

**GOVERNMENT OF ODISHA
FINANCE DEPARTMENT**

No. 1068 /F., Date 10.01.2013
Codes-27/2011

OFFICE MEMORANDUM

Sub: Systematic appraisal and approval of new schemes or new services under Non-Plan and State Plan Schemes and where the scope of an existing scheme is proposed to be substantially altered and/ or cost estimate of projects/ schemes are to be revised.

Systematic appraisal and approval of new schemes or a new service where the scope of an existing scheme is proposed to be substantially altered and cost estimate of projects/schemes to be revised was under consideration of the State Government for some time past in line with the Standing Finance Committee (SFC) and Expenditure Finance Committee (EFC) of Government of India. After careful consideration, it has been decided to prescribe the detailed procedure for appraisal and approval of schemes/Revised Cost estimate as mentioned hereunder.

2. Authority for appraisal of new scheme or a new service, or where the scope of an existing scheme is proposed to be substantially altered:

(i) New scheme or a new service, or where the scope of an existing scheme is proposed to be substantially altered shall be subject to appraisal at different levels depending upon the financial estimated outlay of the scheme as indicated below.

Sl. No.	Financial Limit	Appraisal Forum
1	Upto Rs. 5.00 crore under State Plan.	Concerned Administrative Department in consultation with the Financial Advisor of the Administrative Department.
2.	Above Rs. 5.00 crore and upto Rs. 25.00 crore under State Plan.	Standing Finance Committee of the Administrative Department under the Chairmanship of Secretary concerned with Financial Advisor as Member-Convenor, Special Secretary/ Additional Secretary/ Joint Secretary in-charge of the scheme concerned in the Department, concerned Heads of Department, representative of Finance Department, Planning & Coordination Department and representative of related Department, if required.
3.	(a) All Non-Plan schemes irrespective of the cost. (b) State Plan Schemes costing more than Rs. 25.00 crore.	Expenditure Finance Committee (EFC) headed by Secretary, Finance and consisting of Secretary and Financial Advisor of the Administrative Department, concerned Heads of Department, Special Secretary/ Additional Secretary, Planning & Coordination Department, representative of line Department not below the rank of Additional Secretary and Special Secretary/ Additional Secretary/ Joint Secretary/ Deputy Secretary of Finance Department in-charge of Resources/ Expenditure Control Branch, Financial Advisor of the Administrative Department will be Member-Convenor

(ii) Decision whether the scope of the scheme has not been substantially altered, is to be taken by the Secretary of the Administrative Department in consultation with the Financial Advisor of the concerned Administrative Department. However, to facilitate a decision on uniform basis, as far as possible, the following changes shall be deemed to constitute alteration in the scope of a scheme and which may be taken into account while taking such a decision.

- a) Any change that may lead to a change in the objectives of an approved scheme (which includes any material change in its physical scope).
- b) Any change in the programmes through which the objectives of an approved scheme are to be achieved.
- c) Any change in the pattern of resources including funds.

(iii) The relevant detailed information for appraisal by the appropriate forum as indicated above would be furnished in the **format at Annexure**.

3. Authority for approval of the new scheme or new service or substantial alteration of the existing scheme.

(i) The authority competent to accord approval/sanction of the new scheme or new service or substantial alteration of the existing scheme would be as indicated below.

Sl. No.	Schemes/ Service outlay	Authority competent to accord sanction/ approve the outlay of the new schemes/ services outlay/ alteration of the existing scheme	Remark
1	(a) Upto Rs.100.00 crore in case of Non-Plan (b) Upto Rs.100.00 crore under State Plan schemes	Minister in-charge of the Administrative Department.	Prior concurrence of P&C Department and Finance Department is deemed to have been taken at the time of appraisal and further separate concurrence is not necessary.
2	(a) Above Rs.100.00 crore and upto Rs.250.00 crore in case of Non-Plan (b) Above Rs.100.00 crore and upto Rs.250.00 crore in case of State Plan schemes	Chief Minister	Prior concurrence of P&C Department and Finance Department is deemed to have been taken at the appraisal stage and further separate concurrence is not necessary.
3	(a) Above Rs.250.00 crore in case of Non-Plan. (b) Above Rs.250.00 crore in case of State Plan schemes.	Cabinet.	Prior concurrence of P&C Department and Finance Department is deemed to have been taken at the appraisal stage and further separate concurrence is not necessary.

