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Government of India  
Ministry of Finance  
Department of Expenditure

New Delhi, the 31<sup>st</sup> May, 2012

OFFICE MEMORANDUM

**Sub: Expenditure Management- Economy Measures and Rationalization of Expenditure**

**Background**

With a view to containing non-developmental expenditure and thereby releasing additional resources for meeting the objectives of the priority schemes, Ministry of Finance has been issuing guidelines on austerity measures in the government from time to time.

**2. Economy Measures**

In the context of the current fiscal situation where there is a tremendous pressure on Government's resources, there is an urgent need for rationalization of expenditure and optimization of available resources with a view to improve the macroeconomic environment. With this objective, the following measures for fiscal prudence and economy will come into force with immediate effect:-

**2.1 Cut in Non-Plan expenditure**

For the year 2012-2013, every Ministry/Department shall effect a mandatory **10% cut** in non-Plan expenditure excluding interest payment, repayment of debt, Defence capital, salaries, pension and the Finance Commission grants to the States. No re-appropriation of funds to augment the non-Plan heads of expenditure on which cuts have been imposed, shall be allowed during the current fiscal year.

## 2.2 Seminars and Conferences

- i) Utmost economy shall be observed in organizing conferences/ Seminars/workshops. Only such conferences, workshops, seminars, etc. which are absolutely essential, should be held and even there a 10% cut on budgetary allocations for seminars/ conferences shall be effected.
- ii) Holding of exhibitions/seminars/conferences abroad is strongly discouraged except in the case of exhibitions for trade promotion.
- iii) There will be a ban on holding of meetings and conferences at five star hotels.

## 2.3 Purchase of vehicles

- i) Purchase of vehicles is banned until further orders, including against condemned vehicles.

## 2.4 Foreign Travel

- i) It would be the responsibility of the Secretary of each Ministry/Department to ensure that foreign travel is restricted to most necessary and unavoidable official engagements based on functional necessity and extant instructions, including on the number of visits, are strictly followed.
- ii) Where travel is unavoidable, it will be ensured that officers of the appropriate level dealing with the subject are sponsored instead of those at higher levels. The size of the delegation and the duration of visit will be kept to the absolute minimum.
- iii) Proposals for participation in study tours, workshops/ conferences/seminars/presentation of papers abroad at Government cost will not be entertained except those that are fully funded by sponsoring agencies.

- iv) **Foreign visits should be so regulated as to ensure that each Ministry remains within the allocated budget (after 10% cut) for the same. Re-appropriation proposals on this account would not be approved.**

2.5 Creation of Posts

There will be a total ban on creation of Plan and Non-Plan posts.

**3. Observance of discipline in fiscal transfers to States, Public Sector Undertakings and Autonomous Bodies at Central/ State/Local level**

3.1 No amount shall be released to any entity (including State Governments), which has defaulted in furnishing Utilisation Certificates for grants-in-aid released by the Central Government without prior approval of the Ministry of Finance.

3.2 Ministries/Departments shall not transfer funds under any Plan schemes in relaxation of conditionalities attached to such transfers (such as matching funding).

3.3 The State Governments are required to furnish monthly returns of Plan expenditure – Central, Centrally Sponsored or State Plan – to respective Ministries/Departments along with a report on amounts outstanding in their Public Account in respect of Central and Centrally Sponsored Schemes. This requirement may be scrupulously enforced.

3.4 The following specific steps may be adopted :

- a) The unspent balances available with the States and implementation agencies must be taken into account before further releases are made.

- b) The sanction for payment must clearly specify either that the payee has no utilization certifications as 'due for rendition' under the Rules under the scheme in question or that the payment has been authorized by Department of Expenditure.
- c) For any deviation from the above, the case should be referred to the Department of Expenditure.
- d) The Chief Controller of Accounts must ensure compliance with the above as part of pre-payment scrutiny.

#### **4. Balanced Pace of Expenditure**

- 4.1 Rush of expenditure towards the end of the financial year continues to be an area of concern. As per extant instructions, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year. Besides, the stipulation that during the month of March the expenditure should be limited to 15% of the Budget Estimates, is reiterated. Ministries/Departments which are covered by the Monthly Expenditure Plan (MEP) may ensure that the MEP is followed strictly.
- 4.2 It is also considered desirable that in the last month of the year payments may be made only for the goods and services actually procured and for reimbursement of expenditure already incurred. Hence, no amount should be released in advance (in the last month) with the exception of the following :
  - i) Advance payments to contractors under terms of duly executed contracts so that Government would not renege on its legal or contractual obligations.
  - ii) Any loans or advances to Government servants etc. or private individuals as a measure of relief and rehabilitation as per service conditions or on compassionate grounds.

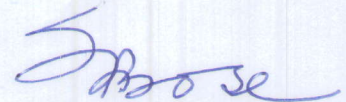
iii) Any other exceptional case with the approval of the Financial Advisor. However, a list of such cases may be sent by the FA to the Department of Expenditure by 30<sup>th</sup> April of the following year for information.

4.3 Rush of expenditure on procurement should be avoided during the last quarter of the fiscal year and, in particular, the last month of the year so as to ensure that all procedures are complied with and there is no infructuous or wasteful expenditure. FA's are advised to specially monitor this aspect during their reviews.

5. No fresh financial commitments should be made on items which are not provided for in the budget approved by Parliament.

#### 6. Compliance

Secretaries of the Ministries/Departments being the Chief Accounting Authorities as per Rule 64 of GFR shall be fully charged with the responsibility of ensuring compliance of the measures outlined above. Financial Advisors shall assist the respective Departments in securing compliance with these measures and also submit an overall report to the Minister-in-Charge and to the Ministry of Finance on a quarterly basis regarding various actions taken on these measures/guidelines.



( Sumit Bose )

Secretary (Expenditure)

All Secretaries to the Government of India

Copy to :

1. Cabinet Secretary
2. Principal Secretary to the Prime Minister
3. Secretary, Planning Commission
4. All the Financial Advisors