

No.718/FD/F3/2023-24
Government of Puducherry
Finance Department

Puducherry, dt. 01/12/2023

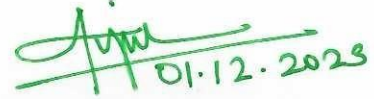
I.D. NOTE

Sub: FD – MHA communication – Reiteration of instructions to Union Territories regarding exercise of proper expenditure Control and budgetary discipline in connection with approval of new projects / schemes.

Ref: Letter No.15089/150/2018-UT(Coord)Part-I dated 17.11.2023 of Ministry of Home Affairs (UT Division), Government of India .

A copy of the letter cited of the Ministry of Home Affairs, Government of India on the subject mentioned above is communicated herewith for strict compliance.

//By order//



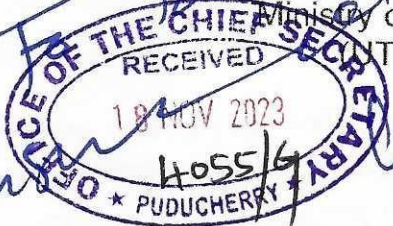
(ARJUN RAMAKRISHNAN)
Under Secretary(Finance)

Encl.: As above.

To
All Secretaries to Government
All Secretariat Departments
All Heads of Departments/Offices

Copy to
PS to Chief Secretary
PS to Commissioner-cum-Secretary(Finance)

No.15039/150/2018-UT(Coord.) Part-I
Government of India
Ministry of Home Affairs
(Secretariat Division)



North Block, New Delhi

Dated the 17 November, 2023

Subject: Reiteration of Instructions to Union Territories regarding exercise of proper expenditure control and budgetary discipline in connection with approval of new projects/schemes.

It has been observed during the Pre-Budget discussions on the Budget Proposals of UTs that some new project proposals/schemes have been approved and started by UT Administrations, under the delegated financial powers to UTs, without proper examination of the overall availability of sanctioned budget resulting in significant additional demand at RE stage.

In this connection, the following instructions are reiterated for strict compliance by all UTs;

This Ministry vide its letters no. 15039/150/2018- UT (Coord.) Part-I dated 01.01.2019 (copies enclosed) has enhanced the delegated financial powers and also delegated certain administrative power to the UTs of Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli and Daman and Diu, Lakshadweep and Puducherry subject to the following conditions;


- All codal formalities should be followed as per the provisions laid down in GFR, DFPR, CPWD Code/ Works manual, Economy instructions and other instructions issued by MoF, MHA & MoUD from time to time.
- Budgetary provision should exist in the financial year concerned.**
- The financial powers including sanction of expenditure on works will be exercised in consultation with Finance Secretary/Finance Department of UT.

(ii) Attention is also invited to the Office Memorandum No. 24(35)/PF-II/2012 dated 05.08.2016 (copy enclosed) of Department of Expenditure, Ministry of Finance, GoI regarding the guidelines for appraisal and approval of public funded schemes and projects, which are self-explanatory.

(iii) Further, Department of Expenditure, Ministry of Finance, GoI vide OM No. dated 21.10.2022 (copy enclosed) has reiterated that for proper expenditure control and budgetary discipline any new scheme/sub-scheme or a project should be initiated only after obtaining prior "in principle" approval of the DoF

3. Therefore, all UTs are instructed to follow the above instructions and other related rules, manual, guidelines, instructions, codal formalities etc. issued by the Government of India in the case of projects which are under their delegated financial powers.

4. This issues with the approval of the competent authority.

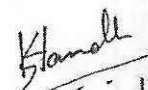

(Harjot Singh Sandhu)
Deputy Secretary to the Govt. of India

To

Chief Secretaries/Advisor to the Administrators
of UTs of Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli and
Daman and Diu, Lakshadweep, Puducherry.

Copy for kind information:

1. Finance Secretary and Secretary Expenditure, Ministry of Finance, North Block, New Delhi
2. AS & FA (Home), MHA, North Block, New Delhi
3. Pr CCA(Home), MHA, North Block, New Delhi
4. AS(Budget), DEA, Ministry of Finance, North Block, New Delhi


(Harjot Singh Sandhu)
Deputy Secretary to the Govt. of India

No. 01(01)/PFC-II/2022
Government of India
Ministry of Finance
Department of Expenditure
Public Finance Central-II Division

North Block, New Delhi
Dated the October, 2022

Office Memorandum

Subject: Appraisal and Approval of Public Funded Scheme and Projects (except matters required to be placed before the Cabinet Committee on Security – In principle – reg.

Kind attention is drawn to Department of Expenditure's O.M. No.24(25)/PFC-II/2012 dated 05.08.2016 detailing guidelines on appraisal and approval of public-funded schemes and projects. Vide the above referred O.M. Ministries/Departments were advised against operating small and multiple schemes which spread resources too thinly to realize any outcomes. Similarly, as regards projects, the conceptualization of a project through stakeholder consultations leading to preparation of a Concept Paper considering the feasibility of the project on techno-economic ground and the availability of finances were emphasized. These are captured in Annex. I to the ibid O.M. wherein it was also clearly stated that no new scheme/sub-scheme or a project must be initiated without the prior "in principle" approval of Department of Expenditure (DoE) except those announced as part of the Budget Speech. In continuation of the ibid O.M., DoE had reiterated the position vide its O.M. No 66(13)/PFC-II/2020 dated 09.09.2022 (copy enclosed)

2 For proper expenditure control and budgetary discipline, it is not only important that a scheme/sub-scheme or a project should be initiated only after obtaining prior "in principle" approval of the DoE but also that the accumulative fiscal impact of all such proposals cleared by the SFC/DIB is available with DoE and Budget Division of Department of Economic Affairs

3. In view of the above, the undersigned is directed to state that while sending proposals for in-principle approval of DoE for initiating any new scheme/sub-scheme or projects a list of schemes & projects approved by the concerned Ministry/Department, as per the delegation of financial powers, in the last two years as well as current FY (base taken as date on which the proposal is sent to DoE) having outlay below Rs.500 crore is to be enclosed (as per the format attached) along with the Concept Note of the scheme/projects.