(ii) Approval/ sanction of the schemes/ services includes design, delivery mechanism, financial outlay and all other relevant parameters for monitoring and evaluation.

(iii) Irrespective of the recommendations of the Appraisal Forum, specific approval/ concurrence of Finance Department for creation of new posts is mandatory.

(iv) The cost ceilings specified in para-2(i) and sub-para (i) above will be calculated for the projected cost for a period of five years.

4. Appraisal and approval of the revised cost estimates of the projects/ schemes

(a) The Revised Cost Estimates (RCE) of the projects/ schemes, both new which have gone through appraisal forum as well as on-going projects/ schemes which have not passed through appraisal forum shall have to be appraised and approved in the following manner.

(i) Projects/ schemes with original outlay upto Rs 25.00 crores under State Plan schemes 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%** of the original cost (excluding the change statutory levies, exchange rate variations and price escalation within the approved project time cycle) is to be appraised by the Standing Finance Committee (SFC) of the Administrative Department and approved by the Minister-in-Charge of the concerned Administrative Department.

(ii) RCE cases Projects/ schemes indicated above (upto Rs 25.00 crores under State Plan schemes), involving increase of **more than 20%** after excluding the increase due to change in statutory levies, exchange rate variations and price escalations within the approved project time cycle will require appraisal by Expenditure Finance Committee (EFC) headed by Secretary, Finance Department and approval by the Chief Minister.

(b) RCE cases Projects/schemes with original out-lay exceeding Rs 25.00 crores and upto Rs.250.00 crore in case of State Plan schemes and all Non-Plan schemes costing upto Rs 100.00 crore arising due to change in statutory levies, exchange rate variations and price escalations within the approved project time cycle as well as the cases involving further cost increase (excluding the changes due to statutory levies, exchange rate variations and price escalation within the approved project time cycle) will require appraisal by Expenditure Finance Committee headed by Secretary, Finance Department and approval of the Chief Minister.

(c) RCE cases of the projects/schemes with original outlay of above Rs.250.00 crore under State Plan and above Rs.100.00 under Non-Plan schemes arising due to changes in statutory levies, exchange rate variations, price escalation within the approved project time cycle as well as the cases involving further cost increase (excluding the change due to statutory levies, exchange rate variations and price escalation within the approved project time cycle) shall require appraisal at the level of the Expenditure Finance Committee and approval by the Cabinet.

5. Procedure for appraisal by Standing Finance Committee / Expenditure Finance Committee

The Administrative Department shall prepare Standing Finance Committee/ Expenditure Finance Committee Memorandum in the prescribed format appended to this Office Memorandum. The Secretary of the Administrative Department shall approve the Memorandum after which the Administrative Department shall circulate the same to Finance Department, Planning & Coordination Department and other Departments whose functional jurisdiction as per the Rules of Business is likely to be affected. In case of beneficiary oriented Social Sector Schemes, SC & ST Development Department and Women & Child Development Department shall be consulted. The consulting Departments on receipt of copy of the Memorandum shall within 2 weeks time furnish their responses. In case no reference is received within 2 weeks the Administrative Department shall issue a reminder to the consulting Departments insisting for their response within further 7 days time. After conclusion of such period the Chairman of the Committee shall fix up a date for the meeting. **In the absence of clear cut 2+1 week prior notice, the memorandum shall not be taken into consideration for appraisal.**

6. On receipt of comments from the consulting Departments, the Administrative Department will prepare a statement showing the observations of the consulting Department and response of the Administrative Department to each such observation. The statement will be circulated along with the notice for convening the meeting. Atleast three clear days will be allowed between the issue of notice for the meeting and the scheduled date of the meeting.

