with the representatives of the appraising agencies – Planning Commission (Project Appraisal and Monitoring Division), Department of Economic Affairs and Department of Expenditure (Plan Finance-II). Representatives of the concerned division of the Planning Commission dealing with the subject as also of all Ministries/Departments of the Government of India, like Railways, Department of Electronics, Department of Environment, etc., who are concerned with the project, shall also be invited for the meeting. Where, for successful implementation of the project, complementary investments are to be made by other agencies, as for instance, on provision of water supply, laying of roads, setting up of railway facilities etc., the representatives of these agencies shall also be invited for the meeting. Where import of technology/equipment/raw material or external funding is visualised, it is to be ensured that a representative of the Department of Economic Affairs attends the meeting. The minutes of the Pre-PIB shall be appended to the memorandum to the PIB and the main points raised at the Pre-PIB meeting should be specifically referred to and dealt with in the body of the PIB Memorandum.

O.M.No.1(4)/PF.II/84, dt. 25th August, 1984.
O.M.No.1(3)/PF.II/2001, dt. 18.2.2002.

32. Project Financing and Sectoral Presentation to the PIB – Instructions Regarding

1) Instructions were reiterated in our O.M.No.1(7)/PF.II/92 dated 23rd June, 1992 that the PIB Memoranda should clearly bring out the past record of the concerned PSUs in regard to the timely execution of projects without avoidable cost over-runs and availability of funds taking into account the existing commitments.

2) It has, however, been felt that the whole approach continues to be 'expenditure driven'. There is clearly a need to look into sectoral policies in the specific context of project formulation and their implementation and reviewing the status of on-going portfolio in the sector with the intention of ensuring that the existing activities are adequately funded and the quality of on-going programmes are designed and implemented to serve the desired objectives.

3) A choice between the alternative investment and the opportunity cost of such an investment needs to be closely examined. It would, therefore, be necessary for the PIB to look into the gamut of issues in a somewhat larger framework while recommending an investment proposal. In view of the large requirement of funds for the infrastructure sector, this examination of PIB would be, to start with, for the infrastructure sector only.

4) With a view to achieving the above objectives, it has been decided as follows :

i) when the first project of the Public Sector Undertaking in the infrastructure sector is brought to the PIB at the beginning of each year, a presentation would be made by the concerned Organisation on the overall status of projects including the response of the Organisation/Department to bring about reforms designed to enhance the efficiency and productivity of the Organisation seeking additional public investment. Such an exercise should focus, inter-alia, on prioritisation of schemes/projects in the context of resource availability and sectoral needs as already identified during the Annual Plan exercises, possibility of dovetailing the schemes to achieve cost effective convergence and synergy with other sectors and ensuring timely execution to avoid cost overruns.

ii) All PIB Memoranda should contain a detailed statement showing the total likely availability of resources for completing the ongoing and proposed projects within the prescribed time cycle. This should take into account the likely normal cost escalations as the cost estimates are based on constant prices. This is necessary to ensure that resources are not spread thinly and projects do not suffer due to fund constraints.

iii) To ensure that the investment proposals of the PSUs are supported by a credible financing plan, due diligence on financing possibilities by recognised merchant bankers or experts in capital markets or All India Financial Institutions/Banks will have to be done. The investment proposals brought up before the P.I.B. merit a detailed scrutiny in terms of assumptions made by the Public Sector

Undertakings regarding the availability of funds either from the capital market or all India Financial Institutions/Banks. In other words, any investment proposal being brought up before the PIB should be supported by credible funding arrangements. These aspects would need to be specifically looked into by the concerned administrative Ministry/Department and their views indicated in the PIB Memoranda.

O.M.No.1(7)/PF.II/92(Part) dt. 22.9.95

33. Number of Copies of the PIB Memoranda required for the PIB Meeting

It has been decided that administrative Ministries will henceforth send, in the first instance, two copies of the PIB Memo to the Planning Commission (i.e., one copy to the PAMD and one copy for the subject Division concerned) and one copy each to the Plan Finance-II Division, Ministry of Environment & forests, Ministry of Programme Implementation to enable these agencies to appraise the project. The required number of copies of the PIB Memoranda will be sent to the PIB Secretariat only after the receipt of the PAMD Appraisal Note of the Planning Commission. It has also been decided that as against 40 copies of the PIB Memoranda presently required to be sent to the PIB Secretariat, only 25 copies would henceforth be sent to the PIB Secretariat.

O.M.No.62(2)/PF.II/87-Vo.II dt. Aug. 5th, 1992
and Nov. 26th, 1992. (updated)

34. EFC/PIB Memoranda and CCEA Notes to include comments of Financial Adviser

The administrative Ministries are to ensure that draft EFC/PIB Memorandum are circulated after incorporating the comments of the Financial Adviser and the response of the Administrative Division to these comments.

With regard to Cabinet/CCEA Notes, Administrative Ministries/Departments are to ensure that all draft Cabinet/CCEA Notes are shown to the FA and the comments of the FA taken into consideration before circulating the draft note for inter-Ministerial consultations. All Ministries/Departments are accordingly advised to confirm at the draft circulation stage that the concerned FA has been consulted. In a situation where the comments/concerns of the FA have not been given due consideration, the concerned FA may at his/her discretion, bring his/her views to the notice of Secretary (Expenditure) in case it is felt necessary to do so.

O.M.No.66(14)-PF.II/98, dt. 11th August, 1998.
O.M.No.1(1)/PF.II/2002, dt. 25th June, 2004.

35. Participation in the EFC/PIB Meetings

It has been decided that in future in all PIB, EFC and CNE meetings where schemes/projects are to be considered, apart from the Secretary of the Ministry/Department, the Chief Executive of the concerned Organisation/Public Sector Undertaking should also attend these meetings. He can, however be assisted by his officers.

No.25(7)/PF.II/89 dt. 22nd Dec., 1995.

36. Minimum Rate of Returns for the projects to be considered by the PIB

It has been decided that only those projects with a financial rate of return and an economic internal rate of return both exceeding 12% should be posed to the PIB for their consideration in future. The economic internal rate of return as per existing guidelines, i.e., excluding taxes and duties, was being computed by adopting a premium of 25% on foreign exchange and shadow pricing for energy costs, transport charges, etc. where necessary but now in view of the application of Liberalised Exchange Rate Management System (LERMS) in the Project Appraisal, premium on foreign exchange at the rate of 20% over the market rate of foreign exchange (in place of 25 per cent) may be used uniformly for all inputs and outputs which are internationally traded or tradeable.

In those cases where either the financial rate of return or the economic internal rate of return is over 12%, but the other one falls short of the norm, and the administrative ministry still considers it essential that the project should be taken up for implementation, the reasons therefor should be gone into in detail at the pre-PIB meetings and also set out in the memorandum for the PIB. The PIB shall consider such cases, only in exceptional circumstances and that too only if the projects are in the core sector.