4 This issues with the approval of the Finance Secretary and Secretary (Expenditure)

Encl: as above.

Hema Jaiswal
21/10/2022
(Hema Jaiswal)
Director (PFC-II)
Tele.No.23092578

To

- 1 All Secretaries to the Government of India
- 2 All Financial Advisers to the Ministries/Departments of Govt. of India
- 3 JS (Budget), Department of Economic Affairs, North Block, New Delhi

Current Year till date : Details of Schemes/Projects approved/ appraised :
(20..,20..)

[illegible][illegible][illegible]

No.66(13)/PFC-II/2020
Government of India
Ministry of Finance
Department of Expenditure
Public Finance Central-II

North Block, New Delhi
9th September, 2022

OFFICE MEMORANDUM

Subject: Appraisal and approval of Public Funded Scheme and Projects (except matters required to be placed before the Cabinet Committee on Security) - In principle - regarding.

Kind reference is invited to this Department's OM No. 24(35)/PF-II/2012 dated 05.08.2016 vide which detailed guidelines for formulation, appraisal and approval of public funded scheme and projects, except matters required to be placed before the Cabinet Committee on Security were issued to all the Ministries/Departments of Government of India.

2. In the para 4(i) of the ibid OM it has been clearly stated that *"no new Scheme or sub-scheme will be initiated without prior 'in-principle' approval of the DoE. This will, however, not apply to the announcements made in the Budget Speech for any given year"*. However, it has been lately observed that certain Ministries/Departments have appraised/initiated schemes without obtaining prior 'in-principle' approval of DoE. As a result, this Department does not have the relevant information about such schemes run by the Ministries/Departments and cumulative impact of all such proposals cleared by SFC is known to this Ministry only at the RE stage.

3. It is therefore reiterated that Para 4(i) of DoE's OM dated 05.08.2016 may be strictly adhered to while initiating any new scheme/sub-scheme. This Ministry may, in such cases, reduce/stop budgetary support.

4. This issues with the approval of Finance Secretary & Secretary (Expenditure).

H. Jaiswal
09/09/2022

(Hema Jaiswal)

Director, Policy & PFC-II

To,

1. All Secretaries to the Government of India
2. All Financial Advisers to Ministries/Departments of India with a request to ensure that financial outlays for schemes/sub-schemes which have not followed the extant procedure may be stopped and intimation to DoE/Budget Division (DEA) be sent.
3. JS (Budget), D/o Economic Affairs, North Block, New Delhi

(S)

11

15039/150/2018-UT (Coord.)
Government of India
Ministry of Home Affairs

North Block, New Delhi
Dated 22 January, 2019

To,

The Chief Secretary,
UT of Puducherry,
Puducherry

Subject: Enhancement of Financial Powers to UTs.

Sir,

In terms of Rule 13(2) of Delegation of Financial Power Rules, 1978, I am directed to convey the approval of the competent authority for enhancement of Delegation of Financial Powers to UT Administrations under different categories. Item-wise Financial & Administrative powers delegated to UTs are as follows:-

Rs. in Cr.

Financial Power			
S. No	ITEMS	Existing	Revised
1	Normal Contract/ Purchase (open or limited tender)	20.00	50.00
2	Negotiated Contract/ Purchase of store of proprietary nature/ Direct emergency purchase / Single tender including resultant single offer.	5.00	10.00
3	Sanction of Projects (including PPP Projects)	Full Power	100.00*
Administrative Power			
4	Ex-gratia/Death compensation due to accidents in course of performance of duties under Extra ordinary Pension Rules.	At present such cases are sent to MHA for decision.	Powers will be exercised by UT Administration in consultation with their Finance Deptt. subject to following the extant Govt. orders on the subject.

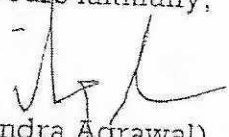
* Under Delegation of financial powers upto Rs. 100 cr. to all UTs in terms of MoF OM dated 05.08.2016, it is clarified that these financial powers are related to issuing administrative approval & expenditure sanction (AA&ES) of projects (excluding PPP Projects) which have already been appraised and approved by competent authority as per the provision of DoE/MoF OM dated 05.08.2016. For appraisal and approval of PPP Projects separate orders issued by the Department of Economic Affairs will apply.

2. The above mentioned Financial & Administrative power has been delegated, subject to following conditions:-

- i. All codal formalities should be followed as per the provisions laid down in GFR, DFPR, CPWD Code/ Works manual, Economy instructions and other instructions issued by MoF, MHA & MoUD from time to time.
- ii. Budgetary provision should exist in the financial year concerned.
- iii. The financial powers including sanction of expenditure on works will be exercised in consultation with Finance Secretary/ Finance Department of UT.

