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APPENDIX-4

ENHANCEMENT IN THE FINANCIAL POWERS OF MINISTRIES/ DEPARTMENTS WITH REGARD TO EXPENDITURE ON NON-PLAN SCHEMES/ PROJECTS

G.I., M.F, D.O. No. 1/11/E.II (A)/03, dated 28-10-2003

Sub:- Enhancement in the Financial Powers of Ministries/ Departments with regard to expenditure on Non-plan Schemes/ Projects

As you may be aware, the cabinet Secretariat has constituted a Core Group on Administrative Reforms under the Chairmanship of Cabinet Secretary to formulate specific changes in the systems and procedures and to devise strategies for changing attitudes with a view to bring about Administrative Reforms in a time-bound manner. One of the items identified for consideration of the Core Group was to expedite decision-making and enforcing greater accountability in the line Ministries and Departments by delegating more financial powers which were, hitherto being exercised by Ministry of Finance.

2. Based on the recommendations of the Core Group, this Ministry has decided to delegate greater financial authority on the following items of expenditure:-

(i) Permission to Ministries/ Departments to revive/ fill up vacancies presently deemed abolished, if more than one year old.

(ii) Full powers to Ministries/ Departments regarding purchases/ contracts/ technical collaboration/ consultancies.

(iii) Enhancement of powers of Ministries/ Departments for approving non-plan Scheme/ Projects from Rs. 5 crore to Rs. 15 crore.

(iv) Full powers to Vice-President's Secretariat for incurring recurring contingent expenditure at par with Central Ministries/ Departments.

(v) Full powers to Ministry of Parliamentary Affairs, President's Secretariat and Vice-President's Secretariat for incurring recurring miscellaneous expenditure at par with Central Ministries/ Departments.

(vi) Full powers to Ministries/ Departments for incurring expenditure on light refreshments at formal inter-departmental meetings and conferences, etc.

(vii) Full powers to Ministries/ Departments to decide the limits up to which they wish to delegate powers to HoDs for contingent and miscellaneous expenditure.

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3. Instruction have accordingly been issued for Item No. (i) above and circulated to all Ministries vide O.M. No. 2/1/E.Co-ord. 1/2003, dated 9-9-2003. For remaining items, necessary amendments/ changes in the Delegation of Financial Power Rules, 1978 have been made vide this Department's Notification of even number, dated 16-9-2003 and OM of even number, dated 2-9-2003.

4. It has further been decided that the enhanced delegated powers shall be exercised in consultation with the Financial Adviser of the Department concerned. However, in the event of being overruled, FA would have the discretion to bring the matter to the notice of Secretary (Expenditure).

5. It is felt that the enhanced delegation of powers will help in expediting decision-making and improving the efficiency of your Department in financial matters. However, to assess the usefulness and effectiveness of the enhanced delegation, it has been decided to review the matter after a year. You are, therefore, requested to send a quarterly report to this Department addressed to Joint Secretary (Per.) in the pro format enclosed herewith, after close of quarters ending December, March, June and September so as to reach this Department by 15th of the following month. The feedback will help this Department in ascertaining whether the increased financial powers have helped the line Ministries/ Departments in quicker decision-making, with due care being given to economy and effectiveness.

PROFORMA – I

Item		Details
(a)	Posts(s) up to DS and Director level revived – designation, scale of pay, number of posts, date of vacancy and mode of recruitments.	
(b)	Functional justification.	
(c)	Details of matching savings provided – designation, scale of pay and the number; and whether filled up posts or vacant and if so, the date of occurrence of vacancy.	
(d)	Confirmation to the effect that the conditions prescribed for revival have been strictly followed.	

PROFORMA – II

I – Item		Number	Details/ Nature
1.	Non-plan Projects/ Schemes approved by Ministry/ Department involving expenditure of Rs. 5 crore-15 crore		
2.	Tender/Contra		

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	cts approved by Ministry/ Department		
(i)	Open tender cases exceeding Rs. 200 crore		
(ii)	Single/ negotiated/ proprietary tender contracts exceeding Rs. 5 crore		
(iii)	Technical collaboration/ consultancy services exceeding Rs. 2 crore		
II - Item		Item of Expenditure	Monetary limit fixed by the Admn. Ministry
(i)	Powers delegated by Ministries/ Departments to their HoDs for items of expenditure as specified in Column 2 of the Annexure to Schedule V of DFPRs for which full powers were not vested with HoDs, prior to this delegation.		
(ii)	Powers delegated by Ministries/ Departments to their HoDs for incurring Miscellaneous Expenditure.		
III – Item		Nature/ Number of events	Total and per head expenditure per meeting/ event
Expenditure incurred by Ministries/ Departments on light refreshments at formal interdepartmental meetings and conferences, etc.			
IV – Item		Details	
(i)	Expenditure incurred by Vice-President's Secretariat for different items of recurring contingent expenditure.		
(ii)	Expenditure incurred by		

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	Ministry of Parliamentary Affairs, President's Secretariat and Vice-President's Secretariat on recurring items of Miscellaneous Expenditure.		