Under no circumstances shall projects with both the financial and economic internal rates of return falling below 12% be considered by the PIB.

O.M.No.1(4)/PF.II/84 dt. August 23rd, 1984.
O.M.No.1(4)/PF.II/84 dt. 27th Jan., 1993.

37. Sensitivity Analysis

A number of projects which at the time of approval were found justified on the basis of time and cost schedules as set out in the feasibility reports presented to the PIB were subsequently seen to have come totally unviable because of inordinate delays in implementation and cost overruns. In order to bring out the impact of such over runs on the viability of a proposed project, the Project Appraisal Division of the Planning Commission shall in its appraisal carry out a sensitivity analysis on the internal rates of return for different levels of time and cost over-runs. In respect of undertakings, which have implemented and/or implementing projects, one of the points in the sensitivity analysis shall be the "average" delay noticed in the implementation of projects by the undertaking.

O.M.No.1(4)/PF.II/84, dt. August 23rd, 1984.

38. Project Cost/Completion Cost

It has been noticed that in some cases, the PSUs/Administrative Ministries are formulating project/scheme proposals for consideration by EFC/PIB based on very old cost which result in early cost over run in the projects.

To avoid this kind of situation, it has been decided that the cost estimates in respect of EFC/PIB proposals should be based on reasonably reliable cost data which in any case should not be more than 6 months out of date.

O.M.No.1(3)/PF.II/98, dt. 9th October, 2000.

The cost of the proposal will be inclusive of all components under which expenditure is required to be incurred (like revenue, capital and loans etc.). 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 constant prices and completion cost basis so that IRR/ERR can be calculated for both scenarios.

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.

O.M.No.1(3)/PF.II/2001, dt.18.2.2002.

39. Inclusion of Customs Duty etc. in the Project Cost

The Department of Revenue do not provide any special preferential treatment in the matter of customs duty for imports by Government organisations particularly on the ground that the amount of customs duty will have to be paid out of the Government funds. It is, therefore, suggested that in future the amount of duty should invariably form part of the project cost estimates.

O.M.No.1(7)/PF.II/89, dt. May 10th, 1989.

40. Provision for consequential damages in addition to liquidated damages in case of turn-key contracts

The Cabinet Committee on Economic Affairs in its meeting held on 23.2.1999, while considering a particular case involving a turn-key contract had directed that in turn-key contracts in addition to liquidated damages, an attempt should be made to have a provision for consequential damages also on account of time and cost overruns.

It is requested that, in all cases involving turn-key contracts the aforesaid direction of CCEA may be borne in mind and complied with.

O.M.No.1(2)/PF.II/99 dated 13th November, 2000.

41. Project Viability – Submission of Appraisal Report of Financial Institutions

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.

O.M.No.1(5)/PF.II/97, dt. 06.08.1997

42. Project Financing

It has been noted that PSUs attempt to over-stretch themselves by getting a number of projects sanctioned concurrently leading to less resources being allocated to each project resulting in time and cost overruns. Further the linkages of each project with a whole sector and infrastructure linkages are also not brought out. The PIB proposal must contain detailed credible resources package for the project such as internal resources, raising of share capital, institutional financing, GDR & budgetary support. The PIB proposal must include in detail the tying up of resources for financing of the project and cash availability position. In respect of each projected source, detailed description should be given including the basis for the projection, progress made so far, views of financial institutions etc. The cash availability must be worked out based on the commitments already made on projects which have been approved and on the basis of receivables and liabilities of the PSUs. The underlying assumptions regarding cash availability must also be indicated. In addition, all other infrastructure linkages should be indicated.

O.M.No.1(5)/PF.II/97, dt. 06.08.1997

43. EFC/PIB proposals not to be considered without tie up of funds

It is noticed that a number of EFC/PIB proposals are being circulated wherein sources of funding for the project are not identified. In some cases, it is indicated that funds would be made available through re-appropriation, or additional outlay would be sought from the Planning Commission. Plan Finance Division as well as the Planning Commission (PAMD) are finding it difficult to appraise such proposals.

It is, therefore, requested that the required outlay may be got confirmed from the Planning Commission before circulating the EFC/PIB Memo. In other words, it may be ensured that no EFC/PIB Memo is circulated for appraisal/or EFC/PIB meeting convened unless funding for the scheme/project to be considered is secured/tied up.

O.M.No.1(8)-PF II/98, dt. 17/29.2.2000.

44. Project Implementation Schedule

Every proposal should indicate in detail the Project Implementation Schedule (PIS) giving all important milestones following the approval such as various clearances, preparation of DFR, 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.

O.M.No.1(5)/PF.II/97, dt. 06.08.1997.

45. 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.

O.M.No.1(5)/PF.II/97, dt. 06.08.1997.

46. Track Record of PSU

PIB proposal should bring out track record of the PSU in project preparation and execution, highlighting cost/time over-runs and instances of unsuccessful project implementation. It would also bring out the corrective measures taken by the Ministries/Departments.

O.M.No.1(5)/PF.II/97, dt. 06.08.1997.

47. Consultants

The quality of the project depends greatly on the quality of the consultant. It is, therefore, necessary for the PSU/Ministry/Planning Commission to give special consideration to this aspect. If possible, each Ministry should prepare a panel of reputed consultants for project formulation; as far as possible only empannelled consultants should be used. In any case, the PIB memo should bring out the particulars of the consultant with experience and professional competence in the area and the manner and basis for his selection.

O.M.No.1(5)/PF.II/97, dt. 06.08.1997.

48. Project location

It has been observed that location is sometimes based on extraneous consideration. PIB should bring out clearly the basis for the selection of the locations, alternative locations considered and not accepted and reasons for the same.

O.M.No.1(5)/PF.II/97, dt. 06.08.1997.

49. 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 for 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 Distt./State Authorities. Thus the total compensation cost may be worked out on the basis of these rates.

O.M.No.1(5)/PF.II/97, dt. 06.08.1997.

50. National Policy on Resettlement and Rehabilitation for Project Affected Families - 2003 (NPRR -2003)

The Government have formulated a National Policy on Resettlement and Rehabilitation. The policy stipulates the minimum facilities and compensations to be ensured for the Resettlement and Rehabilitation of persons displaced due to acquisition of land for public purposes. It is to be ensured that each element of the benefits to be extended are not less generous than what is stipulated under this Policy.

The details of the Policy may be seen in the Gazette of India : Extraordinary Part-I, Section 1, dated 17th February, 2004, page 23-40. [Ministry of Rural Development (Department of Land Resources) Resolution dated 17th February, 2004]

Section – 7 – Environmental Clearance

51. Project cost to include cost of measures for mitigating adverse environmental impact

The cost of anti-pollution measures or measures for safeguarding the environment should be treated as an integral cost of all projects now being formulated.