3. This issues with the concurrence of IFD/ MHA vide Diary No. 3435542 dated 05.12.2018 and approval of the competent authority.

Yours faithfully,


(Jitendra Agrawal)
Adviser(UT)
Tel.: 23093008

Copy for information to :-

- i. PS to HM
- ii. PPS to HS
- iii. PPS to AS & FA (H)
- iv. PPS to AS (UT)
- v. All Officers in UT Division

OFFICE MEMORANDUM

Subject: Appraisal and Approval of Public Funded Schemes and Projects (except matters required to be placed before the Cabinet Committee on Security)

Reference is invited to this Department OM no. 24(35)/PF-II/2012 dated 29th Aug, 2014 regarding the guidelines for formulation, appraisal and approval of Public Funded Plan Schemes and Projects. With the announcement in the Union Budget 2016-17 of doing away with Plan Non-Plan distinction at the end of Twelfth Five Year Plan, it is imperative that a plan non-plan neutral appraisal and approval system is put into place. After a comprehensive review of the extant guidelines in this regard, the revised guidelines placed below will henceforth apply to the formulation, appraisal and approval of public funded schemes and projects, except matters required to be placed before the Cabinet Committee on Security.

2. Schemes are program based cost centres through which the Ministries and Departments spend their budgetary and extra-budgetary resources for delivery of public goods and services to the citizens. They are of two types:

- a) *Central Sector Schemes* are implemented by the Central Ministries/Departments through their designated implementation agencies and funds are routed through the functional heads relevant for the sector.
- b) *Centrally Sponsored Schemes* are implemented within the domain of National Development Agenda identified by the Committee of Chief Ministers constituted by NITI Aayog. They can have both *Central and State Components*. While the former are fully funded by the Central Government and implemented through functional heads like the central sector schemes in para-a above, the latter are routed through the inter-governmental transfer heads 3601/3602. The expenditure on State Components is shared between the Central and State Governments in accordance with the fund sharing pattern approved for the purpose.

3. Projects are best understood by the common-sense usage of the term. They involve one-time expenditure resulting in creation of capital assets, which could yield financial or economic returns or both. Projects may either be approved on stand-alone basis or as individual projects within an approved scheme envelope. They may be executed through budgetary, extra-budgetary resources, or a combination of both.

4. Rationalization: It was found that over the years Ministries/Departments had started operating small and multiple schemes, which spread resources too thinly to realise any meaningful outcomes. In the run up to the Union Budget 2016-17, Schemes were rationalized in consultation with the implementing Ministries/Departments. As per para-113 of the Budget Speech 2016, the number of Central Sector Schemes was brought down to around 300 and the number of Centrally Sponsored Schemes to around 30. However, this exercise is not an end in itself. In reiteration of the standing instructions in this regard and to ensure efficient management of public expenditure at all times, it is directed that henceforth:

- i. No new Scheme or Sub-Scheme will be initiated without the prior "in-principle" approval of the Department of Expenditure. This will, however, not apply to the announcements made in the Budget Speech for any given year.
- ii. The Statement of Budget Estimates should be prepared in accordance with the approved scheme architecture and any deviation in this regard should be *a priori* agreed with the concerned division of the Department of Expenditure.
- iii. Administrative Ministries/Departments should continuously endeavour to merge, restructure or drop existing schemes and sub-schemes that have become redundant or ineffective with the passage of time. For this, the restriction of in-principle approval mentioned in para-(i) above will not apply.
- iv. Department of Expenditure reserves the right to merge, restructure or drop any existing scheme or sub-scheme, in consultation with the Administrative Department concerned, to enhance efficiency and improve economies of scale in the execution of government programs.

5. Formulation: The quality of Scheme or Project Formulation is the key bottleneck leading to poor execution at the implementation stage, including time and cost over-runs, often resulting in a series of revised cost estimates. Additional time and effort spent at the scheme/ project formulation stage can not only save precious resources, but also enhance the overall impact, leading to a qualitative improvement in outcomes.

For all new Schemes, a Concept Paper should be prepared while seeking in-principle approval, holding stakeholder consultations, conduct of pilot studies etc. While submitting proposals for continuation of on-going schemes, a careful rationalization must be done through merger and dropping of redundant schemes. The feedback from the formulation stage should be used for improving the scheme design so that a Detailed Paper can be presented for appraisal at the EFC stage.

Similarly, project preparation should commence with a Feasibility Report, which helps establish the project is techno-economically sound and resources are available to finance the project. It provides a firm basis for starting land acquisition, approval of pre-investment activities, etc. In-principle approval for initiating a project will be granted by the Financial Adviser concerned after examining project feasibility and availability of financial resources.

Generic structure of a Detailed Paper for Schemes/Detailed Project Report for Projects is given at Annex-I. While designing new schemes/sub-schemes, the core principles to be kept in mind are economies of scale, separability of outcomes and sharing of implementation machinery. Schemes which share outcomes and implementation machinery should not be posed as independent schemes, but within a unified umbrella program with carefully designed convergence frameworks.

