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Dr. Ahmad Masood
Adviser (PAMD)
Tel : 3710474

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Dear

The Cabinet Committee on Economic Affairs at its meeting held on 25.6.98, inter alia, decided as under:

"In every case where the project cost over-run is over 20% and is accompanied by time over-run of over 10%, or such other time and cost over-run norms as may be deemed appropriate by the Planning Commission for different types of project, the revised cost estimates should be brought up for approval of the Cabinet Committee on Economic Affairs only after responsibility is fixed for the cost and time over-runs. The Committee directed further that the Planning Commission should devise an appropriate mechanism for fixing the responsibility".

2. In pursuance of the above decision, the Planning Commission has devised the following mechanism for fixing the responsibility:

- (a) Set up a Standing Committee in each Ministry/Department to be headed by Additional Secretary or Joint Secretary and with representatives from Planning Commission, Department of Expenditure and Department of Programme Implementation as members. The Administrative Ministry/Department would act as Secretariat and would be responsible for providing document/information as may be required by the Committee.
- (b) The report of the Standing Committee would be signed by all the members of the Committee and appended to the PIB/EFC memoranda in case of PIB/EFC cases and in other cases the report in respect of projects of Rs. 200 crores and above would be submitted by the concerned Ministry to the Committee headed by Finance Secretary. Recommendations made by the Committee and action taken thereon by the concerned Ministry/Department would be placed before the CCEA. In the case of non PIB/EFC cases costing less than Rs. 200 crores, the recommendations made by the Standing Committee and action taken thereon would be submitted by the Ministry/Department directly to the CCEA.
- (c) The background note circulated for the Standing Committee should, inter alia, include : (i) a brief but comprehensive and self explanatory note on the reasons for cost and time over-run, (ii) a detailed chronology of events, starting from the date of approval, and (iii) the duly filled in check list (copy enclosed).

3. The above mechanism for fixation of responsibility would be applicable to all cases being posed to the CCEA.

4. In cases where Administrative Ministries/Departments are competent to sanction increase in project cost within the delegated powers, it would be for them to fix the responsibility for cost and time over-runs.

5. I, therefore, request you to set up a Standing Committee as mentioned above and ensure that the cases which require fixing the responsibility are brought before it without any delay.

6. This issues with the approval of Deputy Chairman, Planning Commission.

With regards,

Yours sincerely,

- Sd -

(Ahmad Masood)

Encl: As above

Secretaries/Financial Advisers
All Departments/Ministries