O.M.No.F.1(7)/PF.II/80, dt. May 22nd, 1980.

52. Environmental appraisal of projects by Department of Environment

The need for a proper environmental study as an integral part of every new project submitted for approval cannot be over emphasized. The Department of Environment has set up specialist groups dealing with the different sectors. It would be useful for the agencies responsible for the preparation of Feasibility Reports to associate these specialist groups right from the initial stage of project formulation. The details that are required for completing the environmental appraisal and for according clearance from the forest angle could then be supplied well before the projects are posed for an investment decision.

In order that investments recommended by the PIB are submitted in a complete form to the Cabinet within the prescribed time limit, the administrative Ministries are requested to submit only such proposals for consideration by the PIB as have been cleared from the environmental and forest angles.

O.M.No.1(2)/PF.II/84, dt. April, 21st, 1981
O.M.No.1(7)/PF.II/92, dt. June 23rd, 1992.

53. Exemption from Environmental Clearance for Transmission Lines

As per the existing guidelines of the F.C. Act, 1980, investigations and surveys carried out in connection with transmission lines and hydro-electric projects in forest areas, will not attract the provisions of F.C. Act, 1980, as long as these surveys do not involve any clearing of forest or cutting of trees and operations are restricted to clearing of bushes and lopping of branches for purpose of sighting. However, the provisions of this Act will be fully applicable in case surveys or investigations works are to be carried out in wild life sanctuaries or National Parks or sample plots demarcated by Forest Department. No environment clearance is, however, required for laying of transmission lines.

D.O.No.11-30/96-FC(Part) dated March 6, 1998
(issued by Ministry of Environment & Forests).

54. Notification on Environmental impact assessment of development projects dated 27th January, 1994 (as subsequently amended)

The system of environmental appraisal of developmental activities by Ministry of Environment & Forests commenced in late 1970's. Consequent to the Notification on Environmental Impact Assessment of Development Projects dated the 27th January, 1994 (as amended from time to time), environmental clearance for 29 categories of developmental projects was made mandatory. On 10th April, 1997 as per amendment No.SO318(E) public hearing has been made statutory for all developmental projects covered by this Notification.

While reviewing the progress of cases which were accorded environmental clearance prior to the 27.1.94 Notification, it has been observed that a large number of projects have not commenced construction or other operations. Some of the main reasons for non-commencement of projects or very slow progress are :-

(i) Non-availability of financial resources.
(ii) Non-availability of forestry clearance.
(iii) Inter-State water dispute.
(iv) Non-availability of essential infrastructure like land, electricity, road etc.

It has been noted that certain projects which were environmentally appraised even as early as April 1980 have not commenced construction activities. There may have been significant changes during these years which would have implications on the environment and ecology of the area. After careful consideration, the Ministry has decided that the environmental clearances issued prior to 1994 will not be valid in the case of projects where work did not commence before 1.8.1998. In all such cases, fresh environmental clearance would be required if these come in the 29 categories listed in the EIA notification. Projects which are not listed in Schedule-I of the EIA notification will not require environmental clearance. Therefore, fresh environmental clearance for all those projects which fall in the category mentioned above would need be obtained.

No.J-21011/8/98-1A-1 dated July 23, 1998
(issued by Ministry of Environment & Forests).

SECTION – 8 – Miscellaneous Matters

55. Procedure for seeking EFC/PIB approval for Externally aided project/schemes

The Administrative Ministries were requested vide order No. F.1(18)/PF.II/78 dated 2nd April, 1980 to keep their Financial Advisers intimately associated with the formulation of and in all important discussions on such projects with the donor agencies, who in turn would advise the Secretary of the Administrative Ministry and initiate timely action for seeking the approval of EFC/PIB for project.

There have been cases where such schemes/projects have been posed to the EFC/PIB for their consideration at a stage where the project parameters have already been finalised during negotiations with the donor agencies and are only pending for formal signing the agreements, leaving hardly any room for any modification in the scheme/project based on the advice of the appraising agencies including Planning Commission, except at the risk of delaying the whole project. Further, since the project/scheme was not posed earlier to the EFC/PIB, Planning Commission were not involved, which might result inadequate funds not being provided for the purpose in the Plan outlay of the concerned Departments. This would lead to delay in the execution of the project and consequently result in poor utilisation of foreign funds.

It is, therefore, clarified that an externally aided project should be posed to the EFC/PIB, as the case may be, immediately after the appraisal is completed by the donor agency and before negotiations are undertaken. It would also be necessary to obtain the approval of the competent authority for approval of such projects.

O.M.No.1(6)/PF.II/91(Pt.), dt. 28th Jan., 1993.

Administrative Ministries are also requested to keep their Financial Advisers intimately associated with the formulation of all projects who in turn would advise the Secretary of the Administrative Ministry and initiate timely action for seeking the approval of EFC/PIB for the project. In this regard, it is requested that FAs may initiate timely action for seeking approval of EFC/PIB on a fast track basis and they are requested to initiate timely action for seeking approval of EFC/PIB for the schemes/project immediately after lapse of four weeks of the circulation of EFC/PIB Memo.

O.M.No.1(2)/PF.II/97, dt. 28.07.1997.

56. UNDP assisted projects in India – EFC/PIB procedure to be followed in the context of NEX guidelines

The matter relating to applicability of EFC/PIB procedure to UNDP assisted projects in India in the context of the NEX Guidelines was examined in this Department. It has been decided that the EFC/PIB procedure will require to be followed irrespective of whether funds flow directly to the recipients or through the Budget under the NEX guidelines.

O.M.No.1(4)/PF.II/98, dt. 02.02.1998

57. Applicability of EFC/PIB procedure to investment proposals of Union Territories with legislature

It has been decided in consultation with the Ministry of Home Affairs that while EFC/PIB procedures need to be followed in the case of Union Territories without legislature, investment proposals of Pondicherry (the only Union Territory with legislature) should not be subjected to these procedures.

O.M.No.1(8)/PF.II/89, dt. Sept. 24th, 1990.

58. PIB/EFC procedure in respect of renewals and replacements

The question whether proposals in respect of renewals and replacements cost of which exceeds the delegated powers of the Public Undertakings/Administrative Ministries/Departments should be subjected to PIB/EFC procedure, has been under consideration. It will be recognised that an old asset or a facility which had outlived its useful economic life need not always be replaced by an identical one. The replacement may be in respect of a Coke Oven Battery or an aircraft or a jackup rig or a ship. It is obvious that due to the continuing technological advancement, any major renewals and replacement proposal will lend itself for techno-economic alternatives in terms of unit size, total capacity, time phasing of investment, purchase Vs. Charter-hire etc. Sometimes lumpiness of investment may also suggest postponement of renewals/replacement by resorting to capital repairs so as to avoid pressure on budgetary resources. In this context, it is considered that it would be useful to subject the renewal/replacement proposals to PIB/EFC scrutiny as in the case of any other project/proposal.