6. Appraisal: The Institutional framework for appraisal of Schemes and Projects is given at Annex-II. Depending on the level of delegation, the Schemes will be appraised by the Expenditure Finance Committee (EFC) or the Standing Finance Committee (SFC), while Projects will be similarly appraised by the Public Investment Board (PIB) or the Delegated Investment Board (DIB). The step-wise time-lines for appraisal are given at Annex-III. The formats for submitting Schemes and Project Proposals are given at Annex-IVA and Annex-IVB respectively. For Schemes, a Concept/Detailed Paper which outlines the overall scheme

architecture and its main structural elements should be attached. Similarly, for Projects either the Feasibility or the Detailed Project Report should be attached. *The word Scheme is used here in a generic sense.* It includes programs (umbrella schemes), schemes and sub-schemes, which, depending on the need, may be appraised as stand-alone cost centres.

7. New Bodies: No new Company, Autonomous Body, Institution/University or other Special Purpose Vehicle should be set up without the approval of the Cabinet/Committee of the Cabinet, irrespective of the outlay, or any delegation that may have been issued in the past. All such cases would be appraised by the Committee of Establishment Expenditure chaired by the Expenditure Secretary for which separate orders will be issued by the Pers. Division. If setting up of a New Body involves project work, combined CEE/EFC/PIB may be held.

8. Original Cost Estimates: The delegation of powers for appraisal and approval of *Original Cost Estimates (OCE)* is given in the table below.

Scheme//Project Appraisal		Scheme/Project Approval	
Cost (Rs. Cr.)	Appraisal by	Cost (Rs. Cr.)	Approval by
Up to 100	The Financial Adviser	Up to 100	Secretary of the Administrative Department
> 100 & up to 500	SFC/DIB Chaired by Secretary of the Admn. Dept.	>100 & up to 500	Minister-in-charge of the Administrative Department
> 500	EFC/PIB Chaired by the Expenditure Secretary, except departments/ schemes/projects for which special dispensation has been notified by the Competent Authority	> 500 & up to 1000	Minister-in-charge of the Admn. Dept. and Finance Minister, except where special powers have been delegated by the Finance Ministry
		> 1000	Cabinet/ Committee of the Cabinet concerned with the subject

- Note:**
1. The financial limits above are with reference to the total size of the Scheme/Project being posed for appraisal and includes budgetary support, extra-budgetary resources, external aid, debt/equity/loans, state share, etc.
 2. Financial Advisers may refer any financial matter and may also seek participation of the Department of Expenditure in the SFC/DIB meetings, if required. For proposals above Rs. 300 crore such a participation would be mandatory.
 3. Delegated powers should be exercised only when the budgetary allocation or medium-term scheme outlay as approved by Department of Expenditure is available.
 4. While exercising delegated powers, the Ministries/Departments should also ensure the proposals are subject to rigorous examination in project design and delivery, and careful attention should be paid to recurring liabilities and fund availability after adjustment of the committed liabilities.
 5. For appraisal and approval of PPP projects separate orders issued by the Department of Economic Affairs will apply.

9. Revised Cost Estimates: Any Increase in costs due to statutory levies, exchange rate variation, price escalation within the approved time cycle and/or increase in costs up to 20 percent due to any other reason, are covered by the approval of the original cost estimates. Any increase in this regard would be approved by the Secretary of the Administrative Department concerned with the concurrence of the Financial Adviser.

Any increase in costs beyond 20 percent of the firmed-up cost estimates due to time overrun, change in scope, under-estimation, etc. (excluding increase in costs due to statutory levies, exchange rate variation and price escalation within the approved time cycle) should first be placed before a Revised Cost Committee chaired by the Financial Adviser (consisting of the Joint Secretary in-charge of the program division and representative of the Chief Adviser Cost as members) to identify the specific reasons behind such increase, identify lapses, if any, and suggest remedial measures for the same. The recommendations of the Revised Cost Committee should be placed for fresh appraisal and approval before the competent authority as per the extant delegation of powers (It may be noted that a firmed-up cost estimate here means a cost estimate which has been through the full appraisal and approval procedure as per the extant delegation of powers).

10. Pre-Investment Activities include preparation of Feasibility Reports, Detailed Project Reports; Pilot Experiments/Studies for Schemes; Survey/Investigation required for large projects; payment for land acquisition in accordance with the orders of a competent authority under the law; construction of boundary wall, access roads, minor bridges/culverts, water-power lines, site offices, temporary accommodation, etc. at the project site; preparation of environment management plans, forestry and wildlife clearances; compensatory afforestation, payment for conversion of forest land to non-forest purposes, etc.

Pre-investment activities up to Rs. 100 crore (including budgetary and extra-budgetary resources) may be approved by the Secretary of the Administrative Department with the concurrence of the Financial Adviser concerned provided financial resources are available and in-principle approval has been obtained, wherever necessary. For pre-investment activities above Rs. 100 crore, the prescribed appraisal and approval procedure should be followed. When firmed-up cost estimates are put up for approval, the expenditure on pre-investment activities should be included in the final cost estimates for the competent authority to get a full picture of the total resources required for the scheme or the project to be implemented.

11. Medium Term Outlay: It has been stated in para-110 of the Budget Speech 2016 that every scheme should have a *sunset date* and an *outcome* review. In the past, every scheme was revisited at the end of each plan period. After the Twelfth Five Year Plan, the medium term framework for schemes and their sunset dates will become coterminous with the Finance Commission Cycles, the first such one being the remaining Fourteenth Finance Commission (FFC) period ending March, 2020. This is necessary because fixation of medium term scheme outlay needs a clarity over flow of resources, which is likely to be available to both Central and State Governments over the Finance Commission periods.