7. Procedure for approval of new scheme or a new service, or where the scope of an existing scheme is proposed to be substantially altered after appraisal:

After appraisal of the new schemes or a new service, or where the scope of an existing scheme is proposed to be substantially altered and cost estimate of projects / schemes to be revised, the concerned Administrative Department will take the approval of the Competent Authority as indicated in Paragraph-3 and 4 above keeping in view the provisions of Rules of Business and internal delegation made within the Department.

8. Schemes funded under RIDF, Externally Aided Project, AIBP, Finance Commission grants etc are not required to be placed for appraisal and/ or approval as these are governed by separate appraisal and approval mechanisms. It is the new scheme/ service or programme as a whole which needs appraisal and approval but not the different item/ component of work thereunder, which is to be sanctioned/ approved by the competent authority as per the Delegation of Financial Power Rules and extant codal Provisions/ Rules and Regulations. As such the individual items of work like- construction of buildings, Roads and Bridges, Irrigation canals etc under different plans and programmes so appraised and approved are not required to be appraised and approved again.


9. After the schemes have been appraised and approved, the Administrative Department concerned should furnish a Memorandum in Form-I to Finance Department (Both for Non-Plan and State Plan) and for State Plan schemes to Planning & Coordination Department containing the relevant information relating to

the new scheme or new service or where the scope of an existing scheme is proposed to be substantially altered for enabling the Finance Department and Planning & Coordination Department to take appropriate follow up action. Cost of the scheme appraised/ approved will normally remain valid for and limited to 5 years unless otherwise specifically stipulated at the appraisal/approval stage.

10. These instructions shall be deemed to be a part of Odisha General Financial Rules & Delegation of Financial Power Rules and the relevant provisions thereof would stand modified/ revised accordingly. The financial limits stipulated in Paragraph-2, 3 and 4 above will automatically stand revised as and when the Delegation of Financial Power Rules are amended from time to time.

11. This has been concurred-in by the Planning & Coordination Department vide their **UOR No. 284/PL-I, dt. 17.11.2012.**


By Order of the Governor.


08/1/13

ADDITIONAL CHIEF SECRETARY TO GOVERNMENT.


Memo No. 1069 /F., Date 10.01.2013

Copy forwarded to the Secretary to Governor/ Principal Secretary to Chief Minister/ Private Secretary to all Ministers and Ministers of State/ Accountant General (G&SSA), Odisha, Bhubaneswar/ Accountant General (E&RSA), Odisha, Bhubaneswar/ Accountant General (A&E), Odisha, Bhubaneswar/ Deputy Accountant General (Works) Odisha, Puri/ all Departments of Government/ all Heads of Departments/ all Financial Advisors/ all Assistant Financial Advisors/ all Collectors/ all Treasury Officers/ all Sub-Treasury Officers/ Director, Madhusudan Das Regional Academy of Financial Management, Chandrasekharpur, Bhubaneswar/ Director, Gopabandhu Academy of Administration, Bhubaneswar/ Registrar of all Universities for information.


UNDER SECRETARY TO GOVERNMENT


Memo No. 1070 /F., Date 10.01.2013

Copy forwarded to P.A. to Principal Secretary/ P.S. to Special Secretary/ P.S. to all Additional Secretaries/ all Officers/all Branches of Finance Department/ Guard File (100 copies) for information and necessary action.


UNDER SECRETARY TO GOVERNMENT

Memo No. 1071 /F., Date 10.01.2013

Copy forwarded to the Head, Portal Group, Secretariat, Odisha for information and necessary action. It is requested to host this Office Memorandum in the website (www.odisha.gov.in/finance/index.htm) of Finance Department for general information.