It is also clarified that all renewals and replacements, the cost of which exceed the powers of sanction delegated to the public sector undertakings should be brought to the EFC/PIB for their consideration. It is also further clarified that the sanctioning of renewals and replacements to be sanctioned by the Public Sector Undertakings within the limits of the sanctioning powers delegated to them, should be within the framework of the Plan and budget of that undertaking for the years as approved by Government.

O.M.No.1(3)/PF.II/84, dt. August 21st, 1984.

59. Zero date for projects

The date of approval of a project by the Government of India should be taken as the zero date for that project. The time required for activities like land acquisition, obtaining PIB/CCEA clearance, signing of agreements for know-how/technology etc. should also be estimated and taken into account in determining the project completion schedule from the zero date.

Zero date may be reckoned from the date of sanction which is after the second stage clearance. Only where the zero date might be required to be reset depending upon the circumstances of the cases it could be done at the time of approval of RCE. The Planning Commission may examine whenever there is a case for resetting zero date due to time lag in getting possession of land, environmental clearance, etc.

O.M.No.1(6)/PF.II/91, dt. August 24th, 1992.

60. Infrastructure facilities for Central Sector Projects – obtaining free of cost

It has been decided that the Central Ministries/Central Project Authorities should refrain from approaching the State Governments for provision of land and services free of cost or at concessional rates for the Central Projects. It is considered that the cost of land and other facilities should appropriately be a charge on the project itself and the provision for the purpose should be made in the Central Sector as a part of the cost of the project. Apart from truly reflecting the cost and economics of the project and bringing together at one place all the costs incurred on the project, it would also facilitate a decision on location to be taken on rational grounds rather than considerations such as which State government provides the most services free of cost.

O.M.No.PF.II/End(33)/69, dt. July 16th, 1969.

61. Capital Restructuring in Public Sector Undertakings – Guidelines – Procedure for approval

There is always a steady flow of proposals for Capital Restructuring in Public Sector Undertakings. These proposals are made on a variety of considerations. Cleaning up the balance sheet with a view to improving the image of the undertaking and securing greater access to market finance is often the main consideration for capital restructuring. Then there are cases in which the undertakings are in danger of becoming sick or potentially sick and are, therefore, anxious to steer clear of the Board for Industrial and Financial Reconstruction(BIFR). Capital restructuring is proposed as a means of achieving this objective. Then again there are cases in which capital related charges weigh heavily on the undertakings and Militate against profitability/viability. Capital restructuring is resorted to with a view to reducing this burden and becoming profitable and viable.

2. Guidelines for Capital Restructuring

In the past, some guidelines had been issued by the Ministry of Finance (Department of Expenditure) for capital restructuring in public enterprises. The more important of those guidelines may be enumerated as follows:-

(1) Capital restructuring should be a means of revitalising the enterprise and must aim at creating or restoring conditions for viability;

(2) Capital restructuring should be coupled with other measures such a introduction of improved management practices, improved productivity, reduction in costs etc.; and

(3) Capital restructuring should be considered only in genuine cases where the adverse debt-equity ratio and resultant interest liability or capital related charges are the major constraints and otherwise the undertaking can operate on a viable basis.

3. Capital restructuring should not be regarded as a means of obtaining short-term gains but should aim at putting the undertaking on a sound financial footing in the long run. Proposals for capital restructuring should be accompanied by a package of measures for improvement in management practices, reduction in costs, reduction in inventory levels and identification of surplus manpower and reduction thereof.

4. All the various aspects mentioned above must be critically examined as also the benefits/results which are expected to flow from capital restructuring. In a particular case, all these aspects would need to be examined after taking into account the status of the industry to which the undertaking is related.

5. In the Ministry of Finance (Department of Expenditure), the proposals for capital restructuring are at present rigorously examined by the Office of the Controller General of Accounts which has a Capital Restructuring Cell headed by a Joint Controller General of Accounts.

6. Procedure to be followed

With a view to speeding up the clearance of proposals for capital restructuring, the procedure hitherto followed in this matter has been reviewed. At present, proposals for capital restructuring are referred directly to the Plan Finance II Division of the Department of Expenditure which in turn refers them to the Capital Restructuring Cell. It has been the experience that this procedure is fraught with many delays. It has, therefore, been decided that in order to avoid delays the administrative

Ministries/Departments may even at the stage of formulation of the proposals for capital restructuring consult the Financial Advisors and the Joint Controller General of Accounts who is heading the Capital Restructuring Cell. The administrative Ministries/Departments shall draw on the expertise of the Capital Restructuring Cell even at the stage of formulation of the proposals and for this purpose shall make available to the Capital Restructuring Cell all the information that they require, as quickly as possible. This shall be the responsibility of the administrative Ministry/Department concerned. However, the Joint Controller General of Accounts may also interact directly with the concerned Financial Advisor, the concerned officers of the administrative Ministry/Department and of the Undertaking involved and obtain all the information he needs.

7. After the proposals are clearly formulated, the administrative Ministry/Department shall prepare a draft Note for the Cabinet/Cabinet Committee on Economic Affairs and shall circulate it among the concerned Ministries/Departments of the Government after obtaining the approval of the administrative Secretary and of the Minister in charge. While sending a copy to Plan Finance II Division of the Department of Expenditure, the administrative Ministry/Department shall clearly indicate that the proposals have been formulated in consultation with the Financial Advisor and the Office of the Controller General of Accounts. The comments of the Financial Advisor and of the Office of the Controller General of accounts on the proposals shall also be forwarded to Plan Finance II Division of the Department of Expenditure. If there are any differences of views between the administrative Ministry/ Department and the Office of the Controller General of Accounts and/or the Financial Advisor on the proposals, they shall be specifically highlighted and brought to the notice of the Department of Expenditure. The comments of the administrative Ministry/Department on the observations made by the Office of the Controller General of Accounts and/or the Financial Advisor shall also be made available to Plan Finance II Division of the Department of Expenditure.

8. After the draft Note for the Cabinet/Cabinet Committee on Economic Affairs is received in the Department of Expenditure, an inter-departmental meeting will, if necessary, be taken by Additional Secretary(Expenditure) to discuss the proposal for capital restructuring before submitting it to Secretary(Expenditure)/Finance Minister for

their approval. The final views of the Ministry of Finance(Department of Expenditure) will be communicated to the administrative Ministry/Department concerned by Plan Finance II Division of the Department of Expenditure.