Accordingly, it is directed that at the end of the Twelfth Plan period all Ministries/ Departments should undertake an outcome review and re-submit their Schemes for appraisal and approval, unless the scheme has already been made coterminous with the FFC period. The Department of Expenditure will, on its part, communicate, in consultation with the Budget Division, the outlays for both Central Sector and Centrally Sponsored

Schemes over the remaining FFC period. The same process will, *mutatis mutandis*, apply to the subsequent Finance Commission Cycles.

12. Outcomes and Evaluation: Finance Secretary vide D.O. 66(01)/PF.II/2015 Dated 18th May 2016 (Annex-V) has directed all Ministries/Department to prepare an output-outcome framework for each Central Sector and Centrally Sponsored Scheme with the approval of CEO NITI Aayog. Measurable outcomes, which deal with the quality aspect of schemes and programs, need to be defined over the relevant medium term framework, while physical and financial outputs need to be targeted on year-to-year basis in such a manner that it aggregates to achieve the measurable outcomes over the medium term. NITI Aayog, while approving the output-outcome framework, will kick-start a third party evaluation process for both Central Sector and Centrally Sponsored Schemes. Extension of Schemes from one Finance Commission Cycle to another would be contingent on the result of such an evaluation exercise.

13. Repeal: The following OM's of Department of Expenditure, and linked circulars of other Departments, including the erstwhile Planning Commission, are hereby superseded:

OM No. 24(35)/PF-II/2012 Dated 29th August, 2014

OM No. 1(1)/PF-II/2011 Dated 31st March, 2014

OM No. 1(3) PF-II/2001 Dated 1st April, 2010

OM No. 1(3)/PF-II/2001 Dated 15th November, 2007

OM No. 1(2)/PF-II/2003 Dated 7th May, 2003

OM No. 1(3)/PF-II/2001 Dated 18th February, 2002

OM No. 1(8)/PF-II/1998 Dated 30th October, 1998

OM No. 1(6)/PF-II/1991 Dated 24th August, 1992

OM No. 1(4)/PF-II/1984 Dated 25th August, 1984

The concerned Departments may, however, reissue their linked circulars in consultation with the Department of Expenditure after suitably realigning it with the new circular.

This issues with the approval of the Finance Minister and will come into effect with immediate effect.



(Arunish Chawla)

Joint Secretary to the Government of India

All Secretaries to the Government of India
All Financial Advisers to Ministries/Departments
Cabinet Secretariat
Prime Minister's Office
NITI Aayog
Railway Board
Internal Circulation

GENERIC STRUCTURE OF A DETAILED PAPER/DETAILED PROJECT REPORT

(i) Context/Background: This section should provide a brief description of the sector/sub-sector as well as the national strategy and policy framework. This section should also provide a general description of the scheme/project being posed for appraisal.

(ii) Problems to be addressed: This section should elaborate the problem to be addressed through the project/scheme at the local/regional/national level. Evidence regarding the nature and magnitude of the problems should be presented, supported by baseline data/survey/ reports etc.

(iii) Aims and Objectives: This section should indicate the development objectives proposed to be achieved, ranked in order of importance. The outputs/deliverables expected for each development objective should be spelt out clearly.

(iv) 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. Basis for prioritization of locations should be indicated (wherever relevant). Opportunities for leveraging government funds through public-private partnership or savings through outsourcing must be explored. This section should also provide a description of the ongoing initiatives, and the manner in which duplication can be avoided and synergy created with the proposed scheme/project.

(v) Target Beneficiaries: There should be clear identification of target beneficiaries. Stakeholder analysis should be undertaken, including consultation with stakeholders at the time of scheme/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 any adverse impact.

(vi) Legal Framework: This section should present the legal framework, if relevant, within which the scheme/project will be implemented, as well as the strengths and weaknesses of the legal framework in so far as it impacts on achievement of stated objectives.

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

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

(ix) Management: Responsibilities of different agencies for project management or scheme implementation should be elaborated. The organization structure at various levels, human resource requirements, as well as monitoring arrangements should be clearly spelt out.

(x) Finance: This section should focus on the cost estimates, budget for the scheme/project, means of financing and phasing of expenditure. Options for cost sharing and cost recovery (user charges) should be explored. Infrastructure projects may be assessed on the basis of the cost and tenor of the debt. Issues relating to project sustainability, including stakeholder commitment, operation-maintenance of assets after project completion and other related issues should also be addressed in this section.

(xi) Time Frame: This section should indicate the proposed *zero* date for commencement and also provide a PERT/CPM chart, wherever relevant.

(xii) Cost Benefit Analysis: Financial and economic cost-benefit analysis of the project should be undertaken wherever such returns are quantifiable. Such an analysis should generally be possible for infrastructure projects, but may not always be feasible for public goods and social sector projects. Even in the case of latter, the project should be taken up for appraisal before the PIB and some measurable outcomes/deliverables suitably defined.

(xiii) Risk Analysis: This section should focus on identification and assessment of implementation 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) Outcomes: 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). Similarly, it is essential that base-line surveys be undertaken in case of large, beneficiary-oriented schemes. Success criterion for scheme deliverables/outcomes should also be specified in measurable terms to assess achievement against proximate goals.

(xv) Evaluation: Evaluation arrangements for the scheme/project, whether concurrent, mid-term or post-project should be clearly spelt out. It may be noted that continuation of schemes from one period to another will not be permissible without a third-party evaluation.