UNDER SECRETARY TO GOVERNMENT

FORMAT FOR SFC/ EFC MEMORANDUM

1. Project identification

- 1.1 Title of the project/ scheme:
- 1.2 Name of the sponsoring agency (Department/ Autonomous Body/ PSU):
- 1.3 Proposed duration of the project
- 1.4 Total cost of the project over the proposed duration

2. Project Status

- 2.1 Please indicate which category the project belongs to:
 - (a) Continuing scheme from past Plan periods and included in current Plan period.
 - (b) New Plan Scheme proposed in the current Plan period/ New Plan scheme not included in the current Plan period
 - (c) Revised Cost Estimate (RCE) proposal
- 2.2 If project pertains to category 2.1 (a), please summarise the benefits already accrued and expenditure already incurred along with an independent evaluation of the past performance of the project scheme.

3. Justification for the project

- 3.1 The justification for taking up/ continuing the project or scheme may be provided.
- 3.2 The alternatives that have been considered before firming up the design of the project may be stated. (This should also include alternate modes of project delivery, e.g. outsourcing PPP etc. that have been considered).
- 3.3 Please state whether the project proposal has objectives and which overlap with projects/ schemes being implemented by the same or another agency (Department/ Government Agency). In cases of overlap, please state why the project scheme needs to be considered as a separate standalone effort.

4. Project Objectives and targets

- 4.1 The objectives of the project may be mentioned. These objectives should flow from the project justification.
- 4.2 The expected date of project/ scheme completion may be stated. This should be realistic and supported with a chart indicating timelines for the important activities, with a critical path analysis, identifying the main constraints.
- 4.3 The specific targets proposed to be achieved of the project/ scheme may be mentioned. These targets should be necessary measurable. These should also be monitor-able, against baseline data. The baseline may be indicated.

5. Project design

- 5.1 Briefly explain the project Design. This should include all components of the project.
- 5.2 In case the project or scheme is location specific, please state the basis for selection of such location.
- 5.3 If the project involves creation/ modification of structural and engineering assets or change in land use plans, disaster management concerns as brought out in OM No. 37(4)/PF-II/2003 dated 19-06-2009 of Plan Finance-II Division, Department of Expenditure, Ministry of Finance available in the web-site of Ministry of Finance should be assessed. A self-certification in this regard may be enclosed with the SFC/EFC memo.
- 5.4 In case of beneficiary oriented project/ scheme, the mechanism for identification of the beneficiary and the linkage of beneficiary identification with UID numbers/National Population Register/Photo Identity Card may be indicated as advised in O.M. No. 1(3)/PF-II/2001 dated 09.08.2010 of Plan Finance-II Division, Department of Expenditure, Ministry of Finance available in the web-site of Ministry of Finance.
- 5.5 Wherever possible, the mode of delivery should involve the Panchayati Raj Institutions and Urban Local Bodies. Where this is intended, the preparedness and the ability of the Panchayats for executing the project may be indicated. If exceptions are to be made, the reasons may be explained.
- 5.6 In case the project involves land acquisition or environmental clearances, the specific requirements and the status in this regard may be indicated.
- 5.7 The legacy arrangements after the scheduled project duration may be mentioned. In case the project creates assets, arrangements for their maintenance and upkeep may be stated. (For example the project assets may be taken over and maintained by the State Government/ PRIs; ULBs).
- 5.8 Whether the guidelines of Bureau of Energy Efficiency and other related guidelines for energy efficient buildings etc. have been considered / complied with.
- 5.9 Whether the project is secured against natural/ man-made disasters like floods, cyclones, earthquakes, tsunamis etc.