9. In most cases, capital restructuring involves sacrifices on the part of the Government and costs money to the public exchequer. This support is provided to the PSU in the expectation that certain benefits will flow as a result of this assistance. It should, therefore, be undertaken in a serious manner and not casually or as a cosmetic exercise. After the proposal for capital restructuring is approved by the Cabinet/Cabinet Committee on Economic Affairs, the administrative Ministry/Department concerned shall ask the PSU concerned to sign a Memorandum of Understanding(MOU) clearly setting forth the targets, both physical and financial, which had been promised to be achieved as a result of capital restructuring. These targets will, inter alia, cover matters like production, productivity, profitability, cash flows, reduction in manpower, reduction in costs, loan repayments etc. In short, the MOU will indicate the milestones to be reached in all these matters within a definite time frame. Release of financial assistance from the Government will be contingent upon the PSU reaching the milestones indicated in the MOU. The Administrative Ministry/Department concerned shall also periodically review the performance of the PSU with reference to the provisions contained in the MOU. The management of the PSU will be held responsible for any failure to achieve the results promised in the approved capital restructuring proposal.

10. The procedure outlined above will be followed with immediate effect.

O.M.No.66(7)/PF.II/99, dated 16th August, 1999.

62. Flow of External Assistance from multilateral and bilateral agencies to Central PSUs

To facilitate the flow of external assistance to Central PSUs, the current system of routing the external assistance through the Budget has been examined. In supersession of all existing instructions on the subject, revised guidelines have been formulated. The following guidelines relating to external assistance are to be followed with effect from 1.4.1993.

1) (a) All future borrowings from the multilateral/bilateral agencies by PSUs of the Centre would be direct (without GOI intermediation) on the terms as agreed mutually between the borrower and the lender and approved by GOI.

(b) The borrowing should relate to approved projects.

(c) GOI guarantee would be given, if necessary, according to lending agency norms.

(d) Wherever guarantee is to be given by GOI the borrower shall enter into an agreement with the GOI for the payment by the borrower of a suitable guarantee fee to the Guarantor on the principal amounts of the loan withdrawn and outstanding from time to time.

2) The borrower will bear the exchange risk and get the funds directly on terms and conditions prescribed by the lending agency.

3) The revised procedure will apply to all new projects and to projects already approved wherein no drawl has been taken place.

4) In case of autonomous bodies, the grants will be passed on through the budget following the present procedures of scrutiny and approval by the appropriate authority.

5) These revised guidelines do not in any way change the procedure for identification, posing and approval of projects for external assistance. Department of Economic Affairs will continue to play the nodal agency role in terms of prescribing limits, if any, for external borrowing sector-wise or lender-wise, developing a pipeline of projects, negotiating external assistance and monitoring implementation.

No.F.1(26)-B(AC)/93, dt. 2nd April, 1993

Budget Division, DEA.

Further, it has been decided that all future grants from multilateral and bilateral agencies to Central Public Sector Enterprises would also flow directly to them without Government of India's intermediation. However, where necessary exceptions will be considered on a case by case basis.

No.F.1(26)/-B(AC)93, dt. 14th Oct., 1993.

Budget Division, DEA.

Section – 9 – Formats

63. Format of PIB Memorandum

1. Name of the Project
2. Whether it is a case for fresh approval or Firmed up or Revised Cost Estimate
3. Administrative Ministry/Department
4. (i) Location (State/District/Town)
   (ii) Basis for selection of location in respect of a new project
5. (i) Agency which prepared the Feasibility Report/Detailed Project Report/ Detailed Cost Estimates
   (ii) Date of preparation of FR/DPR/DCE
   (iii) Is this agency on the approved list of Consultants of the Ministry for preparation of FR/DFR/Cost Estimate
6. (i) Name of the Implementing Agency
   (ii) Track record of the PSU in project preparation and execution, highlighting cost/time over-runs and instances of unsuccessful project implementation (say during last three years). Corrective measures, if any taken by the Ministry/PSU.
7. Extent and Type of Studies and Investigations – whether feasibility report is based on complete studies and investigations.
8. Infrastructure Facilities/Back up
   (i) Requirement and availability of non-forest land.
      (a) Categorywise (e.g. Government agricultural, homestead, etc.) area of land required.
      (b) Categorywise area of land acquired, if not fully acquired, the exact status of acquisition process, whether compensation has been paid and accepted by land losers.
      (c) Number of persons likely to be displaced; the rehabilitation package and the time frame within which the rehabilitation package will be implemented. [1(5)/PF.II/96 dated 06.08.1997]

(d) Whether any area including Government land, occupied by encroachers, if so, the status of action being taken to remove the encroachers.

(e) Any other specific problem in acquisition or starting project activities e.g. law & order problem due to local protests.

(ii) Requirement and availability of forest land

(a) Area of forest land required (if in more than one State, Statewise break-up)

(b) Area of forest land (statewise) acquired, if not fully acquired, the exact status of acquisition process.

(c) Area required and acquired for compensatory afforestation(statewise).

(d) Number of persons likely to be displaced; the rehabilitation package and the time frame within which the rehabilitation package will be implemented.

(e) Any other specific problem in acquisition or starting project activities e.g. law & order problem due to local protests.

9. Status of Law and order and provision for Security Measures :-

(i) Status of law and order situation in the area where project is proposed to be set up.

(ii) Arrangements made for providing proper security cover during the construction and after commission (agency to be identified).

10. Whether the state of preparedness has been considered with regard to the following:-

(a) Decision about the agency to implement, whether departmentally, or through turn key contractor, and/or through more than one contractor.

(b) Decision about engaging consultants.

(c) Track record of the implementing agency/agencies and consultants.

(d) Choice of technology, Status of transfer of technology, availability of designs/drawings.

(e) Finalisation of configuration of equipment and the number of packages in which the project would be divided for tendering/contracting.

(f) Availability of water, power, road, rail and port facilities required during and after construction period.

(g) Whether Implementation Plan has been prepared and Master PERT/CPM network enclosed.

11. Demand-Supply gap and the contribution of the project to bridge the gap. Protection for the export, if any, may be identified.
12. Principal raw materials/components and sources thereof, indicating annual imports in quantity and value.
13. Where import of technology is involved, brief justification for the same.
14. Major facility with capacity of each (e.g. Ammonia Plant, Urea Plant, etc., in a Fertilizer Project of Gas Cracker, PVC, LDP, etc. down stream plants in a Petrochemicals Project).
15. Product-mix and capacity for the end product.
16. Capital cost with breakup under broad headings (like plant & equipment, civil works, utilities etc.)
    (a) at constant prices;
    (b) on completion cost [1(5)/PF.II/96 dt. 06.08.1997] (In case of firmed up cost/revised cost estimates, the latest approved cost and its date of approval may be indicated.
17. Foreign Exchange Component.
18. Specific investment per unit (e.g. per tonne of coal, per tonne of fertilizer, per tonne of steel, per MW of power).
19. Base price for cost estimates.
20. Basis of cost estimate – in house data/data of similar projects implemented recently/budgetary quotations, etc.
21. Degree of reliability of cost estimates (excluding future escalations).
22. If it is an expansion proposal, comparision of cost with a grass root facility.
23. System cost not included in the estimates (e.g. investment on the linked coal mine in the case of a power project or investment on Railways/Ports facilities etc.)
24. Project Implementation Schedule (PIS) :-
    (a) It should indicate in detail all important milestones following the approval such as various clearances, preparation of DFR, calling and approval of tenders, major construction works, procurement and installation of plant and machinery, etc. PIS should be consistent with the phasing of expenditure.[1(5)/PF.II/96 dt. 06.08.1997]

(b) PERT network in support of gestation period or atleast a PERT network covering essential activities to be completed during the first year of sanction. The essential activities should, inter-alia, include :-

(i)Financial closure where resources are to be raised from the market or financial institutions or foreign lending agencies.