Last but not the least, a self-contained **Executive Summary** should be placed at the beginning of the document. *In cases where only a Concept Paper or Feasibility Report is attached to the EFC/PIB proposal, it should cover the main points mentioned in the generic structure above.*

Institutional Arrangement for Appraisal of Schemes and Projects

Expenditure Finance Committee (EFC)	
Expenditure Secretary	Chairperson
Secretary of the Administrative Ministry/Department	Member
Financial Advisor of the Administrative Ministry/Department	Member
Adviser, PAMD, NITI Aayog	Member
Representative of Budget Division	Member
Representatives of concerned Ministries/Agencies	Member
Joint Secretary, Department of Expenditure	Member-Secretary
<i>For appraisal of schemes of scientific nature, Scientific Adviser may be invited as Member.</i>	
Standing Finance Committee (SFC)	
Secretary of the Administrative Ministry/Department	Chairperson
Joint Secretary in Charge of the Subject Division	Member
Representative of NITI Aayog	Member
Financial Advisor of the Administrative Ministry/Department	Member-Secretary
<i>Representative of Department of Expenditure and any other Ministry/Department that the Secretary/Financial Advisor may suggest may be invited as per requirement.</i>	
Public Investment Board (PIB)	
Expenditure Secretary	Chairperson
Secretary of the Administrative Ministry/Department	Member
Financial Advisor of the Administrative Ministry/Department	Member
Adviser, PAMD, NITI Aayog	Member
Representative of Budget Division	Member
Representatives of concerned Ministries/Agencies	Member
Joint Secretary, Department of Expenditure	Member-Secretary
<i>For appraisal of scientific projects, Scientific Adviser may be invited as Member.</i>	
Delegated Investment Board (DIB)	
Secretary of the Administrative Ministry/Department	Chairperson
Joint Secretary in Charge of the Subject Division	Member
Representative of NITI Aayog	Member
Financial Advisor of the Administrative Ministry/Department	Member-Secretary
<i>Representative of Department of Expenditure and any other Ministry/Department that the Secretary/Financial Advisor may suggest may be invited as per requirement.</i>	

Time Frame for Appraisal and Approval of Schemes and Projects

The scheme/project cycle would commence with the submission of a Concept Paper/ Feasibility Report by the Administrative Ministry/ Department.

(i)	Decision on "in principle" approval, if required	2 weeks
(ii)	Preparation of a Detailed Paper/Detailed Project Report by the Administrative Ministry/ Department and circulating the same along with draft EFC/PIB Memo.	The time limit will vary depending on the nature of scheme and project. This is an internal matter of the Administrative Ministry/ Department concerned.
(iii)	Appraisal Note and Comments to be offered on the DP/DPR and draft EFC/PIB memo by Department of Expenditure, NITI Aayog and concerned Ministries/Agencies.	4 weeks
(iv)	Preparation of final EFC/PIB Memo based on comments received, and circulating the same for Appraisal and Approval	2 weeks
(v)	Fixing the date of EFC/PIB meeting after receiving the final EFC/PIB Memo	1 week
(vi)	Issue of minutes of EFC/PIB after the meeting has been held	1 week
(vii)	On-file approval of Administrative Minister and Finance Minister	2 weeks
(viii)	Submission for approval of the Cabinet/ Committee of the Cabinet (for proposals above Rs. 1,000 crore)	2 weeks

Note: *Wherever the recommended time frame is not adhered to any stage, the concerned organization should work out an appropriate trigger mechanism to take the matter to the next higher level for timely decision making.*

FORMAT FOR EFC/SFC MEMORANDUM FOR APPRAISAL OF SCHEMES

1. Scheme Outline

- 1.1 Title of the Scheme.
- 1.2 Sponsoring Agency (Ministry/ Department/Autonomous Body or Undertaking)
- 1.3 Total Cost of the proposed Scheme
- 1.4 Proposed duration of the Scheme
- 1.5 Nature of the Scheme: Central Sector Scheme/ Centrally Sponsored Scheme
- 1.6 For Central Sector Schemes, sub-schemes/components, if any, may be mentioned. For Centrally Sponsored Schemes, central and state components, if any, may be mentioned.
- 1.7 Whether a New or a Continuing Scheme? In case of a Continuing Scheme, whether the old scheme was evaluated and what were the main findings?
- 1.8 Whether in-principle approval is required? If yes, has it been obtained?
- 1.9 Whether a Concept Paper or a Detailed Paper has been prepared and stakeholders consulted? In case of new Centrally Sponsored Schemes, whether the State Governments have been consulted?
- 1.10 Which existing schemes/sub-schemes are being dropped, merged or rationalized?
- 1.11 Is there an overlap with an existing scheme/sub-scheme? If so, how duplication of effort and wastage of resources are being avoided?
- 1.12 In case of an umbrella scheme (program) give the details of schemes and sub-schemes under it along with the proposed outlay component-wise.

Note: It may kindly be noted that the word scheme here is used in a generic sense. It includes programs, schemes and sub-schemes, which, depending on need, can be appraised and approved as stand-alone cost centers.

2. Outcomes and Deliverables

- 2.1 Stated aims and objectives of the Scheme
- 2.2 Indicate year-wise outputs/deliverables in a tabular form.

Components	Year 1		Year 2 & so on		Total	
	Physical	Financial	Physical	Financial	Physical	Financial
1,2,3 & so on						

- 2.3 Indicate Outcomes of the Scheme in the form of measurable indicators which can be used to evaluate the proposal periodically. Baseline data or survey against which such outcomes should be benchmarked should also be mentioned.
- 2.4 Indicate other schemes/sub-schemes being undertaken by Ministries/Departments which have significant outcome overlap with the proposed scheme. What convergence framework have been evolved to consolidate outcomes and save public resources?