6. Project/Scheme cost

- 6.1 Please provide the project cost estimate for its scheduled duration along with a break-up of year-wise, component-wise expenses segregated into non-recurring and recurring expenses. It may also be indicated whether land is needed, if so whether which agency is providing for it, and in case the cost of land is to be booked to the project, whether it has been included in the estimates.
- 6.2 Estimated expenditure on project administration (including expenses on consultants, etc.) may be separately indicated.
- 6.3 The basis of these cost estimates along with the reference dates for normative costing may be provided. The firmness of the estimate may be indicated along with the cost components that can vary, the factors that could cause the variation and the extent of the expected variation.

- 6.4 In case the project/ scheme involves payout of subsidy, the year wise expected outgo, up to the last year of payout, may be indicated.
- 6.5 In case the project/ scheme intends to create capital assets, employ specialised manpower or involves other activities that necessitate a Recurring Cost of Capital Expenditure (RCCE) (e.g., maintenance and upkeep costs of assets, salary costs of manpower, etc.) over the lifetime of the asset, such expenditures, on an annual basis, may be indicated in the project proposal.
- 6.6 It may also be stated whether the agency which would be assigned this legacy responsibility has been consulted and has agreed to bear the continuing recurring expenditure. (e.g., the PRIs/ULBs may need to incur the maintenance and upkeep costs of assets created under Plan schemes).
- 6.7 The cost towards salary/ fees/ emoluments of the project human resources as being proposed should be indicated (procedure for seeking approval of the human resource requirements is however detailed at para-7 below).
- 6.8 The component of the costs mentioned at 6.1-6.7, that will be shared by the State Government/PRIs/ULBs may be indicated.
- 6.9 In the event of fund transfer being made to PRIs/Urban local bodies or other organisations, "grants for creation of capital assets" may be indicated separately.

7. Project Human Resources

- 7.1 Please indicate whether the nodal officer directly in charge of the project has been identified. Details about his status, past experience in executing similar projects and balance tenure left for steering the project may also be mentioned.
- 7.2 In case posts (permanent or temporary) are intended to be created, such proposal may be sent on file to Finance Department separately. Such proposals may be sent only after the overall project proposal is recommended by the appropriate appraisal body (SFC, EFC, etc.). However, posts can be created only after approval/concurrence of Finance Department is obtained.
- 7.3 In case outsourcing of services or hiring of consultants is intended, brief details of the same may be indicated. It may also be certified that the relevant O GFR provisions will be followed which engaging the agency/ consultant
- 7.4 In case additional manpower requirement, please indicate the phased requirement over the project timeline (i.e. year-wise break- up of the manpower requirement).

8. Project financing

- 8.1 The source of financing for the project may be indicated. In case of project already included in the FYP, the specific earmarking may be mentioned. In case of any deviations from this quantum, the sponsoring agency may indicate how the gap will be addressed.
- 8.2 The availability of funds in the budget of the present year and the requirements projected may be mentioned. In case of any deviations, please indicate how the gap will be addressed.

- 8.3 If external sources are intended, the sponsoring agency may indicate whether such funds have been tied up. In case firm commitment is not available, alternate plans for arranging funds may be indicated.
- 8.4 Whether the funding requirements have been fully tied up with Planning Commission may be indicated.

9. Project viability

- 9.1 In case of projects which have identified stream of financial returns, the financial internal rate of return may be calculated. The hurdle rate is considered at 12%.
- 9.2 In case of projects where financial returns are not readily quantifiable (typically social development projects), the economic rate of return may be estimated.

10. Project implementation, monitoring and evaluation

- 10.1 The administrative structure for implementing the project may be stated. In case new structures/ entities etc. is by and large to be avoided. In case new structures are intended to be created for administering the scheme, the details of such structures and specific justification for the same may be provided. Such new structure should be proposed only if it is/has been established after proposed/additional work.
- 10.2 A flow chart for the intended fund flow mechanism may be indicated. Funds flows for all schemes/ projects should ordinarily be through the Government Departments/PSUs/PRIs/ULBs.
- 10.3 The monitoring framework for the project/ scheme may be indicated. The arrangements for audit of the project may also be stated.
- 10.4 Measurable parameters for evaluation of impact and outcome with reference to the scheme objective should be indicated.
- 10.5 Period of evaluation such as mid-term/concurrent/post project etc. and method of evaluation viz. in-house/third party will also be provided.