(ii)Acquistion of forest/non-forest land;

(iii)Appointment of consultants, preparation of detailed engineering designs and drawings, floating of tenders and award of contracts;

(iv)Obtaining all mandatory clearance (it is presumed that the environment clearance has been obtained before the sanction).

(v)Appointment of necessary project personnel. (it is presumed that the nodal officer and his team will be in position from the beginning).

(vi)Whether the accountability of the persons associated with project implementation has been fixed to avoid time and cost over-run.

(vii)Whether performance clause and stringent liquidated damages clause to deter the contractors from abandoning the project has been incorporated in the contract.

25. Production build-up.

26. Phasing of investment.

(i)fixed cost basis;

(ii)completion cost basis. [1(5)/PF.II/96 dt. 06.08.1997]

27. Likely expenditure during plan period and the approved plan provision.

28. Justification for taking up the project, if not included in the approved Five Year Plan.

29. Sources of financing, indicating the extent of budgetary support required during the plan period. (It may be clearly indicated whether financing arrangements have been fully tied up and must contain detailed credible resource packages for the project such as internal resources, raising of share capital, institutional financing, GDR & budgetary support. Tying up of resources for financing of the project and cash availability position should be indicated in respect of each projected source, detailed description should be given including the basis for the projection, progress made so far, views of financial institutions, etc. [1(5)/PF.II/96 dt. 06.08.1997]

30. Financial obligation of the PSU Ministry ‘with and without’ the proposal under consideration i.e. details of commitments on account of on-going projects to be funded from internal resources of the PSU may be indicated along with requirement and availability of funds for the project under consideration. The underlying assumption regarding internal resource availability must also be indicated. [1(7)/PF.II/92 dt. 23.06.1992]
31. Financial Position of the Company/PSUs implementing the project may be indicated for last three years. [1(5)/PF.II/96 dt. 06.08.1997]
32. Cost of production per unit.
33. Selling price per unit.
34. Value of annual output.
35. Financial IRR, indicating assumption about extent of capacity utilisation.
    (i)on fixed cost.
    (ii)On completion cost. [1(5)/PF.II/96 dt. 06.08.1997]
36. Economic IRR, without premium on foreign exchange.
    (i)on fixed cost.
    (ii)on completion cost. [1(5)/PF.II/96 dt. 06.08.1997]
37. Annual foreign exchange savings (excluding value of imported raw materials components, royalty, etc.)
38. Direct employment generation.
39. Annual subsidy, if any, for sale at administered prices.
40. Assumptions made in the proposal which are uncertain(apart from current cost and prices).
41. Alternatives considered in making the proposal.
42. Information about the number of projects which will be implemented concurrently by the same implementing agency, and if the organisation is geared to tackle all of them.
43. Whether taking up of this project will affect, in any way, implementation of other on-going projects of the PSU/Department.
44. A small paragraph on energy conservation.
45. If funding is through F.I. appraisal report of the F.I. should be attached and broad observations of the report indicated here.
46. If the proposal involves creation of posts for the project, it should be clearly brought out in the PIB memo. Further, the proposal for creation of posts should

separately be sent to J.S.(Pers.), Department of Expenditure, at least few weeks before the submission of PIB note. [1(7)/PF.II/92 dt. 23.06.1992]. Details of the project Management Team which will be assisting the Nodal officer in Implementation may also be furnished.

47. Whether Nodal Officer (Chief Executive for the project) has been appointed. If yes, give details about his status, past experience in implementing such projects, number of years left for superannuation, etc. [M-12016/5/97-PAMD dt. 29.12.1997]. Details of the Project Management Team which will be assisting the Nodal Officer in implementation may also be furnished.

48. Date and authority from which environment clearance has been obtained in case with conditionalities, if any a time bound programme for meeting the conditions.

48(a). Details of commitments obtained from the concerned State Governments in regard to the services expected from them in facilitating execution/operation/future expansion of the Project. Conditionalities, if any, imposed/proposed by the State Governments, in this regard, may also be elaborated. (O.M.No.1(8)/PF.II/98 dated 19.03.2002)

49. Comments/observations of appraising agencies

(Additional information in the case of firmed up or revised cost estimates).

50. Date of approval of original cost or firmed up cost.

51. Original or firmed up approved cost together with FE component.

(i)fixed cost.

(ii)Completion cost. [1(5)/PF.II/96 dt. 06.08.1997]

(For projects approved before August, 1997, there may not be any approved completion cost.)

52. Present cost (completion cost) together with FE component [1(5)/PF.II/96 dt. 06.08.1997].

53. Major variation in the capacity or the project concept, if any, from the earlier approved proposal.

54. Change in pattern of funding, if any.

55. Earlier project completion schedule.

56. Revised project completion schedule.

57. Brief reasons for time overrun in clear terms.

58. Variance analysis* of increase in completion cost under : [1(5)/PF.II/96 dt. 06.08.1997].

(a) Escalation.

(b) Exchange rate variation.

(c) Change in scope.

(d) Statutory levies.

(e) Addition/Deletion.

(f) Under estimation.

(g) Other (Specify).

(* Variance analysis should be worked out with reference to latest instructions contained in O.M.No.1(6)/PF.II/91 dt. August24, 1992).

59. Quantification of increase in cost on account of time overrun.

60. Present status of physical progress of the project.

61. Expenditure incurred and commitments made so far.

62. Effect of revision in capital cost estimates on cost of production and profitability with reference to earlier approved capital cost of the project.

63. Whether, at the stage when funds to the extent of 50% of the approved cost were released, the mandatory review of the cost estimates was done by the project authorities and the administrative ministry? If so,

(a) The date when, as a result of mandatory review, project authorities and the administrative Ministry became aware that the cost of the project is likely to be exceeded by more than 5% of the originally approved cost due to reasons other than price escalation, exchange rate variations statutory review etc. and the date when RCE was drawn up and brought before EFC;[1(6)/PF.II/87 dated 16.11.87 and 1(6)/PF.II/91 dated 24.08.92].