3. Target Beneficiaries

- 3.1 If the scheme is specific to any location, area and segment of population, please give the details and basis for selection.
- 3.2 Please bring out specific interventions directed in favour of social groups, namely SC, ST, differently abled, minorities and other vulnerable groups.
- 3.3 If the scheme has any gender balance aspects or components specifically directed at welfare of women, please bring them out clearly?
- 3.3 Please bring out special interventions, if any, in North East, Himalayan, LWE, Island territories and other backward areas.
- 3.4 In case of beneficiary oriented schemes, indicate the mechanism for identification of target beneficiaries and the linkage with Aadhaar/UID numbers.
- 3.5 Wherever possible, the mode of delivery should involve the Panchayati Raj Institutions and Urban Local Bodies. Where this is intended, the preparedness and ability of the local bodies for executing the proposal may also be examined.

4 Cost Analysis

- 4.1 Cost estimates for the scheme duration: both year-wise, component-wise segregated into non-recurring and recurring expenses.
- 4.2 The basis of these cost estimates along with the reference dates for normative costing.
- 4.4 In case pre-investment activities or pilot studies are being carried out, how much has been spent on these?
- 4.5 In case the scheme involves payout of subsidy, the year wise and component wise expected outgo may be indicated.
- 4.3 In case the land is to be acquired, the details of cost of land and cost of rehabilitation/resettlement, if any.
- 4.6 In case committed liabilities are created, who will or has agreed to bear the legacy burden? In case assets are created, arrangements for their maintenance and upkeep?

5. Scheme Financing

- 5.1 Indicate the sources of finance for the Scheme: budgetary support, extra-budgetary sources, external aid, state share, etc.
- 5.2 If external sources are intended, the sponsoring agency may indicate, as also whether such funds have been tied up?
- 5.3 Indicate the component of the costs that will be shared by the State Governments, local bodies, user beneficiaries or private parties?

6. Approvals and Clearances

Requirement of mandatory approvals and clearances from various local, state and national bodies and their availability may be indicated in a tabular form (land acquisition, environment, forestry, wildlife etc.)

S.No	Approvals/ Clearances	Agency concerned	Availability (Y/N)

7. Human Resources

- 7.1 Indicate the administrative structure for implementing the Scheme. Usually creation of new structures, entities etc. should be avoided
- 7.2 Manpower requirement, if any. In case posts, permanent or temporary, are intended to be created, a separate proposal may be sent on file to Pers. Division of Department of Expenditure (such proposals may be sent only after the main proposal is recommended by the appraisal body)
- 7.3 In case outsourcing of services or hiring of consultants is intended, brief details of the same may be provided.

8. Monitoring and Evaluation

- 8.1 Please indicate the monitoring framework for the Scheme and the arrangements for statutory and social audit (if any).
- 8.2 Please indicate the arrangement for third party/independent evaluation? Please note that evaluation is necessary for extension of scheme from one period to another.

9. **Comments** of the Financial Advisor, NITI Aayog, Department of Expenditure and other Ministries/Departments may be summarized in tabular form along with how they are being internalized and used to improve this proposal.

10. Approval Sought:

(-----)
Joint Secretary to the Government of India
 Tel. No. _____
 Fax No. _____
 E-mail _____

Please attach an Executive Summary along with the Concept/Detailed Paper outlining the main elements and overall architecture of the proposed Scheme.

FORMAT FOR PIB/DIB MEMORANDUM FOR APPRAISAL OF PROJECTS**1. Project Outline**

- 1.1 Title of the Project
- 1.2 Sponsoring Agency (Ministry/ Department/Autonomous Body or Undertaking)
- 1.3 Proposed Cost of the Project
- 1.4 Proposed Timelines for the Project
- 1.5 Whether Project will be implemented as part of a scheme or on stand-alone basis?
- 1.6 Whether financial resources required for the Project have been tied up? If yes, details?
- 1.7 Whether Feasibility Report and/or Detailed Project Report has been prepared?
- 1.8 Whether the proposal is an Original Cost Estimate or a Revised Cost Estimate?
- 1.9 In case of Revised Cost Estimates, whether the meeting of Revised Cost Committee has been held and its recommendations suitably addressed?
- 1.10 Whether any land acquisition or pre-investment activity was under-taken or is contemplated for this Project? Whether the cost of such intervention has been included in the Project Proposal?

2. Outcomes and Deliverables

- 2.1 Stated aims and objectives of the Project
- 2.2 Indicate year-wise outputs/deliverables for the project in a tabular form.

Activities	Year 1		Year 2 & so on		Total	
	Physical	Financial	Physical	Financial	Physical	Financial
1,2,3 & so on						

- 2.3 Indicate final outcomes for the project in the form of measurable indicators which can be used for impact assessment/evaluation after the project is complete. Baseline data or survey against which such outcomes would be benchmarked should also be mentioned.

3. Project Cost

- 3.1. Cost estimates for the project along with scheduled duration (both year and activity-wise). Also the basis for these cost estimates along with the reference dates for normative costing (it should preferably not be more than a year old)
- 3.2. In case land is to be acquired, the details of land cost, including cost of rehabilitation/resettlement needs to be provided
- 3.3. In case pre-investment activities are required, how much is proposed to be spent on these, with details activity-wise?
- 3.4. Whether price escalation during the project time cycle has been included in the cost estimates and at what rates?