G.I., M.F., O.M. No. 7(5)/E.Co-ord./2004, dated 24-9-2004

Sub.: - Guidelines on expenditure management – Fiscal prudence and austerity

In supersession of this Department's O.Ms., dated 17-6-1996, 20-8-1998, 5-8-1999, 24-9-2000 and 10-10-2001 on the subject cited above, the following austerity measures shall take effect from October 1, 2004:-

(i) All on-going programmes and schemes, both Plan and Non-plan, should be carefully reviewed, scrutinized and evaluated to determine their continued relevance. This exercise should be taken up immediately and completed before the end of this calendar year.

(ii) Deviations of expenditure from the prescribed budgetary ceilings should not be allowed FAs should personally ensure that unauthorized expenditure above the appropriations is not incurred in any circumstances.

(iii) It should be ensured that all profit-making PSEs declare a minimum dividend on equity of 20% or a minimum dividend pay out of 20% of post-tax profits, whichever is higher. The minimum dividend pay out in respect of Oil, Petroleum, Chemical and other infrastructure sectors should be 30% of post-tax profits;

(iv) All profit making companies must also consider issuing bonus shares to the Governments;

(v) All profit making Joint Venture companies hold be asked to make concerted efforts to give a dividend of 20% on Government equity holding:

(vi) Other non-tax receipts should be revised so that at least the cost of the services is recovered.

(vii) Budget formulation should lay greater emphasis on explicit recognition of the revenue constraints and a realistic projection of the budgetary allocations required for various projects/ schemes and there must be rigid adherence to budgetary ceilings. All procedures laid down for incurring both Plan and Non-Plan

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expenditure on schemes should be followed scrupulously. In view of the server constraints on resources, additional funds to any Ministry or Department shall not be provided at the revised estimate stage, except in rare and exceptional circumstances.

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

(ix) There have been cases of Ministries releasing funds to autonomous bodies year after year, despite the fact that there are substanitial balances with them remaining unutilized and kept in deposit with the banks. The Ministries should complete a detailed review of all such cases by 31-0-2004 and, pending such a review; the Ministries are advised not to release funds in such cases. The responsibility for regulating release of funds in these cases will rest with the Financial Advisers (FAs).

(x) Most autonomous bodies ar given 100% deficit grants. These shall be reduced in a graded manner by 5% in successive years, i.e., to 95% in the first year, 90% in the second year and so on, in respect of such bodies which have the potential of raising resources.

(xi) Timely repayment of loans provided by the Government to the PSUs and payment of fees/ charges on Government Guarantees should also be monitored by the FAs.

(xii) There shall be a mandatory 10% cut in the budgetary allocation for non-plan, non-salary expenditure, including OTA/ honorarium, No re-appropriation of funds to augment these heads of expenditure would be allowed. Austerity must be reflected in furnishing of offices/ offices at residences. The expenditure limit prescribed for these purposes shall be strictly enforced.

(xiii) Utmost economy should be exercised in use of staff cars and other official vehicles, In accordance with the ceiling prescribes at Sl. No. (xii), there shall be a 10% cut in the consumption and allocation of funds for expenditure on POL and travel.

(xiv) Foreign travel should be restricted to unavoidable official engagements. There shall be a ban on foreign travel for Study Tours, Seminars, Workshops, etc., funded by the Government of India except for annual and other formal meetings of bilateral/ multilateral bodies, viz., IMF, world Bank, WHO, ILO, Joint Commissions, etc. size of official delegations, where foreign travel is unavoidable, shall be restricted to the bare minimum.

(xv) The rate of per diem allowance for travel aboard to all countries and for all categories, officials/ non-officials belonging to Government, autonomous institutions and PSUs shall continue to be depressed by 25% as at present.

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(xvi) Utmost austerity will be observed in organizing conferences/ seminars/ workshops. All grants being given for such purposes would be reviewed by Department of Expenditure.

(xvii) Ban on creation of Plan and Non-Plan posts will continue. Any unavoidable proposals for the creation of plan posts including Groups 'B', 'C', and 'D' posts shall continue to be referred to the Ministry of Finance (Department of Expenditure) for approval.

(xviii) Every Ministry/ Department shall undertake a review of all the posts which are lying vacant in the Ministry/ Department and in the Attached and Subordinate Offices, in consultation with the Ministry of Finance (Department of Expenditure). FAs will ensure that the review is completed in a time-bound manner (and, in any event, not later than 31-10-2004) and full details of vacant posts in their respective Ministries, etc., are available. Till the review is completed, no vacant posts shall be filled up except with the approval of the Ministry of Finance (Department of Expenditure).

(xix) Implementation of existing instruction concerning abolition of posts should be ensured.

(xx) Purchase of new vehicles is banned until further orders. Exceptions will be allowed only for meeting the operational requirements of defence, Central Paramilitary Forces, etc. New vehicles shall not be purchased even in replacement of condemned vehicles. Hiring of private vehicles form outside shall be limited to the number of vehicles condemned.

2. Secretaries to the Governments of India and Financial Advisers are requested to ensure strict compliance of the above instructions.