(b) A statement showing commitments made by the project authorities/Administrative Ministries in the EFC/PIB Memorandum regarding reliability of cost estimates, pre-project investigations, land acquisition, completion schedule etc. and during the PIB meeting with regard to the project at the time of seeking project approval and the status regarding their fulfillment. [1(1)/PF.II/85 dated 14.10.98].

(c) Have the reasons for the time and cost overrun been gone into thoroughly and responsibility fixed? If so, details in this regard be indicated. [1(1)/PF.II/85 dated 17.09.91].

64. Whether the issue of cost and time over run was brought before EC/QPR? If so, details of decision taken in EC/QPR & further follow up action. [M-12016/5/97-PAMD dt. 29.12.97].

65. Whether the issue of fixation of responsibility for time and cost over run has been examined by the Standing Committee. If so, report/recommendations of the Committee and Action Taken Report may be appended.

66. * Whether on PIB Memo Financial Adviser's concurrence/comments have been obtained? If so, details thereof. [66(14)/PF.II/98 dated 11.08.98].

67. * Supplementary Information.

68. * Points on which decisions/sanctions are required.

*Items at Sl.No.66, 67 and 68 are common to original and RCE proposals.

The PIB Secretariat has been authorized to return the PIB Memorandum which do not contain all the relevant information and are considered incomplete.

(Planning Commission's – D.O.No.O-14014/5/98-PAMD dated 24.9.1998).
O.M.No.1(8)/PF.II/98 dated 30.10.1998

64. Format of EFC Memorandum

1) Sponsoring Ministry/Department

2) Statement of proposal :-

(a) whether Central Scheme or Centrally Sponsored? In the case of new CSS or CSS with changed parameters, funding pattern etc. whether approval of full Planning Commission has been obtained.

(b) Whether there are schemes with overlapping objectives and coverage in other Ministries and States? If so, the details of such schemes and the scope for integration.

(c) New Proposal/Modified/Revised Cost Estimate.

(d) Reasons and justification for proposal, indicating historical background, circumstances in which the need have arisen, whether other alternatives have been considered and what detailed studies have been made in regard to the proposal for establishing its need, its economics and other relevant aspects.

(e) If it is location specific, basis for selection of location.

(f) Has the proposal been included in the Five Year Plan and what are the provisions in the Five Year Plan and in the current annual plan? Is any modification proposed?

(g) What is the estimated yield from the Project and what are the economic implications?

(h) In case of ongoing scheme/project, present status and benefits already accrued to the benefeciaries may also be furnished.

(i) Have other concerned Ministries and Planning Commission been consulted and if so, with what results?

(j) Whether any evaluation had been done? If so, broad findings of such evaluation studies may be given.

(k) Has the proposal or its variant been gone into by any Committee, Departmental or Parliamentary, if so, with what result and what decisions have been taken.

3) <u>Programme Schedule :-</u>

(a) Has the project/scheme been worked out and scrutinised in all its details?

(b) What is the schedule for construction, indicating the position separately relating to plant and machinery and civil works, raw materials, manpower etc. together with year-wise phasing.

(c) Whether physical and financial targets match with each other.

(d) What is the target date for completion and when will the expected benefits commence?

(e) 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. [1(5)/PF.II/96 dated 06.08.97].

4) <u>Expenditure involved :-</u>

(a) What is the total expenditure (non-recurring and recurring):-
Indicate the position year-wise and also whether any budget provision has been made and if not, how it is proposed to be arranged? Has any expenditure been incurred already.

(b) Details of the scheme of financing clearly bringing out the financial obligations undertaken by the PSU/Ministry with or without the proposal under consideration. In other words, details of commitment on account of on-going projects to be funded from internal resources of the PSU may be given in the EFC Note along with the requirement and availability of funds for the project under consideration. In case of schemes/programmes, Five Year Plan Outlay for the Ministry/Department and commitments on on-going schemes/programmes alongwith the requirement and availability of funds for the scheme/programme may be furnished. [1(7)/PF.II/92 dated 23.06.92].

(c) What is the foreign exchange component (separately for non-recurring and recurring expenditure)? What are the items of expenditure involving foreign exchange and expenditure on foreign experts? Has clearance of E.A.D. been obtained and has availability of credit facilities been explored and if so, with what result?

(d) Phasing of expediture (non-recurring and recurring) :-

i) on constant prices;

ii) on completion cost [1(5)/PF.II/96 dated 06.08.97].

(e) Reference date and basis of cost estimates of various components.

5) Reliability of Cost Estimates and other parameters :-

(a) Has pre-project investigations been arrived at in detail and details of area where changes in project parameters could be anticipated?

(b) To what extent cost estimates are firmed up?

6) Operational Capabilities :-

(a) Operational capability of PSU/Department/Implementing Agency/Ministry to undertake the tasks required for the implementation of the proposal under consideration. For this purpose, track record of the PSU in respect of the projects already implemented/under implementation may be highlighted and also steps proposed for ensuring timely execution of the project under consideration.

(b) In case of RCE proposals, variance analysis of cost increase due to price escalation, variation in exchange rates/custom and other statutory duties and levies, change in scope, under estimation, addition/alteration, etc. is to be given. [1(5)/PF.II/96 dated 06.08.97].

(c) In case of continuing Social Sector Schemes of :-

i) Estimate of committed liabilities at the end of previous plan;

ii) Whether this been transferred to States/non-plan head.

7) <u>Add statements showing :-</u>

i) the number of posts required and the pay scales, together with basis adopted for staffing, both in current year and future years;

(A separate proposal for creation of posts may be sent to JS(Pers.), Department of Expenditure at least two weeks before the circulation of EFC Note).

ii) expenditure on buildings and other works and its basis and phasing; and;

iii) expenditure on stores and equipment.

8) Viability :-

Information is to be given if benefits accruable from the projects/schemes are quantifiable and can be translated in monetary term [1(5)/PF.II/96 dated 06.08.97].

(a) Financial IRR

i) at constant prices;

ii) on completion cost basis.

(b) Economic IRR

i) at constant prices;

ii) on completion cost basis.

9) Whether Nodal Officer (Chief Executive for the project) has been appointed. If yes, give details about his status, past experience in implementing such projects, number of years left for superannuation etc. (M-12016/5/97-PAMD dt. 29.12.97).

For RCE proposals :-

10) Date of approval of original cost or firmed up cost.

11) Original or firmed up approved cost together with FE component.

i) fixed cost;

ii) completion cost [1(5)/PF.II/96 dated 06.08.97].

(For projects approved before August, 1997, there may not be any approved completion cost).

12) Present cost (completion cost) together with FE component [1(5)/PF.II/96 dated 06.08.97].