11. Project/Scheme sensitivities

- 11.1 Any foreseeable constraints/ uncertainties which can affect the technical design, costing and implementation of the project may be indicated.
- 11.2 The likely impact of these constraints/ uncertainties on the project parameters may be stated. In particular, the sensitivity of the project cost, project schedule and project viability towards the possible constraints/ uncertainties may be mentioned.

12. Project period

- 12.1 The expected date of project completion may be stated. This should be realistic and supported with PERT chart of the important activities, with a critical path analysis, identifying the main constraints.
- 12.2 The project closure date should be also indicated beyond which further government support/ disbursement of funds will not be required.
- 12.3 A time line for the project deliverables (i.e. measurable deliverables phased year-wise) may be included.

13. RCE proposals

- 13.1 Details of physical progress achieved and expenditure incurred and commitment made so far may be given.
- 13.2 Date of latest approved, revised and proposed completion schedule of the project along with time overrun and reasons thereof may be elaborated. Revised cost as propose may be given.
- 13.4 Reasons of increase in cost may be given in the following manner
 - (a) Price Escalation
 - (b) Foreign Exchange variation
 - (c) Statutory levies
 - (d) Change in Scope
 - (e) Addition/ deletion
 - (f) Under-estimation
 - (g) Others (to be specified)
- 13.5 The underlying justification for increases in cost due to various factors may be explained.
- 13.6 Effect of revision in capital cost estimates on cost of production and profitability / viability with reference to earlier approved capital cost of the project
- 13.7 Evaluation Reports by in-house/external agencies, Audit Reports etc. on the outcome of the projects, if any, should be brought out in the Memorandum.
- 13.8 Report of Departmentally related Standing Committee, if any, to fix the responsibility for cost and time overrun along with action taken report on its recommendations may be appended with the memo.

Form-I
[See Paragraph-9]

**MEMORANDUM FOR PROPOSALS INVOLVING
EXPENDITURE ON NEW SERVICE OR NEW INSTRUMENT OF SERVICE**

Government of Odisha
Department of

MEMORANDUM

1. **Statement of proposal :**
 - a) Title of the proposal / scheme.
 - b) Description of the proposal / scheme and its objects.
 - c) Justification for the proposal / scheme and what alternatives have been considered.
 - d) Description of the manner in which the proposal / scheme is proposed to be implemented including mention of agency through which the scheme will be executed.
 - e) Schedule of programme and target date of completion.

2. **Financial implications of the proposal :**
 - a. Nature of the scheme (Plan- State/Central or Centrally sponsored – or Non- Plan.)
 - b. Total outlay (recurring and non-recurring separately), its broad details and its year-wise phasing.
 - c. (i) Plan allocation, in a Plan scheme; and
(ii) Budget provision in the current financial year;
if no Budget provision exists, how is the expenditure proposed to be met?
 - d. Component of grant, loan and subsidy, if any, in the total outlay involved and their proposed terms.
 - e. Number of posts, their pay scales and the basis adopted for staffing (Statement attached).
 - f. Broad details of construction works, their justification and basis of estimates (Statement attached).
 - g. Requirement of stores and equipment together with justification and cost (Statement attached).
 - h. Achievement / return expected and other economic implications, if any.

3.
 - a) Comments, if any, of the Planning & Coordination Department (for Plan Schemes only).
 - b) Comments, if any, of other Departments which may have been consulted.
 - c) Whether Appraisal made by SFC/ EFC and approval by the competent Authority.

4. Supplementary information, if any.

5. Points on which decision / sanctions are required.

Secretary to the Government.
Department of