- 3.5. Whether the Project involves any foreign exchange element, the provision made or likely impact of exchange rate risks?
- 3.6. In case of the Revised Cost Estimates, a variation analysis along with the Report of the Revised Cost Committee needs to be attached.

4. Project Finance

- 4.1. Indicate the sources of project finance: budgetary support, internal and extra-budgetary sources, external aid, etc.
- 4.2. Indicate the cost components, if any, that will be shared by the state governments, local bodies, user beneficiaries or private parties?
- 4.3. In case of funding from internal and extra-budgetary resources, availability of internal resources may be supported by projections and their deployment on other projects?
- 4.4. Please indicate funding tie-ups for the loan components, if any, both domestic and foreign, along-with terms and conditions of loan based on consent/comfort letters.
- 4.5. If government support/loan is intended, it may be indicated whether such funds have been tied up?
- 4.6. Please provide the leveraging details, including debt-equity and Interest coverage ratios, along with justification for the same.
- 4.7. Mention the legacy arrangements after the project is complete, in particular, arrangements for the maintenance and upkeep of assets that will be created?

5. Project Viability

- 5.1. For projects which have identifiable stream of financial returns, the financial internal rate of return may be calculated. *The hurdle rate will be considered at 10 percent.*
- 5.2. In case of projects with identifiable economic returns, the economic rate of return may be calculated. In such cases project viability will be determined by taking both financial and economic returns together.
- 5.3. In case of proposals where both financial and economic returns are not readily quantifiable, the measurable benefits/outcomes simply may be indicated.

Note: *It may kindly be noted that all projects, irrespective of whether financial and/or economic returns can be quantified or not, should be presented for PIB/DIB appraisal.*

6. Approvals and Clearances

Requirement of mandatory approvals/clearances of various local, state and national bodies and their availability may be indicated in a tabular form (land acquisition, environment, forestry, wildlife etc.) In case land is required, it may be clearly mentioned whether the land is in the possession of the agency free from encumbrances or encroached or stuck in legal processes?

S.No	Approvals/ Clearances	Agency concerned	Availability (Y/N)

7. Human Resources

- 7.1 Indicate the administrative structure for implementing the Project. Usually creation of new structures, entities etc. should be avoided
- 7.2 Manpower requirement, if any. In case posts (permanent or temporary) are intended to be created, a separate proposal may be sent on file to Pers. Division of Department of Expenditure. Such proposals may be sent only after the main proposal is recommended by the appraisal body.
- 7.3 In case outsourcing of services or hiring of consultants is intended, brief details of the same may be provided.

8. Monitoring and Evaluation

- 8.1 Indicate the Project Management/Implementing Agency(s). What agency charges are payable, if any?
 - 8.2 Mode of implementation of individual works: Departmental/Item-rate/Turnkey/EPC/Public-Private Partnership, etc.
 - 8.3 Please indicate timelines of activities in PERT/Bar Chart along with critical milestones.
 - 8.4 Please indicate the monitoring framework, including MIS, and the arrangements for internal/statutory audit.
 - 8.5 Please indicate what arrangements have been made for impact assessment after the project is complete?
9. **Comments** of the Financial Advisor, NITI Aayog, Department of Expenditure and other Ministries/Departments may be summarized in tabular form along with how they have been internalized and used to improve this proposal.

10. Approval Sought:

(-----)
Joint Secretary to the Government of India
 Tel. No. _____
 Fax No. _____
 E-mail _____

Please attach an Executive Summary along with the Feasibility Report/Detailed Project Report prepared for the Project.

Annexure-V

Ashok Lavasa
Finance Secretary

Government of India
Ministry of Finance
Department of Expenditure

D.O.No.66(01)/PF.II/2015

18th May 2016

Dear Secretary,

Following rationalization of schemes in the 2016-17 BE, instructions were issued for preparation of outcome budgets with the approval of CEO, NITI Aayog. However, due to paucity of time outcome budget for 2016-17 was submitted in the old format with the understanding that follow up action will be taken soon thereafter.

2. It is again reiterated that outcomes need to be defined for both Central Sector Schemes and Centrally Sponsored Schemes. The following action needs to be taken in this regard:

- a) Measurable Outcomes need to be defined for each scheme over the medium term, that is going forward up to the year 2019-20 (the end of Fourteenth Finance Commission period).
- b) On the financial side, the budgetary allocation for 2016-17 may also be normatively projected going forward up to the year 2019-20 (assuming a normative increase of 5-10% every year).
- c) Year to year physical outputs, consistent with the financial resources projected above, need to be worked out in a manner that is not out of line with the measurable outcomes as defined in para (a) above.
- d) The output-outcome framework may be got approved from CEO, NITI Aayog by the end of the first quarter i.e. 30 June 2016.
- e) An evaluation framework will also be designed for each scheme based on this exercise. Continuation of any scheme beyond the Fourteenth Finance Commission period will be contingent on the result of such evaluation conducted by NITI Aayog.

3. I would request you to carefully identify the outcome parameters that would be true indicators of the desired outcome. This may be given top priority as the forthcoming RE/BE and outcome budgets will be based on this exercise.

With regards,

Yours sincerely,
Sd/-
(Ashok Lavasa)

Secretary to the Govt. of India as per list attached.

Copy to: CEO, NITI Aayog