13) Earlier project completion schedule.

14) Revised project completion schedule.

15) Brief reasons for time overrun in clear terms.

16) Variance analysis * of increase in completion cost under the following heads:-

(a) Escalation.

(b) Exchange rate variation.

(c) Change in scope.

(d) Statutory levies.

(e) Addition/deletion.

(f) Under estimation.

(g) Other (Specify).

(* Variance analysis should be worked out with reference to latest instructions contained in O.M.No.1(6)/PF.II/91 dt. August 24th, 1992).

17) Quantification of increase in cost on account of time overrun.

18) Present status of physical progress of the project.

19) Expenditure incurred and commitments made so far.

20) Effect of revision in capital cost estimates on cost of production and profitability with reference to earlier approved capital cost of the project.

21) Whether, at the stage when funds to the extent of 50% of the approved cost were released, the mandatory review of the cost estimates was done by the project authorities and the administrative ministry? If so –

(a) The date when, as a result of mandatory review, project authorities and the administrative Ministry became aware that the cost of the project is likely to be exceeded by more than 5% of the originally approved cost due to reasons other than price escalation, exchange rate variations statutory levies etc. and the date when RCE was drawn up and brought before EFC. [1(6)/PF.II/87 dated 16.11.1987 and 1(6)/PF.II/91 dated 24.08.1992].

(b) A statement showing commitments made by the project authorities/Administrative Ministries in the EFC/PIB Memorandum regarding reliability of cost estimates, pre-project investigations, land acquisition, completion schedule etc. and during the PIB meeting with regard to the project at the time of seeking project approval and the status regarding their fulfillment. [1(1)/PF.II/85 dated 14.10.98].

(c) Have the reasons for the time and cost overrun been gone into thoroughly and responsibility fixed? If so, details in this regard be indicated. [1(1)/PF.II/85 dated 17.09.91].

22) Whether the issue of cost and time over run was brought before EC/QPR? If so, details of decision taken in EC/QPR & further follow up action. [M-12016/5/97-PAMD dt. 29.12.97].

23) For RCE proposals requiring CCEA approval, report/recommendations of the Standing Committee and Action Taken Report may be appended.

24) * Whether on EFC Memo Financial Adviser's concurrence/comments have been obtained? If so, details thereof. [66(14)/PF.II/98 dated 11.08.1998].

25) * Supplementary Information.

26) * Points on which decisions/sanctions are required.

*Items at Sl.No.24, 25 and 26 are common to the Original and RCE proposals.

(Planning Commission's D.O.No.O-14014/5/98-PAMD dated 24.9.1998).

O.M.No.1(8)/PF.II/98 dated 30.10.1998

65. Generic Structure of DPR

(i) Context/background: This section should provide a brief description of the sector/sub-sector, the national priority, strategy and policy framework as well as a brief description of the existing situation.

(ii) Problems to be addressed: This section should elaborate the problems to be addressed through the project/scheme at the local/regional/national level, as the case may be. Evidence regarding the nature and magnitude of the problems should be presented, supported by baseline data/surveys/reports. Clear evidence should be available regarding the nature and magnitude of the problems to be addressed.

(iii) Project Objectives: This section should indicate the Development Objectives proposed to be achieved, ranked in order of importance. The deliverables/ outputs for each Development Objective should be spelt out clearly. This section should also provide a general description of the project.

(iv) Target beneficiaries: There should be clear identification of target beneficiaries. Stakeholder analysis should be undertaken, including consultation with stakeholders at the time of project formulation. Options regarding cost sharing and beneficiary participation should be explored and incorporated in the project. Impact of the project on weaker sections of society, positive or negative, should be assessed and remedial steps suggested in case of adverse impact.

(v) Project strategy: This section should present an analysis of alternative strategies available to achieve the Development Objectives. Reasons for selecting the proposed strategy should be brought out. Involvement of NGOs should be considered. Basis for prioritization of locations should be indicated (where relevant). Options and opportunity for leveraging government funds through public-private partnership must be given priority and explored in depth.

(vi) Legal Framework: This sector should present the legal framework within which the project will be implemented and strengths and weakness of the legal framework in so far as it impacts on achievement of project objectives.

(vii) Environmental impact assessment: Environmental impact assessment should be undertaken, wherever required and measures identified to mitigate adverse impact, if any. Issues relating to land acquisition, diversion of forest land, rehabilitation and resettlement should be addressed in this section.

(viii) On-going initiatives: This section should provide a description of ongoing initiatives and the manner in which duplication will be avoided and synergy created through the proposed project.

(ix) Technology issues: This section should elaborate on technology choices, if any, evaluation of options, as well as the basis for choice of technology for the proposed project.

(x) Management arrangements: Responsibilities of different agencies for project management and implementation should be elaborated. The organization structure at various levels as well as monitoring and coordination arrangements should be spelt out.

(xi) Means of Finance and Project Budget: This section should focus on means of finance, evaluation of options, project budget, cost estimates and phasing of expenditure. Options for cost sharing and cost recovery (user charges) should be considered and built into the total project cost. Infrastructure projects may be assessed on the basis of the cost of debt finance and the tenor of debt. Options for raising funds through private sector participation should also be considered and built into the project cost.

(xii) Time frame: This section should indicate the proposed ‘Zero’ date for commencement and also provide a PERT/CPM chart, wherever relevant.

(xiii) Risk analysis: This section should focus on identification and assessment of project risks and how these are proposed to be mitigated. Risk analysis could include legal/contractual risks, environmental risks, revenue risks, project management risks, regulatory risks, etc.

(xiv) Evaluation: This section should focus on lessons learnt from evaluation of similar projects implemented in the past. Evaluation arrangements for the project, whether concurrent, mid-term or post-project should be spelt out. It may be noted that continuation of projects/schemes from one Plan period to another will not be permissible without an independent, in depth evaluation being undertaken.

(xv) Success criteria: Success criteria to assess whether the Development Objectives have been achieved should be spelt out in measurable terms. Base-line data should be available against which success of the project will be assessed at the end of the project (Impact assessment). In this regard, it is essential that base-line surveys be undertaken in case of large, beneficiary-oriented projects.

Success criteria for each Deliverable/Output of the project should also be specified in measurable terms to assess achievement against proximate goals.

(xvi) Financial and economic analysis: Financial and economic analysis of the project may be undertaken where the financial returns are quantifiable. This analysis would generally be required for investment and infrastructure projects, but may not always be feasible for social sector projects where the benefits cannot be easily quantified.

(xvii) Sustainability: Issues relating to sustainability, including stakeholder commitment, operation and maintenance of assets after project completion, and other related issues should be addressed in this section.

Note: Requirements of the EFC/PIB format may also be kept in view while preparing the DPR.

O.M.No.1(2)-PF II/03, dt.7th May, 2003.