

FILE NO 1(3)/PF.II/2001.
Ministry Of Finance
Department of Expenditure
PLAN FINANCE II DIVISION

New Delhi: May 29, 2007.

OFFICE MEMORANDUM

**Subject: Continuation of On-going Schemes from X to XI Plan:
Instructions regarding.**

Reference is invited to this Department's earlier OMs of even number dated May 10, 2002 and July 10, 2002 on the subject of continuation of Plan Schemes from IX to X Plan. In the following paragraphs, the modality for continuation of Schemes from X to XI Plan is elaborated. This modality is equally applicable to both Central Sector (CSs) and Centrally Sponsored Schemes (CSSs).

2.0 Pursuant to submission, in September, 2006, of the recommendations of an Expert Group constituted for developing concrete proposals for restructuring of CSSs, a partial Zero Based Budgeting (ZBB) exercise has been carried out by Planning Commission prior to launching of Annual Plan 2007-08 and the number of CSSs have been pruned to 82 in 2007-08 from 155 in 2006-07 (excluding 17 new CSSs proposed for 2007-08). Similarly, partial ZBB for Annual Plan 2007-08 has brought down the number of CSs to below 1,000 from 1,251 in operation during 2006-07. Planning Commission is presently engaged in review of the ongoing CSs and CSSs to decide, on the basis of a detailed ZBB exercise, their continuation, discontinuation, merger and/or rationalization in any other manner, for the remaining duration of the XI Plan.

3.0 For continuation of schemes from X Plan to XI Plan, Schemes falling under the following categories require appraisal and approval in terms of extant OMs of Department of Expenditure:

- (i) Schemes requiring modification as suggested by the Planning Commission (following the Zero Based Budgeting exercise for 2007-08 or for the full term of the Plan);
- (ii) Merger of schemes with modifications in basic parameters of the constituent schemes.

3.1 Herein, it is expressly clarified that the mere fact of merger/amalgamation under different umbrella, along with change in nomenclature will not be an adequate or sufficient reason for fresh appraisal and approval of a continuing Scheme. The necessary condition for this purpose is a modification in basic parameters.

4.0 For schemes not falling under the above categories, administrative Ministries/Departments are to ensure that before approving continuation of the Schemes in the XI Plan, the Schemes are subjected to evaluation through an **Independent, Impartial and reputed agency and the evaluation reports put through a rigorous scrutiny** with regard to performance in the X Plan. **It may be noted that proper evaluation of ongoing Schemes is of critical essence in**

view of the following important developments that have taken place in this regard lately:

1. Vide Para 100 of Budget Speech (2005-06), Finance Minister has stressed the need to emphasize "outcomes" of Schemes rather than just "outlays".
2. Prime Minister, in his letter of March 17, 2005 addressed to all Ministers, has emphasized the need to improve the quality of implementation of development programmes, in line with the Budget Speech announcement;
3. Ministry of Finance, in pursuance of these directions, has prepared an "Outcome Budget" in respect of development programmes/schemes being implemented by various Ministries/Departments which was laid in Parliament in August, 2005 and on a yearly basis since then;
4. Continuing with the general theme of increasing emphasis on "outcomes" of Schemes, rather than mere "outlays", the then Secretary (Expenditure) has addressed letters, dated December 30, 2005, to all Secretaries of Government, to initiate action to conduct comprehensive, in-depth and independent evaluations of Plan Schemes and programmes under implementation within their charge. Referring to Para 100 of Budget Speech, 2005-06, it has been underlined that Plan Schemes and programmes will not be allowed to continue indefinitely from one Plan period to another without such evaluation. It was re-iterated in a subsequent letter, dated July 27, 2006, from the then Finance Secretary to all Secretaries, that decision regarding continuation of Schemes from X to XI Plan should be supported by in-depth and independent evaluation reports.

4.1 The Financial Advisor of the concerned Ministry shall invariably be involved with such scrutiny. This would ensure that the Schemes are scrutinized as above before approving the same for continuation in the XI Plan. While the Administrative Ministry is free to evolve an appropriate format such scrutiny, it may be advisable to use the existing EFC format for this purpose.

4.2 The scrutiny as above, may, *inter alia*, yield recommendations with regard to the following:

- (I) Whether the Scheme needs to be continued in XI Plan or dissolved forthwith;
- (II) In case it is to be continued, then:
 - a. Need for improvements;
 - b. Phasing of Expenditure in the XI Plan for each component of the Scheme;
 - c. Setting of physical and financial milestones/targets for the XI Plan for each component.

5.0 The administrative Ministry can approve the continuance of the scheme for the XI Plan period, if and only if, after the scrutiny as above, all the following conditions are fulfilled :

- (a) No major change in the content or parameters of the scheme is proposed;
The word 'major' is left to the interpretation of the appraising authority with the suggestion that any change in basic parameters, e.g. change in objectives, quantum, pattern and extent of subsidy,

user fee, delivery mechanism, population coverage/beneficiary definition, eligibility conditions/criterion and so on would constitute a major change.

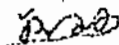
- (b) No change in the pattern of assistance to the States, in the case of a Centrally Sponsored Scheme, is envisaged;
- (c) The projected requirement of funds for implementing the Scheme over the Plan period is within the outlay approved by Planning Commission;
- (d) While approving the scheme for implementation during X Plan, the competent authority (CCEA) should not have specifically decided to terminate the scheme at the end of X Plan.

5.1 In all other instances, the extant appraisal and approval mechanisms of Government would need to be followed.

6.0 Notwithstanding the above, in respect of Schemes which have not gone through any appraisal during the IX and X Plan periods, a fresh appraisal and approval is necessary for continuation in the XI Plan, as per the extant delegation of powers in this regard. The appraisal would be based on an evaluation of the Scheme, in similar manner as prescribed above.

7.0 A question might arise as to what would be the appropriate forum for appraisal and approval in respect of such Schemes where the XI Plan outlay for the Scheme has not yet been fixed by Planning Commission. In this regard, it is clarified that the benchmark here, till such time that Planning Commission does not fix the final Plan outlays in respect of the Schemes, would be the higher of the XI Plan allocation recommended by the Sectoral/Departmental Working Group for XI Plan constituted by Planning Commission, and the figure communicated finally by the Ministry/Department to the Planning Commission. In all other cases, the advice rendered by Planning Commission in this respect would be final.

8.0 This issues with approval of Finance Minister.



BS Bhullar
Joint Secretary to Government of India.

Secretaries of all Ministries/Departments;
Financial Advisors (FAs) of all Ministries/Departments;

Copy to:

1. Advisor (FAMD), Planning Commission;
2. Cabinet Secretariat (Sri Vijay Sharma, Additional Secretary);
3. Prime Minister's Office (Ms Virdi Mahajan, Joint Secretary).