

Sudha Pillai
Secretary

Government of India
Planning Commission
Yojana Bhawan, Sansad Marg,
New Delhi-110001

D.O. No. O-14015/1/2006-PAMD

Dated: 14th January 2010.

Dear Secretary,

Ministry of Finance vide OM No. 1(3)/PF.II/2001 dated 15th November 2007 had circulated guidelines for formulation, appraisal and approval of government plan funded projects/schemes to be made effective over the duration of XI Plan, specifying SFC/EFC/PIB procedures and delegation of financial powers. Project Appraisal and Management Division (PAMD) within the Planning Commission has the responsibility for appraisal of PIB/EFC proposals costing Rs. 50 crore and above. The time limit for completion of appraisal by appraising agencies including PAMD in the Planning Commission has been revised to 4 weeks from 6 weeks prescribed earlier to expedite the decision making process of investment proposals vide Cabinet Secretariat OM No. 1/28/1/2009-Cab dated 3rd December 2009 addressed to Secretaries to the Govt. of India.

The appraisal of EFC/PIB proposals is one the critical stages in investment approval cycle. Our experience shows that the major reason for delay in appraisal is the poor quality of DPR/EFC/PIB proposals and bunching of proposals. In spite of clear instructions of the Govt that all EFC/PIB proposals costing over Rs. 50 crores should be submitted along with a detailed project report, in most cases, DPRs are not available. This made delays unavoidable, particularly in the first 2 years of the Five Year Plan. EFC/PIB Memos are also circulated without tying up adequate funding and the concurrence of the Financial Advisers of the concerned Ministries. In some instances EFC/PIB proposals for new schemes (not included in Plan) are sent for appraisal without obtaining 'in principle' approval of the Secretary, Planning Commission. Deputy Chairman, Planning Commission had addressed his views in the context of deficiencies in project formulation and bunching of proposals vide D.O. No. DCH/02/08/C.D.-117 dated 20/29.09.2008 to all the Union Ministers (copy enclosed).

An illustrative check list highlighting major points on which data/information should invariably be furnished in the EFC/PIB memo, is enclosed with this letter for bringing qualitative improvements in the proposals. I will urge you to kindly ensure that well formulated projects/schemes with adequate data/information in the EFC/PIB format, DPR and with adequate funding tie-ups are sent to Adviser (PAMD) and Adviser, Subject Division in the Planning Commission for appraisal.

The outer limit for issue of appraisal note by the PAMD is fixed at 4 weeks from the date of receipt of EFC/PIB Memo. However, there have

been some instances where Ministry/Department have fixed EFC/PIB meetings at a very short notice, which creates undue pressure and affects the quality of appraisal, consequently resulting in the delay of appraisal of other proposals. I would, therefore, request that the Ministry/Department should fix EFC/PIB meeting after the receipt of appraisal note from PAMD. In case appraisal note from PAMD is not received within 4 weeks time, EFC/PIB meeting could be fixed and views of PAMD obtained during the meeting.

The Full Planning Commission approval is required for introduction of new Centrally Sponsored Schemes. As per laid down procedures, the proposal seeking FPC approval should be sent to the Planning Commission after recommendation of the EFC and before circulation of the Draft Note for Cabinet/CCEA. Ministries could start prepare draft Cabinet/CCEA notes soon after sending a request to the Planning Commission for FPC approval. Planning Commission will make efforts to get the FPC approval within a period of four weeks so that comments/recommendations, if any of the Full Planning Commission, can easily be incorporated in the final Cabinet/CCEA Notes.

The progress of appraisal of EFC/PIB is vigorously reviewed on a weekly basis in the Planning Commission. All EFC /PIB proposals received for appraisal have been put on the web-site (<http://pcserver/efc/>). This information is updated weekly. Ministries can track the progress of their proposals and laid down deadlines online.

I hope you will appreciate the need of bringing improvements in formulation of EFC/PIB proposal to enable us to adhere to the stipulated timeframe for appraisal and expediting the final approval by the competent authority.

With warm regards,

Yours sincerely,

s/d
(Sudha Pillai)

Secretaries,
All Central Ministries

D.O. No. O-14015/1/2006-PAMD Dated: 14th January 2010.

Copy for information and necessary action to:

1. Cabinet Secretary, Rashtrapati Bhavan, New Delhi.
2. Secretary (Expenditure), North Block New Delhi.
3. Joint Secretary, PMO, South Block New Delhi
4. Financial Advisers, All Central Ministries.
5. PS to Deputy Chairman, Planning Commission.
6. S.O.(PAMD), Planning Commission (guard file)

Illustrative Check List for Formulation of EFC/PIB Proposals

- **Proper classification of Scheme/project as Central Sector or Centrally Sponsored.**
- **Description of location, area, segment of population proposed to be covered.**
- **Broad description of programmes/projects launched earlier, if any, for providing similar services and experience gained.**
- **Convergence /Inter-linkages with other existing/proposed programmes.**
- **Data/information on demand and supply estimates to indicate gaps.**
- **Examination of alternatives with physical and financial parameters to arrive at least cost option to achieve given objective.**
- **In respect of ongoing schemes, evaluation report should be furnished (recent estimates) along with comparative statement of existing and proposed physical and financial norms/pattern with underlying justification. Physical & financial performance during previous plan be indicated.**
- **Need for clear identification of deliverables- identify intermediate outputs/ final outcomes with clarity**
- **Identify stakeholders- strategies for 'buying in' of each stakeholder in project life cycle**
- **Mapping of processes- detailed process flow diagram with stakeholders responsibility clearly identified.**
- **Focus on funds flow arrangement- ensuring congruence in process flows and fund flows.**
- **Quality of service delivery- devise standards in advance, benchmark performance against these standards.**
- **Issue of inter-regional equity**
- **Special focus on weaker sections and vulnerable group**
- **Recognize the differential capacity of the State to implement programmes in project design**
- **Operation and maintenance of assets created under different programmes**
- **MIS and data base**
- **Personnel for project implementation. Existing instructions to be respected. Manpower needs to be fully provided for through deputation/ outsourcing etc.**
- **Activity Schedule with matching financial and physical targets should be provided.**

- Sources of financing the project cost (budgetary support, internal resources, IEBR, loans, foreign funding, state's contribution etc.) may be clearly indicated and funding arrangement should be fully tied up as per requirement.
- Civil works estimates should be based on CPWD/PWD rates and norms along with lay out plans, designs etc.
- Break up of capital cost/ non-recurring and recurring cost under broad heads of expenditure, basis of estimates (quotations, in house data, market price etc.) and price level (month/year) preferably within 6 months.
- Comments of the financial adviser should be obtained and indicated in the EFC memo before its circulation for appraisal.
- Wherever required, environment and forest clearances should be obtained along with associated costs for R&R, environment mitigation measures etc.
- Risk and uncertainty analysis should be done and results highlighted in the proposal.
- Sensitivity analysis should be conducted for IRR, NPV, Cost of generation / production etc. should be undertaken with underlying assumptions.

Note: EFC/PIB Memos circulated without obtaining concurrence/ comments of Financial Adviser of the concerned administrative ministry and without adequate funding arrangements in place may be sent back to the Ministry.